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COUNCIL OF THE CITY OF PHILADELPHIA

3

PUBLIC HEARING

4

BEFORE THE JOINT COMMITTEE ON LAW AND GOVERNMENT
and COMMERCE AND ECONOMIC DEVELOPMENT

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Room 400, City Hall
Philadelphia, Pennsylvania
Friday, November 20, 1998
10:30 a.m.

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10 Res. 980853 - Authorizing Joint Committees on Law &
11 Government and Commerce & Economic Development to
12 conduct investigation into whether City contractors
and recipients of financial assistance fail to pay
their employees a living wage.

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14 PRESENT:

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COUNCILMAN DAVID COHEN, Chair
COUNCILMAN MICHAEL A. NUTTER, Chair

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COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ANGEL L. ORTIZ
COUNCILMAN RICHARD T. MARIANO
COUNCILMAN FRANK RIZZO
COUNCILMAN FRANK DiCICCO

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2 CHAIRMAN COHEN: It is great to see
3 such enthusiasm on Friday morning.

4 (Applause.)

5 CHAIRMAN COHEN: But the Joint
6 Committees on Law and Government, Commerce and
7 Economic Development is now in session for the
8 purpose of considering Resolution No. 980853,
9 authorizing the Joint Committee on Law and
10 Government and Commerce and Economic Development to
11 conduct a full and comprehensive investigation into
12 whether and to what extent city contractors and
13 recipients of financial assistance fail to pay their
14 employees a living wage --

15 (Applause.)

16 CHAIRMAN COHEN: -- and why.

17 We appreciate the enthusiasm, but at
18 the same time we have got some very serious business
19 to deal with.

20 And I am going to call first a panel
21 of four people who have traveled here, mostly from
22 outside the city, to give us the advantage of their
23 expertise on why it is necessary to have facts and
24 data in order to deal with the question of a living
25 wage.

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2 I would like to invite the following
3 four people to come together on the same panel, and
4 then to address us, to take seats there.

5 Robert Brand, Stephanie Luce, Howard
6 Wile, and Carol Hemingway.

7 (Applause.)

8 CHAIRMAN COHEN: I am pleased to note
9 the presence of the city Administration folks
10 sitting to my left. Because I think it is important
11 that all of us get the same information at the same
12 time, and then we are better able to proceed.

13 Who is going to start the testimony?

14 Now, each one of you, before you
15 begin, I am going to ask you to identify your names
16 for the record so that the court reporter can
17 accurately attribute the statements to the right
18 people.

19 The first one is Robert Brand.

20 Mr. Brand, identify yourself for the
21 record and then proceed.

22 MR. BRAND: My name is Robert --

23 CHAIRMAN COHEN: Can you hold it just
24 a minute. Councilman Nutter.

25 CHAIRMAN NUTTER: I am sorry to

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2 interrupt the testimony. Mr. Chairman, I just
3 wanted to make sure for stenographic purposes we
4 recognize the members who are here presently.

5 That is, Councilman Rizzo, Councilman
6 Ortiz, yourself as Chair of Law and Government
7 Committee, myself as Chair of Commerce and Economic
8 Development, Councilman Mariano, and Councilwoman
9 Blackwell has just joined the table.

10 (Applause.)

11 CHAIRMAN NUTTER: Sorry for the
12 interruption, Mr. Chairman. Please proceed.

13 MR. ROBERT BRAND: It is always good
14 when my own District Councilperson interrupts. So
15 it is expected and helpful.

16 My name is Robert Brand. I am
17 President of Solutions for Progress, a consulting
18 firm in Philadelphia.

19 I am going to talk about a study we
20 did last spring for the Pennsylvania State Council
21 of the Service Employees International Union.

22 And I just want to remind people,
23 Councilpeople, that we also released last spring a
24 paper on the consequences of poverty, what poverty
25 does to people, families, and communities.

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2 to me as the Chair, I will see that all members of
3 the committee get it. If you give us enough copies,
4 we would like to distribute them among all the
5 Councilmembers.

6 MR. BRAND: We also have copies of
7 Poverty Matters, and we will send it, also.

8 CHAIRMAN COHEN: We would also like
9 that.

10 MR. BRAND: Yes.

11 When the living wage ordinance was
12 introduced, I began a study to try to identify how
13 many people are paid by city contracts and live in
14 poverty.

15 And I looked at human services and
16 health contracts because that's the area I know best
17 because of my service during the Greene
18 Administration in the Health Department, as a Deputy
19 Commissioner.

20 And, essentially, we looked at
21 contracts that are worth \$1.2 billion per year
22 issued by the Department of Public Health in the
23 main and the Department of Human Services to cover
24 mental health/mental retardation services, drug and
25 alcohol addiction programs, and children at risk and

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2 adult at risk services.

3 And for each set of contracts, we
4 began a discussion with the relevant office in the
5 department, and then we sent out questionnaires and
6 faxes and followup phone interviews with contractors
7 employed by the city to provide services.

8 We identified several thousand
9 workers. In the Health Department alone we were
10 able to identify 5,000 workers in the mental health
11 and mental retardation area.

12 We were able to identify a couple of
13 thousand more in the drug and alcohol treatment
14 area, and hundreds and hundreds of workers in the
15 human service area.

16 We asked the city, the Health
17 Department, to provide us with data on the wages
18 of -- and benefits of these employees, and the city
19 was unable to do that.

20 Although, there -- as recently as
21 1995, the city Department of Public Health provided
22 reports to the Commonwealth of Pennsylvania listing
23 every single worker, their position, their wage
24 rate. And so the data was there, but they claimed
25 to be unable to provide that to us.

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2 So we replicated that data set by
3 interviewing dozens and dozens of agencies, by
4 looking at the size of contract, by estimating labor
5 costs, by looking at the structure of the service
6 and what kinds of job titles are necessary to do
7 that work.

8 And we essentially found that at
9 least 18 to 20 percent of workers employed by
10 contract agencies deriving their revenues from the
11 City of Philadelphia are paid poverty wages below \$8
12 an hour.

13 COUNCILMAN ORTIZ: What was that
14 percentage?

15 MR. BRAND: Between 18 and 20. But,
16 again, this is an estimate. Because we were
17 constructing a data set, rather than looking at a
18 data set that the city could, if it chose to,
19 provide us with.

20 COUNCILMAN ORTIZ: Okay.

21 MR. BRAND: We also found that a
22 significant majority of all the contract agencies
23 that provided us with data, that we interviewed,
24 that we could derive data from talking to employees,
25 require a substantial cost sharing for coverage of

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2 health care that excludes low-income workers. They
3 simply can't afford family health coverage.

4 So that an additional, we estimate,
5 at least 500 workers are excluded from health
6 coverage because either health coverage is not
7 offered for their job title or the health coverage
8 that is offered is practically unattainable, given
9 the levels of cost sharing that it would imply and
10 the level of their wages.

11 And we found that a substantial
12 majority of the agencies do not offer any pension
13 benefits, which means either you work until you drop
14 or at some point in the future you live in poverty.

15 Now, we spent hundreds of hours
16 accumulating these data, which, with a simple stroke
17 of the pen, the city could collect regularly and
18 could monitor to assure that no worker earns less
19 than a poverty wage.

20 We have -- this city is a major
21 employer, as all cities are. This city is not
22 terribly different than any other city in America.
23 Municipalities are major employers.

24 This city is a little bit different
25 in that the mental health and mental retardation and

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2 drug an alcohol systems of this city were developed
3 under city government, rather than under state or,
4 you know, state government regional offices.

5 So there is a little more robust
6 position of this city to eliminate poverty in the
7 city.

8 There are, all told, somewhere over
9 20,000 contract employees of the City of
10 Philadelphia. They are paid virtually 100 percent
11 with city dollars.

12 Substantial numbers of them are in
13 job titles that we know are associated with low
14 wages and we know are associated with low levels of
15 health insurance.

16 The city has the ability to not only
17 pass a living wage ordinance, but to simply and
18 easily monitor it by having data presented by the
19 employers.

20 Now, I must say, I am more than a
21 little shocked. In preparing for this hearing I
22 received a copy of Mr. Applebaum's memos to Council
23 in response to your repeated data requests.

24 And he mentioned 14 separate
25 contracts in which the city requires wages and

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2 all of the agency's funds are spent on initial
3 training and licensure, not on training that
4 enhances services.

5 So not only are we keeping families
6 in poverty, but we are diminishing the level of the
7 services they provide by not imposing a level of
8 wages and benefits.

9 Now, if anyone reads the Applebaum
10 memos, it is clear that the city knows how to impose
11 a minimum wage and benefit level that keeps people
12 out of poverty, that it is not costly, that it does
13 not interfere with competition, and that it is a
14 done deal.

15 In fact, in some cases they not only
16 impose a minimum wage and benefit level, but, music
17 to my ears and decent public policy, they require
18 that the benefits be at least equivalent to that
19 which would be found in a union contract.

20 So we know that the city knows how to
21 do this. We know that I had to waste hundreds of
22 hours last spring getting data that the city could
23 easily have, if it but wanted to.

24 And we know that imposing those wages
25 and benefits do not interfere with the provision of

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2 efficient services. In fact, they help employers
3 attract and keep workers who can add productivity
4 and add quality to their work.

5 So I want to say that it is clear
6 from our study that thousands and thousands of
7 Philadelphia families will benefit from a living
8 wage ordinance.

9 It is clear from Applebaum's memos
10 that it is easy to administer such a system.

11 And I just want to say that in light
12 of Mr. Applebaum's memo, we have done it 14 times,
13 now let's do it 14,000 times, and protect thousands
14 of people and families in this city and move them
15 out of poverty permanently.

16 (Applause.)

17 MR. BRAND: If I may take just one
18 more minute.

19 I mean, in addition to being
20 concerned about this, as I don't think it is a big
21 secret, in terms of my political interests in this
22 city and my concern with building a labor-friendly
23 city, I am also a businessperson.

24 I do studies on how to create jobs in
25 cities, and then I go out and raise capital to

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2 create companies. That's what I do. And, I mean,
3 people pay me.

4 In fact, I am going to leave here to
5 meet with an investment fund about an energy
6 retrofit company that we are trying to launch now.

7 I have to tell you that sometimes my
8 clients will settle for less than the best. They
9 will say, well, if you can't make 8 bucks an hour,
10 can you do 7.50, can you do 7.30, can you do 7.20.

11 If we can't do comprehensive family
12 and health care, can we do at least the worker, can
13 we do something modest for the kids.

14 And economically I can do those
15 models. As a matter of policy, we don't.

16 And I have to tell you now, we are
17 now dealing with an investment fund that wants to
18 make investments and job-creating ventures in
19 Philadelphia with a limited amount of money that
20 they have.

21 And they have imposed requirements on
22 us that each job pay a living wage, that it have
23 health insurance, that it have a pension, and that
24 it offer workers an opportunity for an equity share
25 in the venture.

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2 And I will tell you as somebody who
3 develops jobs and enterprises for a living, that's
4 harder work, but it is not impossible.

5 There is no deal that we have
6 formulated that would have worked at 7.20 an hour,
7 that we can't force and tweak and better manage and
8 add more value and be a little smarter that can't
9 work at a living wage.

10 And if this one little investment
11 fund can force anyone who wants their money to do
12 that, just think of what the City of Philadelphia,
13 with \$1.2 billion a year to invest in health and
14 human services alone, let alone the PIDC, let alone
15 PCDC, let alone tax financing, let alone all the
16 other wage you could create incentives to create
17 jobs, just think of what would happen if you created
18 the same bar, the same goal.

19 It would mean that everybody who bids
20 on city contracts would have to work smarter, would
21 have to manage better.

22 But that thousands and thousands of
23 families would be lifted out of poverty, would spend
24 more money in their neighborhoods, would contribute
25 to better housing in their neighborhoods.

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2 It is possible -- and I can tell you
3 that this one little fund has dozens of outfits like
4 mine scurrying around because they're investing a
5 million dollars a year in Philadelphia.

6 If you did it with \$1.2 billion a
7 year, there would be a revolution in management
8 efficiency that would benefit poor people.

9 And so I would ask you just as a
10 businessperson to do that.

11 (Applause.)

12 CHAIRMAN COHEN: Thank you, Mr.
13 Brand.

14 Let me ask you one question, and then
15 Councilman Nutter and Councilman Ortiz, among
16 others, probably all Councilmembers, may want to ask
17 questions.

18 We assume that each of the experts is
19 an expert in a different area. So instead of having
20 everybody speak and then have questions, we are
21 going to proceed with asking questions directly
22 after each speaker.

23 MR. BRAND: Great.

24 CHAIRMAN COHEN: Why, in your
25 judgment, since you have been a Deputy Commissioner

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2 of Health, so you know government from the inside,
3 as well as from the outside, why doesn't the city
4 collect this data?

5 MR. BRAND: Well, again, from the
6 Health Department standpoint, until three years ago,
7 they did collect this data; they just don't have a
8 way of sharing it with you or us.

9 CHAIRMAN COHEN: Well, why don't
10 they?

11 MR. BRAND: Now, why they don't is
12 because everyone thinks it's hard. But I can tell
13 you that there are several states that collect
14 data. I mean, the area I know best is health
15 related.

16 But, for example, in nursing home
17 reimbursement, there are several states that collect
18 data on nursing home payrolls to assure that the
19 staffing level is adequate, and that the number of
20 people employed are licensed, and to figure out what
21 the revolving door is so that they can monitor
22 quality.

23 All it requires is that you demand,
24 for example, the payroll closest to March 15, you
25 send us the documentation of that payroll however

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2 you keep it. If you keep it on a disc, send us a
3 disc. If you keep it on paper, send us paper.

4 And then one staff person in three
5 weeks of work could go through and red circle every
6 job that was under a living wage.

7 So people think it's complicated.
8 But states that are doing it know that it's not
9 complicated; it's, in fact, simple.

10 And the benefits of doing it are that
11 you can monitor how to prevent the city from
12 contributing to poverty, and you can also monitor
13 how to improve the quality of the services you
14 provide.

15 Now, why they don't do it is I think
16 that people feel overwhelmed in any task. If you
17 asked them to cure cancer, and they think they could
18 but it requires more paperwork, they are burdened.

19 Because for 15 years there has been
20 an attack on government in this nation and in this
21 city. And so they are overburdened.

22 What we have to do is to speak with
23 one voice saying, this is an important program
24 whether you are in the Streets Department or in the
25 Health Department or in the Recreation Department.

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2 And it's important because it has an
3 impact on the lives of Philadelphians in a profound
4 way that virtually nothing else we do has an
5 impact.

6 CHAIRMAN COHEN: Do you think there
7 is any element of the Kathy Lee Gifford syndrome,
8 that we don't want to know because we are going to
9 profit by not knowing?

10 (Applause.)

11 MR. BRAND: Obviously. Obviously
12 people are afraid that the vendors they depend on
13 are doing things poorly. And if they find out, they
14 are going to have to push those people.

15 And, I mean, we have a recent example
16 of that with the Convention Center. The very week
17 that the Republican Convention was announced in
18 Philadelphia, we had some foolish group saying that
19 the Convention Center is too expensive because of
20 labor rates.

21 And when you showed the labor rates
22 to the unions involved, they said, "No one, no one
23 of our members get those rates."

24 So what's happening is, contractors
25 are inflating the rates and then they are saying it

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2 is labor rates.

3 Obviously the more you know, the more
4 you are responsible to fix.

5 But let me also say, when I was in
6 the Health Department, once a month a mental
7 health/mental retardation drug or alcohol agency
8 went bankrupt, once a month. It was like clock
9 work.

10 They messed up something, and they
11 went bankrupt. And then we would have to scurry
12 around and fix it so that people didn't lose
13 services. And we fixed it at great costs to the
14 city.

15 By knowing more, the management
16 supervision of the departments would be better. And
17 they would know if somebody is inflating the rates
18 for a convention. They would know if somebody is
19 getting perilously close to not being able to serve
20 patients at a mental health center.

21 So while they feel burdened and while
22 they want to look away and do morning TV, the more
23 knowledge they have, the more knowledge they have,
24 the better they will be in managing the city's
25 resources to be of benefit to clients, while at the

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2 this morning. So as soon as the network goes back
3 up, we will print up fresh copies and get them over
4 to you.

5 CHAIRMAN NUTTER: We understand about
6 computer systems.

7 MR. BRAND: Right.

8 CHAIRMAN NUTTER: I took down a
9 figure of -- you said that there were \$1.2 billion
10 in contracts for services between the Health
11 Department and DHS.

12 MR. BRAND: Right.

13 CHAIRMAN NUTTER: Is that what you
14 said? Okay.

15 Now, are they all City of
16 Philadelphia general operating funds in that 1.2
17 billion, or does that include any state or federal
18 funds that are given to us for certain services
19 provided by DHS or the Health Department?

20 MR. BRAND: It is the latter.

21 It includes the formula mental health
22 funds, mental health/mental retardation, which are
23 federal money, cooperated with the State.

24 And then it also includes the
25 behavioral managed care funds. It also includes the

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2 CODAAP formula funds federal to state to city, and
3 DHS funds federal to state to city.

4 And each case, by the way, the city
5 enhances them, but their basic origin is federal.

6 CHAIRMAN NUTTER: Okay. I only raise
7 that question because when you said it, we have a
8 \$2.6 billion budget.

9 I could not imagine that out of
10 general operating dollars, those two departments, as
11 large as they are, were spending those kinds of
12 dollars directly out of city funds. Because I know
13 that both of them get funds from our governments.

14 MR. BRAND: Right. The fiscal '98
15 total for the health -- for mental health and mental
16 retardation is 827,284,979. For human services it
17 is 285,500,000. And for coordinating office of
18 alcohol and substance abuse programs, 41,709,723.
19 These are all the Class 200 expenditures.

20 CHAIRMAN NUTTER: Right. It is money
21 coming in and it is going right back out. We are
22 getting it from other agencies. Okay.

23 The 18 to 20 percent figure from your
24 study, which you said was a combination of either
25 your own derived facts and some estimates because of

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2 lack of information, on the workers making below \$8
3 an hour.

4 Can you give us, for the record, some
5 examples of either what those contracts are or who
6 the contractors may be under those circumstances?

7 MR. BRAND: Right.

8 The Office of Mental Health and
9 Mental Retardation and the Offices of Drug and
10 Alcohol Treatment Programs contract with 205
11 agencies.

12 They are the base service unit mental
13 health programs, mental retardation programs. They
14 are the group home residences, the day hospital
15 programs, the family service for children at risk.

16 They are a variety of programs that
17 provide services to people with mental disabilities
18 and with -- who meet the highest criteria of at-risk
19 of abuse.

20 We have a listing of all the
21 agencies, which we got from budget documents.

22 CHAIRMAN NUTTER: A list of all the
23 agencies who we have contracts with. And then you
24 were able to do some background work on what their
25 actual wages are?

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2 MR. BRAND: We sent letters and faxes
3 to each one. We got a sufficient response to
4 letters and faxes to create a profile by type of
5 service.

6 We then conducted phone interviews
7 for people who had not sent us responses, and
8 confirmed the profile. And then we applied the
9 profile over the N of number of employees which we
10 were able to derive from the survey.

11 CHAIRMAN NUTTER: So you took the
12 contract amount, you found out the number of
13 employees they had.

14 MR. BRAND: Right.

15 CHAIRMAN NUTTER: Made some estimates
16 on what different people might make, and --

17 MR. BRAND: Well, we had some data
18 from some agencies. And then we did -- I mean, a
19 number of --

20 CHAIRMAN NUTTER: Did they tell you
21 actually what they paid their people?

22 MR. BRAND: Oh, yes. Yes. Many of
23 them were very generous in providing information.
24 Because a good manager doesn't want workers working
25 at poverty wages.

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2 CHAIRMAN NUTTER: And is that
3 information a part of the report, as well?

4 MR. BRAND: We have lots of paper
5 files back at the office, but we have just summary
6 in the report.

7 CHAIRMAN NUTTER: Okay.

8 MR. BRAND: But let me again remind
9 you that the city Department of Public Health has
10 data far more detailed than ours.

11 CHAIRMAN NUTTER: Well, I did take
12 that note down.

13 I think your testimony was something
14 like the Department of Health actually sends
15 documents to the Commonwealth, I guess, as a part of
16 an audit or when they have to justify what it is
17 that they do.

18 MR. BRAND: Right. At least until
19 1995.

20 CHAIRMAN NUTTER: Listing a worker,
21 title, and their wages.

22 MR. BRAND: Listing wages, yes.
23 Yes.

24 CHAIRMAN NUTTER: My last question
25 is, from your perspective, and just as a form of

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2 educating myself, what is the technical difference
3 between a, quote, unquote, living wage and a
4 prevailing wage?

5 MR. BRAND: Well, a prevailing wage
6 is a term of art that refers to wages that we've
7 decided to cover and extend social equity to.

8 A living wage is what we're trying to
9 get for those people who have been excluded from
10 prevailing wage.

11 In other words, you have already made
12 a decision --

13 CHAIRMAN NUTTER: In some quarters
14 isn't it a little more than a term of art, and
15 possibly leading more to a term of law as it relates
16 to --

17 MR. BRAND: Yes. There is federal --

18 CHAIRMAN NUTTER: -- collective
19 bargaining agreements, or whatever the numbers are,
20 I think, that come out from the Bureau of Labor
21 Statistics for a general market area.

22 MR. BRAND: Right.

23 The prevailing wage laws have a
24 formula that can be applied in any market region
25 that looks at job titles and type of work and what

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2 the wage and benefit levels are.

3 CHAIRMAN COHEN: Isn't it a fact that
4 generally when we talk prevailing wage, we are
5 talking in wages that are considered in the labor
6 market very good wages, often 15, 20, 25, almost 30
7 dollars, maybe, and over 30 dollars, because that's
8 a standard rate in the regional market?

9 CHAIRMAN NUTTER: Based on the
10 geographic area and the cost of living and all those
11 factors.

12 CHAIRMAN COHEN: Prevailing wages are
13 never anywhere near. They are almost double or
14 triple or quadruple a minimum wage, sometimes even
15 more than that.

16 MR. BRAND: Yes. I mean, getting
17 everyone in Philadelphia to a level of a prevailing
18 wage would be an extra-ordinary achievement that
19 would make this a city of 3 million overnight.

20 CHAIRMAN COHEN: We would love to
21 have it for more than the electricians, carpenters
22 unions, right?

23 MR. BRAND: Well, our goal as
24 government and as individuals ought to be to enhance
25 wages of working people and create a society in

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2 which working people can live better.

3 The living wage is an absolute floor
4 to prevent the deprivation that tears apart the
5 future and lives and health of children and that
6 tears apart the ability of families to sustain
7 themselves and improve their lot by hard work.

8 So the living wage is that floor that
9 we cannot afford to go below.

10 And right now, the City of
11 Philadelphia is going below it for thousands and
12 thousands of workers.

13 CHAIRMAN NUTTER: Two last
14 questions.

15 In your study of the companies with
16 contracts with the City of Philadelphia, were you
17 able to make any comparison, I mean, apples to
18 apples, oranges to oranges, with companies that
19 provided similar service that do not have a contract
20 with the City of Philadelphia, and what those
21 companies pay their workers?

22 MR. BRAND: In the sectors we're
23 talking about, those that don't have a contract with
24 the City of Philadelphia basically don't exist.

25 I mean, the public sector is the

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2 provider of services in mental health/mental
3 retardation, drug and alcohol treatment.

4 So the number of people that --

5 CHAIRMAN NUTTER: What about other
6 sectors? I mean, there must be people who have
7 contracts with us.

8 I mean, for instance, I guess, when
9 we put a contract out to bid, if ten people bid on
10 the contract, only one person wins, there are nine
11 other companies out there that are providing the
12 service to somebody, although in that particular
13 case they are not providing it to us.

14 MR. BRAND: Right. But they are
15 providing it to another part of us.

16 I mean, it is not like there is a big
17 private market that doesn't use government funds for
18 these job titles.

19 CHAIRMAN NUTTER: I am sorry. Can
20 you say that again?

21 MR. BRAND: I don't believe that
22 there is a huge private market that funds these
23 similar services.

24 Now, there are certain private
25 services in upscale markets. So we could provide,

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2 we could look at a group residence in Philadelphia
3 for people with mental health problems, and look
4 at -- and compare it to a group residence for
5 seniors in Montgomery County.

6 CHAIRMAN NUTTER: No. I understand
7 that.

8 But even when you were talking about,
9 we require certain information, I took down one
10 because I thought it was quite interesting. We
11 require certain information for people who move
12 furniture, but not for those who care for mental
13 health workers. I took that one down as a set.

14 If someone bids on a job to move
15 furniture for us and loses, I mean, I am assuming
16 that they did not go into business just to move
17 furniture for the City of Philadelphia. So they are
18 moving furniture for somebody else somewhere; they
19 just didn't get the contract.

20 Or security guards. I mean, there
21 are a wide variety of services that are not solely
22 driven by getting a contract with the city.

23 I am just trying to understand what
24 different people pay city contract, non-city
25 contract.

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2 MR. BRAND: I understand.

3 As best we can tell, in the vast bulk
4 of the services that the city buys, the city is big
5 enough to determine the market and the wage scale.

6 In things like moving, it won't be.
7 In things like security guards, there will be a dual
8 scale. There will be a public scale that will be a
9 little higher than the private scale.

10 CHAIRMAN NUTTER: Okay. So a part of
11 your focus is in some of the service sectors where
12 we are either the biggest or quite possibly almost
13 the only player and game in town. And if you're not
14 providing that service with us, you may not be
15 virtually providing it anywhere else. And so we
16 have an extra-ordinary impact on that market.

17 MR. BRAND: Right.

18 Let me just say, the one difference
19 we were able to see is union versus non-union.

20 In union shops, there are fewer
21 people at below a living wage, and there are just as
22 many people at the top.

23 CHAIRMAN NUTTER: Right. Last
24 question.

25 In this discussion, where does skill

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2 level factor into any of this in terms of
3 determining what wages are based on the, you know,
4 hundred different job sectors or types of contracts
5 or types of service being provided.

6 How does that get factored into
7 whatever the number is, the hourly number?

8 MR. BRAND: By and large, when you
9 are looking at jobs in this wage range, you are
10 looking at entry-level jobs. And the issue that
11 determines skill is how long the person stays.

12 If the person stays -- I mean --

13 CHAIRMAN NUTTER: Or what skills they
14 bring to the job.

15 MR. BRAND: Yes.

16 But, again, when you're working at
17 this range of entry -- of living wage wages, you are
18 basically dealing with people who could have come
19 from McDonald's to the mental health center, and who
20 often then go to Burger King or to a hotel.

21 And if you're dealing with people in
22 hotels, they could have been anywhere. They could
23 have been in a neighborhood shop beforehand.

24 What determines their skill is how
25 long they stay at the job. Because in each of these

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2 industries, whether it is the hospitality industry,
3 the mental health industry, you know, whatever,
4 there is an ongoing training program.

5 And if you've got a revolving door,
6 so that 100 percent of your workers are leaving
7 every year, you are always training entry level.

8 If you slow it down by paying a
9 living wage, then you start enhancing skills and you
10 start getting people better at what they're doing.

11 So, in that regard, a living wage is
12 an incentive for all employers to invest in training
13 people and give them skills that they can better
14 serve clients with and better move on to their next
15 jobs with.

16 CHAIRMAN COHEN: Councilman Mariano.

17 COUNCILMAN MARIANO: Thank you,
18 Mr. Chairman.

19 My colleague Councilman Nutter
20 stopped on a point, touched on a point here,
21 prevailing wage versus living wage.

22 And I think maybe I heard you wrong
23 because I was on the telephone.

24 Prevailing wage is the wage that's
25 set up in certain parts of the country. Since

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2 electricians in Philadelphia make more money than
3 the electricians, say, in Nashville, Tennessee, or
4 Little Rock, Arkansas? Can you tell us that?

5 MR. BRAND: Yes. Because the cost of
6 living is higher here. There are adjustments for
7 cost of living.

8 So housing and health.

9 COUNCILMAN MARIANO: But the Davis
10 Bacon Act is directly related to the cost of
11 living? Or does it have to do with the majority of
12 the construction work done by the federal government
13 is done either union or non-union?

14 I have a point to what I'm getting
15 at. But I want to you explain to everyone. Because
16 there is a difference, and we have to understand
17 that difference. Because it is not fair to compare
18 apples and oranges.

19 MR. BRAND: To the extent that there
20 is an organized labor force and that they have
21 bargained for decent wages and benefits, that will
22 factor into the prevailing wage.

23 So that someone can't come into an
24 area with inferior benefits and inferior wages, and
25 also inferior quality of trained workers, and

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2 Now, that is not a federally funded job. There is
3 no money. It is all the millions that Councilman
4 Cohen has saved up since he has been a Councilman.

5 Now, explain to everyone why the
6 electricians are still going to get the same amount
7 of money there as they would if they were building a
8 courthouse down the street, which is the prevailing
9 wage in this city?

10 MR. BRAND: Well, once you have a
11 wage standard that is set and enforceable, it
12 becomes in everybody's interest, in contractors, in
13 managers, in investors, to have the same quality of
14 work done in any job.

15 So you don't have want to have one
16 job getting a wage 50 percent higher than another
17 job, because you are going to get the best skilled
18 people in the one job and you're not going to want
19 to use the elevator in the lower-wage shop.

20 So it creates an environment in which
21 management and workers have a similar interest in
22 high-quality work and high family-sustaining wages.

23 MR. BRAND: Mr. Brand, you should be
24 like a liaison for the bidding trades. Because
25 that's the same gospel they preach.

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2 But let me tell you, why Councilman
3 Cohen can't open that hotel is because the day the
4 electricians go to work on that hotel, there is a
5 picket line outside.

6 Now, there are sheriff's deputies
7 there to make sure that the electricians -- not that
8 they would -- but to make sure nothing happens.

9 Now, who pays the sheriff's deputy?
10 Councilman Cohen and his investors in that hotel.
11 Because this is a union-friendly city, okay, in
12 presence.

13 But how long do you think that goes
14 on for? That goes on for maybe two days, maybe a
15 day if we are lucky. Then they make a negotiation,
16 Dougherty sits down with Councilman Cohen, or
17 whoever he has in charge, and they work something
18 out, a nice arrangement.

19 They are still going to pay the
20 prevailing wage. He is not giving anything out.

21 Now, he may relax the laws on
22 apprentice ratios, because that's in his building
23 fund.

24 But what I am getting at here, not to
25 bore everyone, is, he can do that because his

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2 members have the skill.

3 But some of the jobs we are talking
4 about -- and these are using your words -- are from
5 McDonald's, to COMHMR, mental health person, I will
6 use them because I have a great relationship with
7 them, to Burger King.

8 Now, is there jobs that possibly in
9 these fields that there are unions in this town, in
10 this region, that could represent them workers,
11 regardless if they're McDonald's people -- and, by
12 the way, they're trying to organize McDonald's in
13 New York City.

14 I mean, has got to be prevailing
15 wage. We don't have to call it a prevailing wage.
16 It can be a living wage. These are words. We are
17 just using words. I just want everybody to
18 understand that. What would that wage be?

19 I mean, we are talking about a guy
20 that sells, that does a service for the city. If
21 it's cleaning the floors, that's governed under
22 prevailing wage.

23 But you are telling me that if he
24 gives us people that help our mentally handicapped
25 people, there is not a prevailing wage or even a

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2 living wage, there doesn't have to be, and that's
3 the point we're trying to get here?

4 But isn't there a union somewhere
5 that we could set a prevailing wage for that, or
6 whatever we want to call it, living wage?

7 MR. BRAND: And be very clear that in
8 our study it shows that in the union shops, there is
9 almost no one under the living wage.

10 But, again, because, unfortunately,
11 the city allows people to use money in city
12 contracts to fight unions, it is hard to organize an
13 entire industry.

14 COUNCILMAN MARIANO: Now, I'm not
15 saying Lahety said everybody doesn't have to be in a
16 union, I think I heard that. No, you don't have to
17 be in a union. But the union sets up the wage.

18 So if the unions don't make that wage
19 go up, it may be higher than this living wage, the
20 wage stays down.

21 So maybe what we're looking at here
22 is really all the same thing, if you know what I'm
23 trying to say.

24 I mean, there is a wage out there,
25 regardless of what that number is. Is it 7.90, 8

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2 dollars, 10 dollars? It may be less, hopefully
3 more.

4 But how do we get to that point where
5 everybody is on the same level?

6 MR. BRAND: Again, in the 14 examples
7 that come from the Applebaum memo, there are
8 specific examples where the wages and benefits were
9 to be those that would be in a union contract in
10 that sector.

11 So there are ways to word it so that
12 it's --

13 COUNCILMAN MARIANO: That's probably
14 the only thing Applebaum has to go on.

15 He can tell what you a guy what a guy
16 that unloads trucks makes, but he doesn't know that
17 unless he calls different companies or he starts
18 with what union Teamsters makes and works from there
19 I think. We will ask him that.

20 MR. BRAND: He has done it 14 times,
21 now just ramp it up to the rest of the contracts.

22 COUNCILMAN MARIANO: Thank a lot.
23 Thank you, Mr. Chairman.

24 CHAIRMAN COHEN: Thank you.

25 Councilman Ortiz.

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2 COUNCILMAN ORTIZ: I just have,
3 because you made a statement, and I concur. And I
4 just want to get one point on the record at the
5 beginning of these hearings.

6 Because the supposition is that those
7 of us who are for this type of legislation
8 immediately are put into the category of being
9 untype business, but we're not. We're not.

10 And, in fact, I had a businessperson
11 a month ago that is bidding on a contract for
12 SEPTA. And he wanted my office to help him look
13 around North Philadelphia because he wanted the
14 headquarters in North Philly around the American
15 Street Corridor.

16 And we went up there. And in the
17 conversation with my staff, and then he came over to
18 the office, he said, "You know, Councilman, my bid
19 for this contract is going to be a high bid." And he
20 said, "It is probably going to be the highest bid.
21 It is not going to be the lowest bid. But it's
22 going to be the best contract. Because," he said,
23 "there are companies, and we have had experience
24 paying minimum wage and we have cut the -- we have
25 cut the cost of the contract along that line.

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2 "But, in the long run, if you expect
3 to make a profit, paying that wage does not work
4 because there's no stability, the workers that you
5 get do not stay around, the workers that you get do
6 not respect the property.

7 And so we have concluded if we pay a
8 living wage," and he used the term "with benefits,
9 we make our profit. Because we are looking in the
10 long run, and we establish a work force that stays
11 with us for years."

12 MR. BRAND: Councilman, I couldn't
13 agree more. I mean, when I was in SCIU --

14 (Applause.)

15 MR. BRAND: We had two statewide
16 campaigns involving nursing home workers in
17 different states. And in both of them we won a
18 break-through living wage, health benefits, and a
19 pension.

20 And six months later, nursing home
21 operators started calling us up saying, "What an
22 incredible thing. We don't have problems with the
23 state inspections anymore. Our patients are doing
24 better. We don't have bed sores anymore. We don't
25 know what's going on."

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2 Well, we knew exactly what was going
3 on. People weren't leaving the job. They were
4 saying, "I can make a career here. I can raise a
5 family in this job. I can get my kid into college
6 in this job, if I stay. I'll take the training, I
7 do harder work because it's not just the next job,
8 it's a career possibility."

9 (Applause.)

10 MR. BRAND: And that's what you get
11 if you have a living wage.

12 COUNCILMAN ORTIZ: And the thing that
13 bothers me about it is that they -- and we had a
14 hearing here in which the Chamber and the
15 Administration came forward, Chamber of Commerce,
16 and a knee-jerk reaction, this will keep people from
17 coming into Philadelphia and create jobs.

18 However, they never give you the data
19 to support those statements. They never give you
20 the facts to support those statements.

21 MR. BRAND: There is no data.

22 COUNCILMAN ORTIZ: It is all
23 theoretical, it is all nonfactual. But since
24 they're businesspeople and they're talking to a
25 group of Councilpeople here who have no sense of

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2 business or whatever, supposedly, according to them,
3 and obviously we don't care -- you know, we want
4 jobs.

5 The only way we are going to survive
6 in this city, especially after Welfare reform, is if
7 we have jobs.

8 (Applause.)

9 MR. BRAND: Yes. And let me be
10 clear.

11 I am a businessperson. I am a member
12 of the Chamber of Commerce. And I can tell you in
13 every area in which I work, if public policy fights
14 poverty, we will have a better city and my business
15 will do better.

16 (Applause.)

17 MR. BRAND: And I have a client
18 waiting for me. May I be excused?

19 CHAIRMAN COHEN: On the record, let
20 me just state that there is a quorum established for
21 the joint committees. The six members present
22 constitute a quorum. We hope that as time goes on,
23 the other four members may also join us.

24 The next witness is going to be
25 Stephanie Luce. Thank you.

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2 MS. LUCE: Okay. Good morning.

3 (Applause.)

4 MS. STEPHANIE LUCE: Good morning.

5 My name is Stephanie Luce. I am a Research Fellow
6 at the Political Economy Reserve Institute at the
7 University of Massachusetts Amherst. And I have
8 previously worked at the U.S. Department of Labor.

9 CHAIRMAN COHEN: May I suggest you
10 speak right into the microphone, hold it as close to
11 your mouth as possible, and everybody will then be
12 able to hear what you're saying.

13 MS. LUCE: All right. Is this
14 better?

15 CHAIRMAN COHEN: Much better.

16 MS. LUCE: I was saying, I am a
17 Research Fellow at the Political Economy Research
18 Institute at the University of Massachusetts
19 Amherst. And I have previously worked at the U.S.
20 Department of Labor.

21 For the past several years, I have
22 been researching living wage ordinances. And I
23 recently coauthored a book with economist Robert
24 Pullman on the economic impact of these type of
25 laws, which I'd like to leave with you today. So

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2 I'll leave a copy of that book.

3 As a research economist, I am
4 particularly pleased to have the opportunity to
5 comment today on the importance of collecting data
6 on the relationship between government expenditures
7 and low-wage work, as well as to provide you with
8 some of the concrete results from our research on
9 this issue in Los Angeles.

10 But first I would like to offer a
11 brief context of my understanding of the living wage
12 efforts in Philadelphia and across the country.
13 Because I think that they raise the important
14 questions that are being considered by you today in
15 this resolution.

16 So in the last two decades --

17 CHAIRMAN COHEN: I tell you why we
18 want to get the data.

19 I want to be in a position to offer a
20 resolution before City Council commending the City
21 of Philadelphia Administration for its frank and
22 open approach and its effort to serve as a model
23 employer.

24 And I think if we can get this
25 information from the city, maybe we can already

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2 establish that the city always requires that people
3 get paid a living wage. We could get that
4 resolution citation to them very quickly.

5 And if the information shows that it
6 doesn't, maybe we can get the City of Philadelphia
7 to correct its practices and require that anyone
8 that does business with the city or gets financial
9 assistance from the city in any fashion, that they
10 pay a living wage.

11 Then we can also give them a
12 citation, but that will take a bit longer to do it.

13 (Applause.)

14 CHAIRMAN COHEN: So really we are
15 trying to help this image of the City of
16 Philadelphia improve its tourist opportunities.

17 MS. LUCE: True.

18 CHAIRMAN COHEN: Now you can go
19 ahead.

20 MS. LUCE: All right. Just some of
21 the background briefly. In the last two decades,
22 the U.S. economy has seen declining wages and
23 increasing in equality. Community groups and unions
24 have pursued various strategies to address these
25 issues, but poverty continues to rise.

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2 While the federal minimum wage has
3 been raised several times in this period, it's still
4 far below the value that it needs to be to keep a
5 family of only two people above the poverty line.

6 In fact, if the minimum wage had kept
7 pace with U.S. productivity during this time, today
8 it would be about \$11.20.

9 In 1994, religious community and
10 labor leaders in Baltimore worked with their Mayor
11 and City Council to develop an alternative way to
12 address poverty among working people in that city.

13 They created a living wage ordinance
14 modeled after their local city's prevailing wage law
15 that required firms with city contracts to pay a
16 wage high enough to bring families above the poverty
17 level.

18 Since then, 22 other cities have
19 passed variations of the living wage laws, including
20 Boston, New York, Los Angeles, and Chicago, and just
21 two days ago the City of San Jose, California. And
22 over two dozen additional cities and counties are
23 currently considering similar measures.

24 Subsequent ordinances and current
25 living wage campaigns have expanded on this

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2 completed the research in Los Angeles and carefully
3 considering the economic literature on minimum wage,
4 prevailing wage, and other living wage measures, I
5 can report that the benefits of such wage standards
6 are significant, while the costs are small.

7 While the ordinances do not help
8 everyone in poverty, those workers who would be
9 covered benefit greatly.

10 In the case of Los Angeles, the
11 average worker would have their after-tax income
12 increased by almost 30 percent, while their
13 dependence on government programs would decrease by
14 over 50 percent. So it is quite significant.

15 Despite what we heard to passage in
16 Los Angeles, and what I'm sure you have heard here
17 in Philadelphia, our research indicated that firms
18 covered by the ordinance can absorb the wage
19 increases themselves so that the city would not have
20 to pay for the wage increase.

21 For over 90 percent of the firms who
22 contract or receive subsidies from the City of Los
23 Angeles, the total cost of the wage and benefit
24 increase would amount to less than 1 percent of the
25 firm's total production of goods and services.

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2 investment had actually increased substantially
3 after the ordinance was passed, and that the
4 administrative costs associated with the ordinance
5 were minimal, amounting to only about 17 cents per
6 person, per year.

7 So while we begin to engage in more
8 comprehensive studies on the impact of these
9 ordinances in other cities, anecdotal information
10 suggests that the laws are not having a negative
11 impact on the local economy.

12 In fact, in several of the city's the
13 laws have been extended to cover more employers,
14 employees, and city programs based on positive
15 initial results.

16 In addition, research in the area of
17 city subsidies suggests that although economic
18 development funds are designed to help spur growth
19 in the local economy, much of the subsidies that are
20 given to businesses are actually a very poor
21 investment of city funds and that they don't
22 necessary lead to high-wage job growth.

23 The cities that are establishing
24 measurable criteria to guide their economic
25 development are positioning themselves as more

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2 prudent investors. And they are more likely to get
3 a better return on their investment in the form of
4 high-wage job creation.

5 Having entered into the field of
6 living wage research over two years ago, I can
7 attest that the living wage ordinances and the
8 related legislation dealing with public contractors
9 and subsidy recipients represent one of the largest
10 and most dynamic efforts in the country to date to
11 address the continuing problem of low-wage work.

12 However, we're still far behind where
13 we need to be in terms of public accountability and
14 access to information about city policies and
15 practices.

16 The proposed living wage resolution
17 indicates that Philadelphia's elected officials
18 understand that subsidizing firms that do not create
19 living wage jobs is a poor use of public monies.

20 Certainly investigating to what
21 extent this is actually occurring, as you mentioned,
22 is an important first step in ensuring that these
23 policies do not continue.

24 So I just want to conclude by saying
25 that I appreciate the efforts of this Council to

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2 investigate incidences of tax-supported low-wage
3 work.

4 I encourage all city departments to
5 work together to provide the most accurate
6 information on expenditures, job creation, number of
7 employees, and wage rates paid in connection with
8 these expenditures.

9 It is a very interesting time for
10 municipal governments, which are being asked to
11 rethink themselves, being asked to downsize, right
12 size, privatize, and contract out without any
13 information about the impact of these actions.

14 And we need to know, does contracting
15 out services really improve quality or does it just
16 reduce the number of family-supporting jobs?

17 Do business subsidies really promote
18 local growth, or do they just divert crucial funds
19 from city programs?

20 Most city officials can't answer
21 these questions. They don't have the data and they
22 don't have the studies.

23 And we need to know the answers so
24 that we aren't making public policy in a black box.

25 (Applause.)

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2 MS. LUCE: Most important, I urge the
3 Council to favorably consider Bill No. 970586, which
4 would ensure against the public subsidization of
5 unsustainable jobs and establish regular reporting
6 on the very information you now seek so that elected
7 officials, city administrators, and citizens may
8 rest assured that their tax dollars are being put to
9 work responsibly.

10 And as our research in Los Angeles
11 and current national experience suggests, cities
12 have very little to lose and much to gain from
13 living wage policies that encourage both fiscal
14 responsibility and economic fairness.

15 Thank you.

16 (Applause.)

17 CHAIRMAN COHEN: We are going to
18 change the procedure somewhat to make sure all of
19 the experts testify.

20 I am going to call Carol Hemingway
21 next to speak. Then the questions will be directed
22 by members of the committee to any one of the three
23 members.

24 Carol Hemingway, and then the
25 gentleman. Go ahead.

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2 (Applause.)

3 CHAIRMAN COHEN: I think a man
4 instead of a woman ought to be the last speaker.
5 Okay?

6 MS. CAROL HEMINGWAY: Good morning.
7 Can you hear me? Good morning. My name is Carol
8 Hemingway, and I am a Board Member for ACORN, the
9 Association for Community Organization for Reform
10 Now.

11 ACORN, as I am hoping everyone knows,
12 is a grass root community organization of over 5,000
13 low- and moderate-income families in Philadelphia.

14 We are one of the founding
15 organizations of the living wage campaign and are
16 pushing for the passage of the Bill No. 970586, the
17 Living Wage Bill.

18 I am here today to express to you my
19 deep concern for the way the City of Philadelphia
20 conducts its business.

21 After the hearings in May, many
22 people were saying that this bill is an anti_Welfare
23 bill or a poor person's bill.

24 And what I try to explain to people
25 is that, yes, it will help thousands of low-income

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2 people, but it's more than just a Welfare bill.

3 The Living Wage Bill is a bill about
4 accountability. It is about taxpayer's money, our
5 money, how it is being spent and what we are getting
6 back in return.

7 I am not blind to the pressures in
8 Philadelphia. I've watched high-paying
9 manufacturing jobs, financial service jobs, and
10 other high-paying jobs pick up and leave our city.

11 And I also watched McDonald's, Rite
12 Aid, and the Marriott come in and hire people for 6,
13 7, and 8 dollars an hour.

14 I know that Philadelphia is forced to
15 pay more than its share of education costs, health
16 costs, and other costs relating to the large
17 low-income population we have here in Philadelphia.
18 This is not even to mention the effects of changes
19 in Welfare reform.

20 All of this is happening while
21 support from the state and federal government is
22 decreasing. I know this. And this is what makes
23 accountability even more important.

24 Listen, the city gave out -- the city
25 gives out each year contracts for services that

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2 total over \$1 billion annually, as we have heard
3 earlier.

4 The city is also involved in hundreds
5 of economic development projects each year that
6 includes tax abatements, tax incentives, financing,
7 low-interest loans, and grants that involve city
8 taxpayer money.

9 What we're asking today is simply
10 this: Are we getting the most bang for our money?
11 I think that's a fair question.

12 When I go out and speak to people, I
13 try to explain what the people who work for the
14 city -- that the people that work for the city are
15 like stock brokers.

16 We give them our money through
17 taxes. And, in return, we depend on them to invest
18 that money in the best way they know how.

19 To monitor this, we rely on you, our
20 elected officials, to ask tough questions to
21 administration and make sure that they are doing
22 everything they can to help our city.

23 So I ask you, are we getting the most
24 return on our investment? In other words, are these
25 contracts and development projects creating jobs

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2 that are paying people enough to survive?

3 These are the things we have to know,
4 people. You wouldn't give \$100 to your stock broker
5 and not ask him what are you going to get in
6 return.

7 And you wouldn't put your money in a
8 bank account and not know what kind of interest you
9 were getting.

10 So why are we allowing the city
11 agencies to continue giving away our tax money
12 without asking them, what are we getting in return?

13 (Applause.)

14 MS. HEMINGWAY: Really, there's two
15 issues here.

16 The first issue is whether or not the
17 city even bothers to ask for this information.

18 We heard from Commissioner Applebaum
19 back in May that for many of the contracts, the
20 Procurement Department is already making -- is
21 already asking for information that relate to
22 wages.

23 Well, if he can ask for that
24 information from some companies, why not all
25 companies?

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2 I heard him back in May say that this
3 would hurt minority and women businesses. Why? Are
4 we saying women cannot fill out forms? Or are we
5 saying that we're not going to ask minority
6 businesses to follow the same rules as everybody
7 else?

8 I'm not real sure, you know, what all
9 that means.

10 On the other hand of this coin we
11 know that PIDC, PCDC, and the other agencies
12 involved in economic development make almost no
13 effort to collect this information. Again, why
14 not?

15 Every time I hear about an economic
16 development project, I hear about how many jobs is
17 going to come into the City of Philadelphia, how
18 many it is going to create.

19 What I never hear are what kind of
20 wages will be paid for these jobs. And I never hear
21 what happens to these projects a year later.

22 I mean -- and Wednesday we saw this.
23 You have city officials coming into City Council
24 making all thee these projections about how many
25 jobs would be created and how many jobs would be

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2 retained.

3 But when we do ever follow up on
4 these projects, do we really investigate whether or
5 not these are worthwhile projects? I mean, this is
6 the kind of thing about accountability.

7 And what kind of jobs are we talking
8 about? Retail jobs, parking lot attendants? People
9 I got news for you, these are jobs that are not
10 stepping stones to the future.

11 Many of these jobs are dead-end jobs
12 that barely cover the cost of transportation alone.

13 I'm not saying we don't need these
14 jobs. What I am saying is that we need jobs that
15 are going to get people into self-sufficiency, that
16 we are going to help people support their families,
17 that we are going to get people off of our needy
18 public assistance and make them contribute to
19 society.

20 Let me put it another way. The City
21 of Philadelphia already has 165,000 jobs that pay
22 less than \$8 an hour. That's 34 percent of our work
23 force.

24 For the people who work these jobs,
25 that means having to get food stamps or utility

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2 assistance or some kind of help just to keep them
3 above water.

4 Not only are these people not able to
5 spend money in their communities, as taxpayers we
6 have to pay for them through all of these different
7 programs. It's taxpayers.

8 I am certainly not saying that
9 low-income people should not get food stamps or
10 health care or other basic forms of assistance to
11 help them survive.

12 And I am -- and all I am wondering is
13 why, on the other hand, am I paying taxes that goes
14 for corporations in Philadelphia, only to turn
15 around and pay more taxes so that the people who
16 work for these corporations can survive.

17 (Applause.)

18 MS. HEMINGWAY: Something about that
19 situation just doesn't make sense. That's not
20 right.

21 The second issue is what the city
22 does with the information once they have it.

23 In an effort to pass a Living Wage
24 Bill in Philadelphia, our coalition recognizes the
25 importance of dealing with the city Administration

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2 on this issue.

3 At every step of the way we have
4 requested meetings with Mayor Rendell and members of
5 the Administration to try and work on this bill
6 together.

7 So it is very disturbing to us when
8 city administrators are asked for information and do
9 not provide it.

10 A year ago, when we first began to do
11 the research on this, we were forced to wait for
12 months to hear back from city agencies from which we
13 requested information.

14 Even then, it was only with the help
15 of Councilman Cohen that we ever received the
16 information that we did get. And when the
17 information came, it was incomplete.

18 In October of this year, information
19 was requested from the City Solicitor, the School
20 Board, PIDC, and PCDC, the Housing Authority, and
21 the Redevelopment Authority.

22 Out of these six agencies, only two,
23 the City Solicitor and the School Board, were
24 willing to provide us with this public information
25 as I know of today.

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2 And I want to add, certainly, city
3 officials were even more belligerent when we
4 attempted to call and follow up. This should not be
5 the attitude of the people who work in the city that
6 loves you back.

7 As a coalition, it is impossible for
8 us to educate the public and to educate you as
9 members of the City Council without this
10 information. But what is possible, possibly more
11 disturbing, is when city administrators ignore the
12 request of you, members of City Council.

13 During the may hearings, for example,
14 Councilman Michael Nutter made a number of very
15 direct requests which, as far as we can tell, have
16 not been answered.

17 Specifically, Councilman Nutter asked
18 Bill Hankowsky, I believe, for information on all
19 transactions over the past three years and for the
20 transactions to find out how many jobs were created,
21 what were the wages that were paid and how much in
22 assistance that company received. So, where is his
23 information?

24 Councilman Nutter also requested that
25 information from Curtis Jones on behalf of PCDC.

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2 the solution in the city where this country's
3 democracy was born.

4 This trend or attitude or whatever it
5 is on behalf of these city agencies is not only
6 disrespectful to the people of this city, it is
7 dangerous.

8 Tens of thousands of jobs are at
9 stake here. And Philadelphia cannot afford to sit
10 and watch other cities like Los Angeles, Boston,
11 Chicago, Oakland, Detroit, and many other cities
12 around the country enact a living wage, while we sit
13 idly by and just complain about the way things used
14 to be.

15 We are very glad that the City
16 Council is having this hearing. We think you need
17 to know and we need to know what this city is doing
18 with our money. It is our hope that after today, we
19 will have a better idea.

20 And it is also our hope that after
21 finally receiving this information, we could come
22 back to you, the member of City Council, and show
23 you why Philadelphia needs a living wage.

24 Thank you.

25 (Applause.)

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2 CHAIRMAN COHEN: That was sure a
3 powerful and cogent statement. We congratulate you
4 on it.

5 MR. HOWARD WILE: My name is Howard
6 Wile. I have a Ph.D. in Economics from MIT.

7 CHAIRMAN COHEN: Bring your
8 microphone really close.

9 MR. WILE: I am Senior Fellow of the
10 Keystone Research Center, a nonprofit, nonpartisan
11 public policy research organization with offices in
12 Upper Darby and Harrisburg.

13 I am currently in the process of
14 obtaining and attempting to obtain information
15 regarding city contracts and recipients of city
16 financial assistance from city and other public
17 agencies that would be covered under the Living Wage
18 Bill.

19 COUNCILMAN ORTIZ: That would seem to
20 be public information, shouldn't it?

21 MR. WILE: One would think. It is my
22 understanding that it would be.

23 COUNCILMAN ORTIZ: I think the
24 Administration should hear that.

25 That should be public information,

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2 shouldn't it?

3 MR. WILE: Yes.

4 (Applause.)

5 MR. WILE: I am requesting this
6 information in order to estimate the answers to
7 several of the questions that members of Council
8 raised at last spring's economic development
9 committee hearing on the bill, and which members of
10 the city Administration were unable to answer at
11 that time.

12 Questions like how many workers would
13 be affected by the Living Wage Bill, how many
14 employers would be affected by the Living Wage Bill,
15 what would be the total costs of the ordinance if it
16 were enacted in terms of additional wage costs, and,
17 finally, to put those costs in perspective, how big
18 a share of the total costs of these -- of the total
19 operating costs of the affected firms would the
20 extra wages that would come about as a result of the
21 Living Wage Bill account for.

22 If the Living Wage Bill would only
23 raise costs by a small amount, as I suspect would be
24 the case based on the experience of Los Angeles, as
25 reported by Stephanie Luce, then the city has little

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2 or nothing to fear as far as driving businesses out
3 of the city or creating a bad business climate which
4 would make it difficult to attract new businesses to
5 the city.

6 The way I propose to answer these
7 questions is to use a method that is similar to that
8 used by Stephanie Luce in her impact study of the
9 Los Angeles living wage ordinance.

10 In a few cases, where the city has
11 already released information about wages and
12 employment levels in affected firms, I will use that
13 information directly to determine the number of
14 affected workers and the size of the wage increases
15 that they would receive under the Living Wage Bill.

16 Mr. Applebaum has already made
17 available information on city contracts where there
18 is already a wage requirement, as well as
19 information about wages and employment levels in
20 privatization contracts.

21 CHAIRMAN NUTTER: Mr. Wile, I'm
22 sorry. And I asked my cechairman for permission to
23 interrupt you.

24 If you are going to give us data or
25 your analysis of the Los Angeles ordinance or that's

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2 specific to Los Angeles, could you at least create a
3 context for us of what contracts or services are
4 covered by the Los Angeles ordinance, so we have a
5 little bit a sense of how broad or narrow or in
6 between the LA ordinance may be?

7 MR. WILE: I am not planning to give
8 you any kind of detailed data about the Los Angeles
9 ordinance.

10 I did didn't do that study, Ms. Luce
11 did that study. And she could certainly -- there
12 are a number of differences between the Los Angeles
13 ordinance and ours.

14 CHAIRMAN NUTTER: I understand that.
15 I thought you were getting ready to tell us about
16 the impact of the LA ordinance or the results of
17 some of your work.

18 And I am not an expert on the LA
19 ordinance, so I just wanted to try to understand
20 what that bill did, what it covered, so it could set
21 the context for what your remarks may be. But
22 continue.

23 MR. WILE: No. What I will do in the
24 remainder of my remarks is to explain to you in
25 outline form what it is that I'm planning to do and

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2 what information I need in order to do it.

3 CHAIRMAN NUTTER: Okay.

4 MR. WILE: For Philadelphia.

5 CHAIRMAN NUTTER: Okay.

6 MR. WILE: For the vast majority --

7 CHAIRMAN COHEN: Councilman DiCicco,
8 the seventh member of the committee, is here this
9 morning.

10 CHAIRMAN NUTTER: Continue.

11 MR. WILE: For the vast majority of
12 other contracts for which the city does not have or
13 does not yet have information about employment
14 levels and wages paid, what I plan to do is to
15 estimate this information, rather than request it
16 directly from city contractors.

17 If I were to try to request the
18 information directly from city contractors, even
19 through a random sample survey, I would be likely to
20 get a very small response rate and perhaps not to
21 get accurate information, as this is very sensitive
22 information for most employers.

23 And I, unlike city agencies, don't
24 have any legal authority to compel city contractors
25 or subsidy recipients to answer any questions that I

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2 would ask.

3 So the way I would go about doing
4 this study would be first to obtain the name and
5 address of each city contractor or subsidy recipient
6 that would be covered under the Living Wage Bill.

7 Then I would go to a commercial
8 database, which I have based on information from
9 Dunn & Bradstreet and other sources, I would look up
10 each of these companies in that database to find out
11 what industry each one is in and approximately how
12 many workers that company employs.

13 Then the key to all the rest of my
14 analysis is that instead of using direct information
15 on the contractors and subsidy recipients
16 themselves, information which is not available, I
17 would replace that information with average industry
18 information on wages and employment levels.

19 So I would first estimate what
20 percentage of workers in each effected firm earn
21 less than 7.90 an hour. And to do this I would make
22 use of information from a national survey called the
23 Current Population Survey, which is conducted by the
24 U.S. Census Bureau and the Bureau of Labor
25 Statistics.

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2 I would look at the average number of
3 employees and the pattern of wages paid in the
4 appropriate industry for that contractor in the
5 appropriate location.

6 If the contractor was located in the
7 Philadelphia Metropolitan area, I would use
8 information for the Philadelphia Metropolitan area.

9 If the contractor or subsidy
10 recipient were located elsewhere, I would use the
11 information for the relevant geographical area.

12 I would take this information, along
13 with the information I have about total employment
14 in each firm, to figure out how many workers in each
15 firm approximately earn less than 7.90 an hour and
16 therefore, would be affected by the ordinance.

17 To this, I would then have to add in
18 the number of workers who would be affected by the
19 ordinance through subcontracting arrangements.

20 And the way to do this is to use a
21 regional economic model of the Philadelphia region
22 called a Regional Input Output Model, which tells
23 you the economic interrelationships between
24 different industries and allows me to figure out
25 which industries provide services to which other

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2 industries.

3 And using this information, I, along
4 with the Current Population Survey Data, I am able
5 to estimate the number of affected employees through
6 subcontracting and the extra wage costs for the
7 subcontractors.

8 Okay. Now I have estimated the
9 number of affected workers. I now need to figure
10 out how much extra wages these workers would have to
11 be paid under the Living Wage Bill.

12 And the way I would do this is, for
13 each affected firm, I would use the Current
14 Population Survey Data to determine the average wage
15 that is earned by workers who currently make less
16 than 7.90 an hour.

17 Then I would subtract that number
18 from 7.90 an hour, and multiply the result by the
19 total number of affected workers and the average
20 annual hours worked by workers in the relevant
21 industry. And that gives me an estimate of the
22 total extra wage costs for each affected firm.

23 If I add that up across all the
24 affected firms, I have an estimate of the total
25 extra wage costs that would be a result of the

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2 Living Wage Bill.

3 Finally, in order to put the extra
4 living wage costs in context, I want to figure out
5 what percentage of the contractor and subsidy
6 recipients firm's total costs would be accounted for
7 by the extra living wage costs.

8 And, once again, I can do that by
9 reference to my Regional Economic Input Output
10 Model, which can enable me to estimate the total
11 costs of the affected firms.

12 And that, in a nutshell, is the
13 method that I plan to use. Now, this method has a
14 number of biases.

15 In certain ways it might tend to
16 underestimate the total costs of the Living Wage
17 Bill. In other ways it might tend to overestimate
18 them.

19 Because the Living Wage Bill only
20 covers firms that have at least 25 employees, and
21 because, in addition, city contractors and subsidy
22 recipients are likely to be larger than the average
23 firms in their industries in the Philadelphia area
24 or in any other area, for that matter, if I use
25 industry average employment data, that will lead me

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2 to underestimate the true costs of the Living Wage
3 Bill because I'll be underestimating the number of
4 employees affected.

5 However, outweighing that are, I then
6 believe, two other ways in which my estimates would
7 tend to overestimate or inflate the costs of the
8 Living Wage Bill.

9 Bigger firms, it is well known in the
10 economic literature, pay higher wages than smaller
11 firms.

12 So firms that are likely to be
13 covered by the Living Wage Bill are likely to be
14 relatively higher wage firms than other firms in the
15 same industries.

16 And they're likely to have fewer
17 employees, as a proportion of total employment, who
18 are paid less than 7.90 an hour than other firms in
19 their industries.

20 And this means that if I use industry
21 average wage data, I will overestimate the true
22 costs of the Living Wage Bill because I'll be
23 overestimating the amount of the wage increases.

24 Then, in addition, for city
25 contractors, the Living Wage Bill only covers

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2 workers who actually work on city contracts, not all
3 workers employed by an employer.

4 My method doesn't have any way -- in
5 fact, there is no way -- to determine who is working
6 on a city contract short of actually getting that
7 information from the contractors themselves.

8 So my method would use estimates
9 based on the total number of workers employed by
10 each affected contractor, rather than just the
11 workers who are working on city contracts. And,
12 therefore, that will also lead me to overestimate
13 the costs of the Living Wage Bill.

14 Now, if, as Stephanie Luce mentioned
15 for Los Angeles, I come up with a very small figure
16 for the total costs of the Living Wage Bill,
17 something on the order of less than 1 percent of the
18 total costs of the affected firms, then I can be
19 pretty confident that since on balance I am probably
20 presenting an overestimate of the true costs of the
21 Living Wage Bill, I can be pretty confident that the
22 true costs will be no greater than the ones that I
23 estimate.

24 In order to make these estimates,
25 between four and six weeks ago I requested

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2 information about the names, addresses, contact
3 people for city contractors and recipients of city
4 financial assistance.

5 And in order to help me better
6 classify these contractors and recipients of city
7 financial assistance for purposes of doing the
8 estimates, I also requested information about the
9 value of the relevant contract or financial
10 assistance, a description of the service or type of
11 financial assistance that would be provided, and the
12 time period for which the term of the -- for which
13 the contract or financial assistance would be
14 provided for all current contracts and financial
15 assistance.

16 I made the requests of the City
17 Solicitor's Office for contracts that are directly
18 with the city, and for the Philadelphia School
19 District, PIDC, PCDC, the Philadelphia Housing
20 Authority, and the Philadelphia Redevelopment
21 Authority.

22 COUNCILMAN ORTIZ: Anything from
23 SEPTA?

24 MR. WILE: No, I didn't contact
25 SEPTA.

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2 obtain that information, I can still estimate the
3 impact of the Living Wage Bill. And to do so, my
4 informational needs are fairly modest.

5 As Keystone Research Center staff
6 member in the Philadelphia area, I would be happy to
7 do this sort of analysis as a service to the
8 residents of Philadelphia and their elected
9 representatives in order to promote a better
10 informed debate on the living wage proposal.

11 Thank you very much.

12 (Applause.)

13 CHAIRMAN COHEN: Thank you very
14 much. I gather by the last statement that those of
15 us in the legal profession call it pro bono, so that
16 there would be no cost to the city?

17 MR. WILE: That's right, there would
18 be no cost to the city.

19 CHAIRMAN COHEN: I just wanted to
20 make that very clear, when the city tells us that
21 the cost of such a study would be prohibitive for
22 the city.

23 Thank you very much.

24 Councilman Nutter.

25 CHAIRMAN NUTTER: Thank, you

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2 Councilman Cohen.

3 What I would like to do, I think, is
4 go ask my questions in the same order in which the
5 speakers spoke.

6 Is it Ms. Luce?

7 MS. LUCE: Yes.

8 CHAIRMAN NUTTER: What -- and maybe I
9 had asked the wrong question to the wrong person.

10 So, first, what I took from the bulk
11 of your testimony was a basic premise that in order
12 to appropriately, from a legislative standpoint, at
13 least, or from a public policy standpoint, to
14 appropriately figure out how to address this issue,
15 that information and data, if not statistical
16 analysis, is crucial prior to taking any particular
17 actions. Is that the fundamental premise of your
18 testimony?

19 MS. LUCE: Yes. You need at least
20 some of the basic information. We could do some
21 with not all the information, but we need at least
22 basics.

23 CHAIRMAN NUTTER: Okay.

24 MS. LUCE: Names and addresses and
25 number of firms.

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2 CHAIRMAN NUTTER: Okay. I mean, more
3 hard data, as opposed to anecdotal data.

4 MS. LUCE: Right. Exactly.

5 CHAIRMAN NUTTER: Can you talk to us
6 a little about -- and I had asked the last speaker,
7 possibly inappropriately -- about the Los Angeles
8 ordinance?

9 You apparently have conducted a great
10 amount of study on that. I have not, even with
11 relatively decent reading skills, I have not had an
12 opportunity to read your book handed up to us about
13 a half hour ago.

14 Can you just basically tell us what
15 does it cover, what kinds of contracts, what kinds
16 of services, what kinds of jobs are we talking
17 about?

18 MS. LUCE: It covers, first of all,
19 firms who have contracts with the city in the amount
20 of \$25,000 a year or more, for a minimum of three
21 months or more. And those are service contracts
22 defined as services that city employees would
23 otherwise do.

24 So it doesn't cover technical, you
25 know, engineering contracts or legal contracts.

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2 Well, in some cases the city employees might
3 otherwise do those.

4 CHAIRMAN NUTTER: So are we talking
5 about services that at some point in time became
6 privatized by the city of Los Angeles that city
7 employees used to do, and now the city made a
8 decision to privatize a particular contract, is that
9 the distinction?

10 MS. LUCE: Unfortunately it is a
11 little bit vague. It is still being worked out
12 exactly what that means.

13 In some cases it means city employees
14 used to do it. And in other cases it means that
15 they could do it, that they could do it in the
16 future. So that is very vague.

17 That would be something you would
18 want to have more concrete in your ordinance.

19 It also covers subcontractors of
20 contractors. And it covers firms who receive
21 financial assistance in the amount of \$100,000 a
22 year or 1 million -- \$100,000 a year ongoing or \$1
23 million one time.

24 And, finally, it covers firms who
25 hold concession agreements with the city. And that

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2 would be people who run food stands or run tennis
3 lessons and things like that through the city.

4 CHAIRMAN NUTTER: And it is all city
5 services?

6 MS. LUCE: Well, yes. Well, it is,
7 like I said, somewhat vague. Some of them are being
8 excluded. And that's being contested right now.
9 That's going back and forth in the City Council.

10 CHAIRMAN NUTTER: Okay. You also
11 talked about, whether it is Los Angeles or possibly
12 other cities that you studied, one of the things you
13 found in many cities is a lack of centralized record
14 keeping. Can you expound on that a little bit.

15 MS. LUCE: Well, the case I know the
16 best is, of course, Los Angeles. And we could not
17 go to a central department to get records of the
18 city's contracting and subsidies and
19 subcontracting.

20 We had to go through each department
21 individually and sometimes through departments
22 within a department.

23 And the problem was further
24 confounded by the fact that cities didn't always
25 even use the same terminology. Some people called

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2 something a contract, while others would call it a
3 grant, while others would call it an agreement.

4 But it's not just Los Angeles. Other
5 cities have the same problem, in that different
6 departments keep different records. Especially
7 Departments of Public Works seem to have their own
8 record keeping. And that's often not consistent
9 with the other departments.

10 CHAIRMAN NUTTER: Right. You had
11 made a statement, and I took it down, that these
12 kinds of laws, your statement was, do not help
13 everyone in poverty, and then you went on to talk
14 about something else.

15 What exactly do you mean by that, and
16 who does it help?

17 MS. LUCE: Well, it directly affects
18 those workers who work on city contracts or for
19 firms who receive subsidies. And, unfortunately,
20 that is not the majority of persons in the labor
21 force.

22 In Los Angeles, for example, when a
23 third of the working people are earning wages less
24 than a living wage, only a fraction of those are
25 people who work for city contractors.

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2 CHAIRMAN NUTTER: Okay. So you are
3 talking about the difference between the universe of
4 people who may be making a particular wage, versus a
5 more narrow number of people who actually work for
6 companies that do business with the particular
7 municipality?

8 MS. LUCE: Right. And some of those
9 might benefit indirectly, but not directly.

10 CHAIRMAN NUTTER: Okay. You also
11 testified that the average firm can easily absorb
12 these wage increases.

13 What was the basis for your making
14 that statement?

15 MS. LUCE: Well, the reason is
16 because the wage increase, while it's large for the
17 worker itself, it is small for the firm as a total
18 percentage of their costs.

19 And, for example, if you have a firm
20 like that has a CEO who is receiving 200,000 a year
21 or more, which is often likely, the total value of
22 the wage increase for the low-end workers is
23 actually quite small proportionately.

24 And so when you consider the low end,
25 even though there are more workers who receive low

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2 wages, it is still a small percentage of the total
3 wage bill.

4 And so that's what we found. Most of
5 these firms, that costs would be less than 1 percent
6 of their total costs, wages and other costs.

7 CHAIRMAN NUTTER: Okay. 1 percent of
8 their total costs of operating the company.

9 MS. LUCE: Right.

10 CHAIRMAN NUTTER: Or of their total
11 expenses of running the company.

12 MS. LUCE: Right. Exactly.

13 CHAIRMAN NUTTER: Now, your analysis
14 also, I wrote down, that you found that over time,
15 there was virtually no increase in the costs of the
16 contracts to the particular municipality. And,
17 again, you are speaking about Los Angeles?

18 MS. LUCE: No. I'm sorry. In this
19 case I was referring to a study that was done in
20 Baltimore that was done after the ordinance was in
21 effect.

22 And these researchers looked at
23 specific contracts after the ordinance had passed
24 and found, actually, a slight decrease in the
25 average bid price.

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2 their labor costs have gone up a third and they're
3 bidding on one of our contracts, doesn't their bid
4 amount go up to help cover the wage increase that
5 they're now required to pay?

6 MS. LUCE: Well, that's what the
7 interest outcome is.

8 First of all, there is definitely a
9 large profit margin for many of these firms. And
10 they can reduce their profit margin, which is one of
11 the main ways to address the issue.

12 They could address it by other
13 management and senior staff not taking the raises
14 that they might have otherwise, not money going to
15 their raises would pay for the raises for the
16 low-end workers.

17 In some cases, they could also
18 realize more efficient production because they have
19 reduced turnover, they have reduced training costs,
20 reduced absenteeism and overtime pay. And so they
21 are paying higher wages up front, but they get the
22 returns down the road.

23 CHAIRMAN NUTTER: All right. But
24 your response is that you could, in fact, keep your
25 bid at or about the same level, but there are other

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2 things that would have to take -- that generally
3 would have to take place within the company in order
4 to accomplish that and not drive your bid up for
5 the --

6 MS. LUCE: Right. The total bid is
7 the same, but they don't factor in as high of a
8 profit margin or as high as wages for the senior
9 staff.

10 CHAIRMAN NUTTER: And just for the
11 discussion of the hypothetical, if they don't do any
12 of those things, is it then fair to say that, at the
13 end of the day, the costs could go up if they don't
14 take any of those other factors into consideration?

15 MS. LUCE: Right. And it is likely
16 that you will get some companies bidding higher, but
17 then there are other companies out there who also
18 may be making bids who might be willing to take a
19 smaller profit rate.

20 CHAIRMAN NUTTER: Right. Okay.

21 CHAIRMAN COHEN: May I just ask this
22 question for clarification?

23 Can I assume that the increased costs
24 would be shared with all the companies, so that the
25 competitive situation would remain the same as it

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2 was before, but the costs of the contract might be
3 higher if they didn't take advantage of these other
4 steps?

5 MS. LUCE: Right.

6 CHAIRMAN NUTTER: If everybody is
7 subject to the same cost increase and everybody
8 proportionately raises their price, we are still
9 obviously going to award the contract to the lowest
10 responsible bidder, although that low price
11 subsequent to an ordinance could, in fact, be higher
12 than it was prior to?

13 MS. LUCE: Yes, it could be. Yes.

14 CHAIRMAN NUTTER: All right. Ms.
15 Hemingway, I just had one question about your
16 testimony, which, as Councilman Cohen said, was
17 excellent.

18 On Page 3, third paragraph -- let me
19 put it another way. The City of Philadelphia
20 already has 165,000 jobs that pay less than \$8 an
21 hour.

22 I just wanted to inquire as to the
23 source of that particular information. And the
24 165,000 jobs, are those people working on contracts
25 with the City of Philadelphia or, as discussed in

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2 the previous example, is that more the broader
3 universe of people just throughout the city who are
4 working somewhere, many of whom could be just
5 working for private companies?

6 MS. HEMINGWAY: I'm not real sure. I
7 don't have the source of that statement with me.
8 But that is certainly something that I can get and
9 get to your office as to where it came from.

10 CHAIRMAN NUTTER: Okay. All right.
11 I just want to know where that came from.

12 MS. HEMINGWAY: Yes. That's not a
13 problem. I can get that to you.

14 CHAIRMAN NUTTER: All right. No
15 problem.

16 My last question is, for now, I heard
17 you say it, and I am afraid to mess up your name is
18 it Wile?

19 MR. WILE: Wile.

20 CHAIRMAN NUTTER: I am the second
21 person to blow it. Mr. Wile.

22 You indicated that without direct
23 information, according to the survey that you are
24 trying to do, that you would then have to make
25 estimates.

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2 MR. WILE: That's right.

3 CHAIRMAN NUTTER: And I think I may
4 have been other on the other side of the room, and I
5 heard you going through a fairly elaborate process.

6 I mean, based on national data and
7 other figures, do you really believe that you can
8 get close to accurate information about what's going
9 on in a particular local market and what companies
10 are paying individual workers who have contracts
11 with the city, as opposed to what people are
12 generally making?

13 MR. WILE: Well, obviously the
14 current population survey is a national survey, it
15 doesn't have information specific to city
16 contractors or subsidy recipients.

17 I can make the best -- you can get
18 from that survey the best estimates possible
19 regarding what's going on in a particular local
20 labor market.

21 As I discussed in another part of my
22 testimony, there are certain ways in which using the
23 current population survey and the other estimate,
24 the other estimated information that I would be
25 using, might tend to be an underestimate of the true

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2 costs of the living wage ordinance for the affected
3 firms, and other ways which I believe dominate in
4 which my estimates would tend to be an
5 overestimate.

6 CHAIRMAN NUTTER: Okay. The last
7 thing is, I took down a part of a statement that you
8 made which was that you were talking about the
9 companies, I guess you had written to them, and you
10 said something like that this was sensitive
11 information for employers.

12 And I believe that statement was tied
13 into something to do with wage rates?

14 MR. WILE: Yes. Let me clarify.

15 The information that I requested,
16 which, to my knowledge, is all public information,
17 did not involve asking companies or asking the city
18 for information about wage rates or employment
19 levels.

20 I believe that information, companies
21 might be reluctant to provide to me if I were to go
22 out and do a survey of affected firms.

23 CHAIRMAN NUTTER: Just because
24 companies generally don't want their wage rates
25 splashed all over the place?

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2 MR. WILE: Yes. They generally don't
3 want other people to know about that.

4 Now, obviously if the city required
5 that information as a condition of contract, that
6 would be a different story.

7 CHAIRMAN NUTTER: Right. Okay.

8 Thank you, Mr. Chairman.

9 CHAIRMAN COHEN: Councilman Ortiz.

10 COUNCILMAN ORTIZ: Either of you,
11 whichever way, made a fantastic statement. Because
12 we also wonder why the city refuses to give us
13 information when we ask for it.

14 And it forces us to have this
15 hearing, instead of having a hearing on the bill,
16 based on the information that we got. So we have to
17 take like incredible steps to be able even to vote
18 up or down a bill such as this.

19 And it seems that they create
20 conditions to us that they don't ask themselves when
21 they are considering a tax increment finance
22 legislation for some developer, you know.

23 And they don't ask those questions.
24 Because obviously if it is a developer, it has to be
25 good. It is like Goya, you know, in the Puerto

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2 companies who change their decisions about their
3 operations.

4 But, overall, the evidence does not
5 show a negative impact on the city, on the city --
6 on the economic climate of the city, jobs,
7 employment, and so forth.

8 COUNCILMAN ORTIZ: So a company may
9 not want to bid on certain things, but other
10 companies then replace those individuals?

11 MS. LUCE: Exactly.

12 There is no instance where there is a
13 bid that doesn't get filled, that doesn't get a high
14 number of bidders.

15 CHAIRMAN COHEN: How can we document
16 your statement about Disney and Los Angeles?

17 Because to me, it's vital. I don't
18 want them in the city at all if they can't pay a
19 living wage.

20 We have been told they are wonderful
21 employers and they will do great things. City
22 people testified.

23 I think maybe we are going to have to
24 seek an oath before witnesses testify. Because we
25 were told we were very, very fortunate Disney was

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2 an incredible subsidy here, I mean, for over an
3 incredible amount of time.

4 If they have the same sort of
5 situation, it would be a shameful type of attitude.

6 MS. LUCE: I can --

7 CHAIRMAN COHEN: This committee is
8 going to direct a letter to the City of Philadelphia
9 requesting further elaboration on that.

10 Because nothing like that was
11 indicated. We were told we were very fortunate,
12 this company was so well financed, that it would
13 just add great luster to the City of Philadelphia.

14 But if they can't pay 7 -- the Living
15 Wage Bill of 7.90 an hour, they're not going to add
16 luster; it is just going to be another blot on the
17 image of Philadelphia.

18 MS. LUCE: It was reported in the LA
19 Times, so I could send you a copy of the articles.

20 CHAIRMAN COHEN: We would like to see
21 that.

22 COUNCILMAN ORTIZ: But, in general,
23 there was no negative impact in terms of attracting
24 jobs, companies, and so on because a Living Wage
25 Bill had been passed in an individual city?

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2 MS. LUCE: No. That's correct.

3 And in fact, one of the largest
4 developers, development projects is going on in Los
5 Angeles right now, which is the building of a new
6 theater for the Academy Awards and a whole
7 entertainment complex, which is beginning -- giving
8 development subsidies, and they agreed they will be
9 paying the living wage and benefits.

10 COUNCILMAN ORTIZ: What company is
11 that, do you know the company?

12 MS. LUCE: It is Trizacon Developers,
13 but I am not sure who the affiliated -- there will
14 be a lot of retail shops affiliated with that.

15 CHAIRMAN COHEN: I was pointing out
16 to Councilman Ortiz, we are told the city
17 Administration always is seeking to increase the tax
18 base.

19 Well, we have a wage tax in
20 Philadelphia, a very substantial one. It seems to
21 me the wage tax would apply to the living wage,
22 would it not?

23 MS. LUCE: Yes.

24 CHAIRMAN COHEN: So that the city's
25 income would actually increase.

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2 MS. LUCE: Yes.

3 CHAIRMAN COHEN: Any questions from
4 any other members of the Council?

5 We want to thank all of you very,
6 very much. Because under the circumstances under
7 which we operate, it would not have been possible
8 for the Council to get this information if we had to
9 do what usually is done, and that's to pay experts
10 who come in and testify.

11 So we very, very much appreciate your
12 being here today on a pro bono basis. And you have
13 made available to us very vital information. We
14 thank you very much for that.

15 (Applause.)

16 CHAIRMAN COHEN: Thank you.

17 The next panel is going to consist of
18 the City of Philadelphia. And Mr. Mullin,
19 Mr. Feeley, whoever the city would like to bring
20 forth to the table. Mr. Applebaum, Commissioner
21 Applebaum.

22 CHAIRMAN COHEN: Could we ask that
23 conversations be held on the outside, so the
24 committee could proceed with the hearing.

25 We appreciate everybody who attended

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2 the hearing today. And I encourage you to attend
3 additional hearings and to get to as many community
4 organizations as possible to explain what this issue
5 is about. So that when Council considers it, people
6 in Philadelphia will be well informed on the
7 subject, whichever way they decide to go.

8 Thank you all.

9 Mr. Mullin, if I look around, you
10 will have to decide with Mr. Feeley who is the
11 top-ranging official and who ought to make the
12 decision as to who goes first.

13 But based upon my experience with
14 Sanitation yesterday, did the fellow get into the
15 Roxborough site, do you know? He did, as far as you
16 know. Good. You seem to be the new David L. Cohen,
17 so I defer to you.

18 Well, I was told, we were told they
19 had to report to you before they could give any
20 information. You don't have to answer that unless
21 you want to.

22 MR. MULLEN: With all due respect,
23 Councilman, I don't remotely resemble that remark.

24 CHAIRMAN COHEN: You don't resent
25 that. That's good. It was meant in a complimentary

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2 fashion.

3 CHAIRMAN COHEN: Who is going to
4 testify first? Mr. Mullin.

5 COMMISSIONER LOUIS APPLEBAUM: My
6 name is Louis Applebaum. I am the Procurement
7 Commissioner for the City of Philadelphia. And we
8 are here responding to your request, and I will
9 entertain your questions.

10 CHAIRMAN COHEN: First, could I first
11 ask a preliminary question? What was in those
12 boxes?

13 You heard from the witnesses. We're
14 interested in wage information. A preliminary
15 report reminded me of a case I was in many years
16 ago, IBM, when I was an attorney practicing actively
17 and trying to compel the IBM to unbundle, you know,
18 separate the sale of software from the sale of the
19 hard computers.

20 And we asked them all sorts of
21 questions, and they kept refusing. And after about
22 two years in the courts, they finally were ordered
23 to furnish the information.

24 We got a telephone call, and we were
25 sent to a small town in Pennsylvania, and entered a

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2 room about almost as large as this chambers full of
3 files and said, "All the information is there. Go
4 find it."

5 It was a perfect example of how you,
6 you know, deny people information by the process of
7 overwhelming them with it.

8 We felt that way when we got it 5
9 o'clock last night. But our preliminary observation
10 indicates that very few of the -- very little of the
11 material, maybe 15 or 20 pages out of some 20,000,
12 even relate in any way to the issue of wages. Are
13 we wrong?

14 You know, we have just had a chance
15 to preliminarily look at the material.

16 COMMISSIONER APPLEBAUM: Let me
17 respond and the let me start with the hearing that
18 was conducted in May. I believe it was May the
19 12th, 1998, with Councilman Nutter.

20 He had directly requested from me and
21 presented to me three questions, and I have them
22 here. Do any city workers earn less than 7.90 per
23 hour. Information requested on city bids issued
24 that include specific requirements that contain
25 minimum wages be paid. And submit wages being paid

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2 by companies awarded privatization contracts by the
3 City of Philadelphia.

4 That was the beginning of the
5 information that was originally presented to me.

6 July the 1st, 1998, I presented to
7 Councilman Nutter a package that had the responses
8 to the three questions.

9 Included in that package was the
10 responses that I had received from 12 companies that
11 were considered privatization contracts.

12 Within your package is that original
13 document, dated July 1, '98, with the responses from
14 the 12 companies.

15 Subsequent to that, because I had
16 sent out requests to 27 companies, and I had only
17 received responses from 12, I sent second notices
18 out to the companies who did not respond. That was
19 15, or whatever.

20 Based on the second requests, we
21 received two more responses. That was also in the
22 package with the memo to Councilman Nutter on the
23 two additional companies that had responded.

24 In addition, it had come to my
25 attention that --

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2 CHAIRMAN NUTTER: I'm sorry,
3 Mr. Applebaum. I missed the last part of what you
4 just said. Originally you gave 12, and what about
5 the 2.

6 COMMISSIONER APPLEBAUM: I originally
7 gave the initial responses from 12. I was not
8 satisfied with the response.

9 CHAIRMAN NUTTER: Right. You and I
10 had conversations about that.

11 COMMISSIONER APPLEBAUM: So
12 subsequent to that, I sent out second requests to
13 the companies who did not respond, and I only got
14 two responses back.

15 CHAIRMAN NUTTER: And have you shared
16 those? Are they a part of the two boxes?

17 COMMISSIONER APPLEBAUM: Yes.

18 I'm sorry. There were three new
19 ones. The numbers might be off.

20 And that package is included with
21 your package with a memo dated November the 17th.

22 CHAIRMAN NUTTER: That's what came in
23 the boxes yesterday?

24 COMMISSIONER APPLEBAUM: Yes. That's
25 the response from -- let me give you the names --

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2 the Salvation Army, Twins Auto Body, and Waste
3 Management. They were the three additional. And
4 they are also in the package.

5 COUNCILMAN ORTIZ: But there are
6 another 15 or 20 that did not respond to your
7 request?

8 COMMISSIONER APPLEBAUM: The balance
9 of the 27 have not responded.

10 CHAIRMAN COHEN: And did you consider
11 this new resolution, which is an independent
12 resolution introduced by me which refers to much
13 broader wage information?

14 COMMISSIONER APPLEBAUM: My initial
15 response was to respond to Councilman Nutter's
16 request.

17 CHAIRMAN COHEN: So you have not
18 responded to this resolution?

19 COMMISSIONER APPLEBAUM: I have.
20 Based on the additional resolution,
21 it was my opinion that you wanted the information on
22 all of our procurement service contracts.

23 CHAIRMAN COHEN: Right.

24 COMMISSIONER APPLEBAUM: I then went
25 through our documents and presented and had our

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2 folks prepare two reports which are included in
3 that -- in your package, City of Philadelphia Fiscal
4 '98 Procurement Department Service Contracts In
5 Excess of 50,000 and City of Philadelphia Fiscal
6 Year '97 Procurement Department Service Contracts in
7 Excess of 50,000.

8 That's the two reports or runs of
9 those contracts.

10 CHAIRMAN COHEN: And did they give
11 the wage information on all of the companies that
12 are dealing?

13 COMMISSIONER APPLEBAUM:
14 Unfortunately, the wage information is not
15 included.

16 Now, what we did is, we included in
17 the box, there's 114 contracts between the two
18 years. I had our folks pull them all out, we ran
19 copies of them, and included in your document, in
20 your documentation, is a copy of every --

21 CHAIRMAN COHEN: And did it have wage
22 information?

23 COMMISSIONER APPLEBAUM: There are
24 some in there where there are wage, minimum wage,
25 information that was included in the original bid

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2 document. And you will find that.

3 CHAIRMAN COHEN: How many were
4 included?

5 I'm very concerned about this.
6 Because I've made special calls in advance, asked to
7 get the information two or three days before the
8 hearing, got nothing until 5 o'clock last night
9 delivered to my office. Just as I was leaving came
10 in two boxes.

11 And then I was told, because I
12 ordered the staff to work late last night to try to
13 find out what was in them at least, it was reported
14 to me that there was very, very little information
15 on wages.

16 COMMISSIONER APPLEBAUM: The
17 information that we submitted is the information
18 that the Procurement Department has.

19 CHAIRMAN COHEN: I'm sure Councilman
20 Nutter and I appreciate your response to his
21 resolution. But the hearing today is being held on
22 an entirely different resolution.

23 COMMISSIONER APPLEBAUM: The
24 resolution, I believe, on today is to what extent
25 the city contractors and recipients of financial

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2 assistance failed to pay their employees a living
3 wage. That's the first question.

4 CHAIRMAN COHEN: Right.

5 COMMISSIONER APPLEBAUM: What I have
6 in my possession are the surveys from the 27
7 companies, 14 responding. That's all I have.

8 CHAIRMAN COHEN: When are we going to
9 get the rest?

10 COMMISSIONER APPLEBAUM: If we have a
11 complete understanding of what information you
12 want --

13 CHAIRMAN COHEN: From every city --
14 every contract which the city entered into to have
15 somebody else perform services for the city.

16 The resolution says city-related
17 agencies, speaks about financial information. It
18 covers every PIDC, PAID, whatever, PHDC. Whatever
19 agency is doing city work, that's the information we
20 want.

21 Because each of those agencies, in
22 turn, enters into contracts.

23 COMMISSIONER APPLEBAUM: The
24 information that you are requesting would be very
25 informative.

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2 But I can only say that we, within
3 Procurement, do not presently have that
4 information. It would take a gigantic task.

5 CHAIRMAN COHEN: Why? Just to send
6 out letters to all of them?

7 COMMISSIONER APPLEBAUM: You saw we
8 sent out letters to 27, and only 12 responded.

9 CHAIRMAN COHEN: Well, what action
10 are you going to take against those that did not
11 respond?

12 COMMISSIONER APPLEBAUM: We are going
13 to have to keep sending out surveys. And if we
14 could --

15 COUNCILMAN ORTIZ: These are people
16 who we are paying, my God.

17 (Applause.)

18 COUNCILMAN ORTIZ: These are people
19 we are giving money to. They are contracting with
20 us.

21 Don't we have the right to be able to
22 get from every individual that we have a contract
23 with on a sheet of paper, on a graph, the number of
24 employees, the level at each position that they have
25 in that contract that we give money to, and the

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2 wages that they pay for those levels?

3 And, you know, it is incredible that
4 we just seem to give them the money and then say, we
5 are always afraid to ask them for information.

6 CHAIRMAN NUTTER: Let me ask,
7 Mr. Applebaum, I would like to go back to the start
8 of this process. I would like to deal with the
9 issues that are raised in the title of the
10 resolution.

11 But I would also like you to put
12 information on the record as to what we presently do
13 today, what we require by way of information, what
14 we can require by way of information either by
15 policy or by law. And so take us back to the bid
16 process.

17 We issue a bid, put the
18 specifications together, companies bid on that
19 particular contract.

20 Sealed bids, they get opened one day,
21 we make -- the collective "we," -- the government
22 makes a determination that company ABC is the lowest
23 responsible bidder.

24 COMMISSIONER APPLEBAUM: Responsive
25 responsible bidder.

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2 CHAIRMAN NUTTER: Right.

3 Now, what information do we ask for
4 and are we required to ask for and are we allowed to
5 ask for presently under law of those companies when
6 they respond to a bid package from the City of
7 Philadelphia?

8 COMMISSIONER APPLEBAUM: Generally
9 speaking, we require them to submit with their bid
10 documents their background, their financial
11 statements, information as to how they are going
12 to -- and possibly information as to how they are
13 going to perform the service or the product that
14 they're delivering.

15 We ascertain that -- we indicate to
16 them that they should have paid their taxes and that
17 they agree to the McBride principles and all the
18 other myriad of things that are in there.

19 CHAIRMAN NUTTER: What you are
20 generally requiring, many of which are also in the
21 Philadelphia Code, as amended from time to time,
22 that require certain companies, or all companies, to
23 provide certain information to us; is that right?

24 COMMISSIONER APPLEBAUM: That is
25 correct.

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2 Under construction contracts or
3 Public Works contracts, they are all issued under
4 what is known as a Prevailing Wage Ordinance.

5 CHAIRMAN NUTTER: And that is because
6 there is a prevailing wage --

7 COMMISSIONER APPLEBAUM: That's
8 because the state rules.

9 CHAIRMAN NUTTER: -- section in the
10 code.

11 COMMISSIONER APPLEBAUM: We have a
12 prevailing wage contracts for Public Works.

13 The Mayor's Department for Labor
14 Standards will issue a document that has all the
15 prevailing wages for all of the various trades that
16 are usually included in those Public Works
17 contracts.

18 Under the Public Works contracts,
19 under that language, we have the right, or we
20 require the companies, to submit to the Mayor's
21 Department of Labor Standards what we call certified
22 payrolls.

23 Those certified payrolls are received
24 by Mr. Murphy. His department reviews them to make
25 sure they are in the right prevailing wages. If

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2 not, they go out and do examinations.

3 CHAIRMAN NUTTER: They submit that
4 documentation to us because they want to be in
5 compliance with the Prevailing Wage Ordinance?

6 COMMISSIONER APPLEBAUM: Correct.

7 CHAIRMAN NUTTER: All right. Now, do
8 we ask companies for the number of employees they
9 have at the company?

10 COMMISSIONER APPLEBAUM: We, during
11 what we would call a preaward situation from time to
12 time will question the low bidder to make sure that
13 he has the sufficient employees, the sufficient
14 inventory, the sufficient equipment.

15 CHAIRMAN NUTTER: What do you mean
16 from time to time?

17 COMMISSIONER APPLEBAUM: If we
18 receive a bid from a low bid, and it happens to be
19 from a vendor that we're dealing with, successfully
20 dealing with a vendor, we know based on past track
21 record that that vendor can do what we require them
22 to do, we won't ask the questions again.

23 If we have a brand-new vendor, we
24 will bring them in, it is a brand-new low bidder, we
25 will bring them in, how many people do you have

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2 employed, how many trucks do you have, et cetera, et
3 cetera. And our department makes an evaluation that
4 they are truly the low responsible bidder.

5 CHAIRMAN NUTTER: Do you ask those
6 companies in the nonprevailing wage Public Works
7 contracts, do you ask those companies how much do
8 they pay their workers or to submit weekly
9 payrolls?

10 COMMISSIONER APPLEBAUM: In some of
11 those instances we establish within the bid document
12 what the minimum wage will be for that contract.

13 For instance, there is a security
14 contract, a citywide security contract.

15 The Department of Labor Standards had
16 indicated to us that in that contract we should
17 signify that the minimum wage paid is \$7.10 for
18 that. And that is something they determine for that
19 industry.

20 Within that contract, we assure
21 ourselves that they pay the rates that are in
22 there.

23 CHAIRMAN NUTTER: Now, what drives
24 you to make a decision to seek prevailing wage
25 information on some contracts, and not seek that

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2 COMMISSIONER APPLEBAUM: 1997. Of
3 \$50,000 or more.

4 COUNCILMAN ORTIZ: They are paying
5 1977 wages.

6 COMMISSIONER APPLEBAUM: And in
7 Fiscal '98 there are 41.

8 One year is 73, the other year is
9 41.

10 CHAIRMAN NUTTER: Hold on for a
11 second. Those numbers cannot be anywhere near
12 responsive to the question I asked you.

13 I asked you, nonPublic Works,
14 nonprevailing wage -- because we know that we are
15 getting the information on those -- how many
16 companies do we have contracts with?

17 The number cannot be 73.

18 COMMISSIONER APPLEBAUM: Are you
19 talking the total universe for Procurement or are
20 you talking about Procurement service contracts?

21 CHAIRMAN NUTTER: I am talking about
22 the total universe.

23 COMMISSIONER APPLEBAUM: The total
24 universe of service supply and equipment within the
25 Procurement Department probably is in excess of

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2 3,000. But that's service, supplies, and
3 equipment.

4 CHAIRMAN NUTTER: Now, what about
5 when we heard testimony earlier about the various
6 contracts with, specifically, DHS and the Health
7 Department?

8 COMMISSIONER APPLEBAUM: The
9 Procurement Department has no involvement with those
10 particular contracts.

11 CHAIRMAN NUTTER: Now, does that go
12 to the issue as raised by one of the panelists, Ms.
13 Luce, that in this government, in our governmental
14 environment, there are some contracts that come
15 directly through the Procurement Department and some
16 contracts, apparently, are handled directly by the
17 individual department?

18 And do they have their own
19 procurement agent, if you will, or procurement
20 officer, or something like that?

21 COMMISSIONER APPLEBAUM: In the City
22 of Philadelphia, all competitively bid
23 procurement-type contracts for service, supply, and
24 equipment and Public Works flow through the
25 Procurement Department.

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2 In our government, all contracts that
3 have the title and are considered professional
4 services are developed and awarded and maintained by
5 the individual departments.

6 CHAIRMAN NUTTER: Now, define for
7 me -- I mean, for many of us when we think about
8 professional services, we often think of, I mean,
9 the law contracts could be in the professional
10 service arena; correct?

11 COMMISSIONER APPLEBAUM: Most of the
12 Department of Human Service contracts that you were
13 talking about this morning are considered
14 professional service contracts.

15 CHAIRMAN NUTTER: So even the ones
16 where Mr. Brand was talking about, people who are
17 working in the mental health area or providing --

18 COMMISSIONER APPLEBAUM: Mental
19 health, mental retardation.

20 CHAIRMAN NUTTER: -- they are all in
21 the broad category of professional services
22 contracts?

23 COMMISSIONER APPLEBAUM: Correct.

24 CHAIRMAN NUTTER: So you have got a
25 category of Public Works prevailing wage contracts.

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2 COMMISSIONER APPLEBAUM: Correct.

3 CHAIRMAN NUTTER: You have a category
4 of Procurement Department contracts, service,
5 supplies, and equipment.

6 COMMISSIONER APPLEBAUM: Correct.

7 CHAIRMAN NUTTER: And then you have a
8 category of professional services, which goes across
9 virtually all of the operating departments.

10 And those are essentially all the
11 other contracts that aren't in the other two
12 categories?

13 COMMISSIONER APPLEBAUM: That is
14 absolutely correct.

15 CHAIRMAN NUTTER: Okay. So let's go
16 back to the original premise.

17 For some contracts, you require
18 prevailing wage rates to be paid.

19 COMMISSIONER APPLEBAUM: Correct.

20 CHAIRMAN NUTTER: For some contracts
21 you either do not or you don't inquire or it's not
22 included as a provision in the particular contract.

23 COMMISSIONER APPLEBAUM: That is
24 correct.

25 CHAIRMAN NUTTER: And why is that?

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2 How do you make the determination or the distinction
3 between the ones that will have and the ones that
4 won't have?

5 What other criteria? What are the
6 standards?

7 COMMISSIONER APPLEBAUM:

8 Traditionally the contracts that have the employment
9 base that is traditionally at a low base, such as
10 custodian contracts, security contracts, the City of
11 Philadelphia has elected to throw in and put in a
12 number there to ensure that we are getting qualified
13 service and responsible people.

14 And those contracts do have
15 minimum -- have numbers in there of wage rates.

16 CHAIRMAN NUTTER: All right. Then
17 answer this question: By that testimony, are you
18 then saying for the contracts that you do not
19 require prevailing wage in, those are areas or
20 contracts that traditionally have higher wages, and,
21 therefore, you, for the most part, allow the
22 marketplace to operate and determine wages?

23 And, what is your cutoff between
24 lower wage jobs where you are requiring the
25 prevailing wage criteria and the higher-end jobs

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2 where you are not?

3 COMMISSIONER APPLEBAUM: Mainly, it
4 is not a dollar value; it is our understanding of
5 the industry and the labor involved.

6 For instance, a lot of the service
7 contracts are HVAC, heating, ventilation, and air
8 conditioning repairs.

9 We know that they are skilled
10 technicians who are receiving rates that are way
11 above.

12 And here we let the market determine
13 that, so that we --

14 CHAIRMAN NUTTER: Give me an
15 example.

16 COMMISSIONER APPLEBAUM: An example
17 of?

18 CHAIRMAN NUTTER: Of the wages that
19 you are talking about.

20 These are contracts that you are
21 saying don't need to be put to a prevailing wage
22 test because you believe they are already higher-end
23 paying jobs, and the marketplace is essentially
24 going to dictate and determine.

25 COMMISSIONER APPLEBAUM: Right.

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2 Plumbers, air conditioning repairmen. I mean,
3 traditionally they are earning 15, 12, 15, 20
4 dollars and more.

5 We have some services -- snow
6 removal. Snow removal is done by major construction
7 companies around town. And their truck driver rates
8 who do the snow removals are 15, 20 dollars.

9 So that's how we have tried our best
10 to separate them.

11 CHAIRMAN NUTTER: Let's get back to
12 the data-gathering discussion.

13 Pursuant to the issues raised by all
14 of us and then this morning Councilman Ortiz, what
15 is your ability, beyond sending a letter to the
16 particular companies, what other leverage, skills of
17 persuasion, or the law, or lack thereof, do you have
18 to require the companies that you are primarily
19 dealing with and responsible for, whether it's the
20 27, or, I think you indicated in your other
21 testimony, a larger number of 3,000 --

22 COMMISSIONER APPLEBAUM: Correct.

23 CHAIRMAN NUTTER: -- what are you
24 able to require companies to share with us by way of
25 information?

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2 COMMISSIONER APPLEBAUM: Realize that
3 our biggest goal for the Procurement Department is
4 to make sure that the companies who are under
5 contract are providing the proper services and the
6 proper equipment that's in accordance with the
7 specifications of the document.

8 That --

9 CHAIRMAN NUTTER: That's your
10 fundamental priority.

11 COMMISSIONER APPLEBAUM: That's a
12 very difficult task. And all of our departments
13 have the responsibility to report back to us that
14 the companies are conforming or not.

15 Within the terms and conditions of
16 the contracts, there's legal terminology in there
17 that would allow us, or the Controller, to visit the
18 companies and request audits to be done of their
19 books and records.

20 So I would say that, to that extent,
21 if you had a desire, we could have either the
22 Controller's Office or a new office, an office of
23 price stabilization, or whatever you want to call
24 it, could conduct audits.

25 And we would have the legal right

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2 get that information from the ten companies
3 submitting bids; you would just get it from the one
4 company that won the bid.

5 COMMISSIONER APPLEBAUM: Realize --

6 CHAIRMAN NUTTER: If you have a right
7 to audit now, you are saying, according to the terms
8 and conditions of the contract, then why don't you
9 have a right to require that information in writing
10 prior to award of bid?

11 COMMISSIONER APPLEBAUM: Well, we
12 have the right to put anything at all that we would
13 like in our bid statement.

14 I mean, we can do whatever we like.
15 There is no law that says what we can and can't do.

16 But realize the problem that you have
17 there is that we are in the public bidding
18 environment.

19 CHAIRMAN NUTTER: Right.

20 COMMISSIONER APPLEBAUM: Companies go
21 into our bid room, they hear all the prices. Under
22 the law, public information, companies can come in
23 and examine the bids.

24 I have a feeling that there's a lot
25 of companies out there -- and one of the persons who

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2 be \$8, and then we require them to send in their
3 certified payrolls, we then compare that to the \$8.

4 CHAIRMAN NUTTER: Well, for the
5 moment, having that information would fundamentally
6 certainly help us to better evaluate what, I mean,
7 one of the basic premises of the resolution is. And
8 I think it reads, and to what extent the city and
9 city related agencies -- I'm sorry. Wrong section.

10 "And to what extent city contractors
11 and recipients of financial assistance fail to pay
12 their employees a living wage and why."

13 I think Councilman Cohen's earlier
14 premise -- and he certainly shared it with me in
15 private conversation -- is, if you had all of this
16 information to start, theoretically you could find
17 that, you know, 98 or 99 percent of the companies
18 would be in compliance in the first place.

19 That may not be the case in reality,
20 but you would know that to start.

21 COMMISSIONER APPLEBAUM: That's
22 correct. But realize the premise of having every
23 bidder come with their bids and disclose to us --

24 CHAIRMAN NUTTER: I didn't give you
25 that sole option.

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2 I said to you, we started on the
3 bidders. When you laid out what the potential
4 problem is, I said, there is a point between bid
5 opening and bid award.

6 That when you make your staff makes
7 the evaluation that someone is the lowest responsive
8 and responsible bidder, and you call the company and
9 say, "You won the bid. Now send us in your sheet
10 indicating what your wage rates are."

11 COMMISSIONER APPLEBAUM: What the
12 wage rates are for all your employees or what the
13 wage rates will be for the employees who are working
14 on that contract? Or what is the current, what is
15 the future?

16 I mean, we can do that. But we have
17 to be -- we have to understand, what do we want?

18 If we award a contract to ARA, they
19 have 10,000 employees in the City of Philadelphia.

20 I believe our request should be, or
21 would be, what are the current wage rates for the
22 people who are going to work on this contract. So
23 you would have to --

24 CHAIRMAN NUTTER: That's a reasonable
25 assumption. Some may agree, some may disagree.

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2 But I think, at a minimum, you would
3 want to know what the wage rates are for the people
4 who are going to be working on that particular
5 contract.

6 There may either be a policy question
7 or even a legal question as to whether or not you
8 can require everyone in the company's wages to
9 change, notwithstanding the fact that, you know,
10 only 15 people in the company are actually doing
11 city work, but, you know, there are another thousand
12 people in the company who are working for somebody
13 else.

14 I mean, I think that that's subject
15 to discussion and debate, probably, among the
16 members up here.

17 But that's another argument for
18 another day. We're still talking about the ability
19 to collect data.

20 And your testimony, it seems to me,
21 is that you can virtually ask for anything. You
22 have not in the past.

23 Now you are asking, or posing, a good
24 which, which is, do you ask it of every bidder or do
25 you only ask it of the winning bidder.

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2 COMMISSIONER APPLEBAUM: Right.

3 And realize we did respond to your
4 request. We did request from X number of companies,
5 and the responses were very poor. The numbers were
6 very poor.

7 CHAIRMAN NUTTER: So I further take
8 it that, I mean, whether or not you have been
9 completely or totally responsive to the various
10 members' requests, which each member can decide how
11 they feel about that, what I have taken out of this
12 testimony, which I didn't get at the May 12 hearing,
13 is that you do have some ability to request certain
14 information and certain documents with no particular
15 need for change in law.

16 It's more a policy issue and a volume
17 of paperwork and why are we asking for this
18 information in the first place and what are we
19 comparing it to; that's more the issue for
20 Procurement.

21 COMMISSIONER APPLEBAUM: Sure. The
22 issue or the limitation on that is what do we do to
23 the marketplace when we are asking competing vendors
24 to submit information that we know could be in the
25 public sector that they might not be happy to have

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2 us distribute.

3 So we have to be responsive to that
4 need, also.

5 CHAIRMAN NUTTER: Okay. My last
6 question, I think, is, based on your explanation of
7 what Procurement does, and I think now we have
8 established three areas, Public Works with
9 prevailing wage; service, supplies, and equipment;
10 and -- it was so long ago -- and professional
11 services.

12 COMMISSIONER APPLEBAUM: It is Public
13 Works bids; it's service, supply, and equipment
14 bids. That's the total area.

15 The professional service that you
16 talked about is outside of our realm.

17 Let me just clarify one other thing.
18 We are also responsible for what we call concession
19 bids. This is for cafeterias and vending machines
20 and that kind of stuff.

21 CHAIRMAN NUTTER: Right. All right.

22 And so some of the frustration in the
23 data gathering may, in fact, be -- and I sent,
24 through the wonders of technology, an E-mail to
25 every Commissioner and the four cabinet officers a

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2 request based on what I believe your response was
3 last time.

4 Your testimony is now that if we want
5 to know specific information about who pays what, or
6 who doesn't pay what to whom, from the Health
7 Department, DHS, Recreation, the Library, Police,
8 Fire, or anyone else, that our primary source of
9 that information is directly from the department.

10 COMMISSIONER APPLEBAUM: As it
11 relates to what is known and called professional
12 service contracts.

13 Realize for the Recreation
14 Department, the Library, and the Police Department,
15 we in Procurement are responsible for the areas we
16 touched on earlier.

17 CHAIRMAN NUTTER: Right.

18 COMMISSIONER APPLEBAUM: But each
19 department separates professional service and
20 Procurement.

21 CHAIRMAN NUTTER: But if we wanted to
22 be responsive to, again, Mr. Brand's issue about
23 mental health workers, it is more fruitful and more
24 appropriate to talk to Joan Reeves or her designated
25 staff person than it is to you?

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2 COMMISSIONER APPLEBAUM: Correct.

3 CHAIRMAN NUTTER: Okay. All right.

4 Thank you. I'm sorry; one last question.

5 There was a statement made, and I am
6 sure you were in the room at the time, which I took
7 down, which I think was another statement from
8 Mr. Brand, why is it that you can keep track of this
9 information for 14 companies -- and this may be a
10 slightly exaggerated figure -- but why can't you do
11 it for 14,000 companies?

12 COMMISSIONER APPLEBAUM: Well, I
13 heard that statement, also. And I think there was a
14 complication or a mistake made by Mr. Whoever.

15 The 14 that he is talking about is
16 the summary of the 14 companies who responded to the
17 questionnaire.

18 We're not keeping track of them; it
19 is just that they responded to the questionnaire.

20 CHAIRMAN NUTTER: Right. You didn't
21 have this information. I asked you to get it, and
22 you asked them to get it.

23 COMMISSIONER APPLEBAUM: Right.

24 And that sheet shows you the number
25 of companies responded, the number of employees that

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2 they reported on, and the number of employees who
3 are earning less than 7.0.

4 And when you look at this, there is
5 one major company, and that's Scotland Yard
6 Security, who have 59 employees, and their rate that
7 they are paying is \$7.10.

8 And the reason for that is that is
9 the rate we inserted in that particular bid
10 proposal.

11 Other than that --

12 CHAIRMAN NUTTER: And that was based
13 on your prevailing wage information from --

14 COMMISSIONER APPLEBAUM: Correct.
15 From Labor Standards.

16 CHAIRMAN NUTTER: All right. I don't
17 have anymore.

18 COUNCILMAN ORTIZ: In those Public
19 Work contracts, has any company refused to bid
20 because we asked their payroll, that's one of the
21 requirements, they make payroll requirements to the
22 city?

23 COMMISSIONER APPLEBAUM: In the area
24 of Public Works, I would have to say that 90 percent
25 of the companies who bid on city work are all union

3 Union companies are familiar with
4 prevailing wages, and they all pay the same. The
5 electrician apprentice and electrician journeyman --

8 I said, did anyone refuse to bid, do
9 you have any information, because we asked for that
10 type of information to be granted to you?

14 COUNCILMAN ORTIZ: What would be the
15 problem of asking the companies, in essence, that we
16 have a floor where they cannot go below, and your
17 bids will be based on that floor?

25 COUNCILMAN ORTIZ: What is the

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2 asked the question, what is the potential problem.

3 And my response to you hasn't changed. Just as I --

4 COUNCILMAN ORTIZ: But you have no
5 factual data to be able to make that statement.

6 In terms of other cities that are
7 comparable to Philadelphia, these bills have passed
8 and that has not happened.

9 COMMISSIONER APPLEBAUM: Well, I
10 heard that LA, she didn't know that that had not
11 happened.

12 We don't have, at least I don't
13 believe any of us have, definite information that
14 would support that theory.

15 Now, I am sure that if we did that,
16 we would still get a good number of bidders. But
17 I'd have to say that, most likely, the number of
18 bidders who will come to the party will be reduced.

19 Because there are some companies out
20 there who are not going to take their total wage
21 base and inflate all people because of our
22 contract.

23 So I don't know the magnitude of it.
24 I have no idea. But I feel very comfortable that
25 some companies would resort to that and would pass

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2 on bidding with us. I don't know how many.

3 COUNCILMAN ORTIZ: I gave an example
4 before, and I can bring that CEO here. Their
5 headquarters are in Maryland.

6 They want to bid for SEPTA contract.
7 They want to set up in North Philadelphia, in the
8 American Street Corridor.

9 Their bid -- and he said to me --
10 "Our bid is high because we pay a living wage. Our
11 experience has been throughout the United States
12 that if we pay a living wage, we don't get
13 absenteeism, our property and our equipment is
14 maintained and taken care of, and we have stability
15 of the work force for years. Our profits increase
16 in the long-term."

17 Why don't we begin thinking along
18 those lines, instead of thinking in the negative, as
19 you seem to do?

20 COMMISSIONER APPLEBAUM: I am not
21 thinking in the negative; I am trying to be a
22 realist.

23 My opinion, I agree with what you're
24 saying and I agree with that company. Your question
25 was, in the marketplace, all these companies out

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2 there -- and I'm not thinking for these companies;
3 I'm just telling you most likely what the results
4 will be.

5 These companies don't feel the same
6 way that you and I feel.

7 COUNCILMAN ORTIZ: Mr. Applebaum, do
8 you know why that is? Because we don't request it
9 of them.

10 We seem to feel -- I swear, we seem
11 to feel that we are so inferior that we have to bend
12 over backwards just to get somebody to come in and
13 do a job here.

14 COMMISSIONER APPLEBAUM: We do
15 request them. We have a number of bids that we did
16 request wage rates. So we do do that.

17 COUNCILMAN ORTIZ: For example, the
18 other day we approved a TIF for Disney here,
19 supposedly.

20 Disney, let me read you this. "The
21 Walt Disney Company has unexpectedly dropped plans
22 to open a store in Los Angeles International Airport
23 and indicated that unease over the city's recently
24 adopted living wage ordinance among the reasons
25 according to city official."

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2 Now, they are getting a tax break
3 here. They are not getting a tax break over there.

4 "A Disney spokeswoman, however, said
5 Wednesday that the impact of the ordinance was
6 insignificant compared to other reasons, asserting
7 that the 613-store chain wanted two sites within the
8 airport, they only got one, and simply concluded
9 that a solo location didn't make good business sense
10 there."

11 "Councilwoman Ruth Gallander, whose
12 district includes the airport, wrote a letter Monday
13 to Michael B. Eisner, Disney's Chief Executive,
14 describing a phone conversation in which a Disney
15 official reportedly told airport staffers that the
16 living wage was, in effect, the straw that broke the
17 camel's back."

18 In light of Disney's exemplary
19 record, I can't believe they cannot pay 8.50. They
20 want to pay 5.25 an hour.

21 I mean, we didn't even ask them the
22 questions, and we are not asking the questions of
23 Disney as to what type of job and what type of --
24 the lowest worker in this complex is going to get.
25 Right?

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2 It will probably be, hopefully
3 because of our living conditions, it will be higher
4 than \$8 an hour. Right Mr. Mullin?

5 MR. STEPHEN MULLIN: I am not sure
6 what those wages will be.

7 What we're looking at is actually a
8 different Disney subsidiary. What I'm sure the
9 testimony earlier was for the Disney store, their
10 retail outlet, which is a different subsidiary. And
11 I'm sure it has different wage rates and different
12 types of jobs.

13 But we don't, as far as I know right
14 now, we still don't officially have any word on the
15 Disney subsidiary or any of their wages right now.

16 COUNCILMAN ORTIZ: I would like to
17 get from the city, Mr. Applebaum, Mr. Feeley, Steve
18 Mullin, from the same things that Michael Nutter
19 asked Joan Reeves and Estelle Richman and so forth,
20 the city, the contracts, how many contracts there
21 are, the universe of those contracts.

22 Not speculating on what the wages are
23 going to be next year, but what -- we have all of
24 these contracts right now. We should require these
25 companies that have, that have, contracts with us to

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2 give us the information, what is the lowest wage
3 that they pay and what is the level.

4 What is the wage levels that they
5 have in those contracts that they have with us?

6 MR. KEVIN FEELEY: Councilman, if I
7 may, just a point of clarification. You want to
8 know what wages they pay throughout their company or
9 limit it to the wages that they pay for the work
10 that's being done in connection with our contract?

11 COUNCILMAN ORTIZ: For instance, take
12 Episcopal Hospital. They have the nursing home.

13 I would like to find out what are the
14 wage levels in the nursing home throughout. That's
15 a contract that they have with us.

16 I would like to have the scale of
17 wages from the lowest paid worker at the nursing
18 home to the highest paid worker at the nursing
19 home.

20 MR. FEELEY: We will attempt to be
21 responsive to that request, to our best.

22 COUNCILMAN ORTIZ: I would like to
23 have the wage scale of the security services that we
24 have contracts with, the lowest wage earner within
25 that security company that we have, to the highest

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2 wage earner. Okay?

3 MR. FEELEY: Again --

4 COUNCILMAN ORTIZ: I would like to
5 have the cleaning services that we contracted, for
6 example. The lowest wage earner in that cleaning
7 company, how much they pay, to the highest wage
8 earner in that cleaning company. Okay?

9 COMMISSIONER APPLEBAUM: A lot of
10 that we have, it is in your package.

11 The cleaning contractor is Cullen.
12 They do the City Hall. They did respond. And there
13 is a whole schedule in there of all of their
14 employees.

15 COUNCILMAN ORTIZ: I'm saying, that's
16 an example of what we want.

17 COMMISSIONER APPLEBAUM: And
18 Episcopal runs the nursing home. They are one of
19 the companies that never responded to our
20 questionnaire. They are on the list.

21 I sent them two letters. They didn't
22 respond.

23 CHAIRMAN NUTTER: Well,
24 Mr. Applebaum, I would strongly state to you that
25 for the now 12 companies that have not responded,

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2 and I think you indicated that your office or -- I
3 don't know if the letter or the request came
4 directly from you.

5 COMMISSIONER APPLEBAUM: It came from
6 me.

7 CHAIRMAN NUTTER: Okay.

8 One, I would ask if you would take
9 the next step and personally contact the companies,
10 ask the President or CEO for the information, set a
11 deadline.

12 If someone indicates that they are
13 reluctant to share the information, I would ask you
14 to ask them why. And give whatever reason they want
15 to give, but I want an answer.

16 And then ask you to forward that
17 information to me, as you have the other
18 information.

19 And for anyone who is not responsive,
20 I would like you to indicate what the reason was for
21 the lack of response.

22 Secondly, Mr. Feeley, I think in our
23 conversation the other day I had indicated to you,
24 and I had said earlier on the record, that I had
25 sent an E-mail message to every Commissioner of an

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2 operating department and the four cabinet officers,
3 believing generally that I had covered fairly broad
4 categories of people.

5 I am sure that I left out a few folks
6 like Fairmount Park Commission. I think I may have
7 left the Library out, and others. But at least it
8 is in operating departments. I was trying to do it
9 off the top of my head.

10 Some have responded. Some of those
11 commissioners have responded, and some have not.

12 I would ask you as the representative
13 from the Mayor's Office directly to follow up with
14 those commissioners and the cabinet officers to get
15 their response to the E-mail requests.

16 It is, I believe, a one-question
17 request that talks about getting information on the
18 companies that contract with those specific
19 departments who pay less than 7.60 an hour to their
20 employees.

21 I would, though, also put on the
22 record -- and I made a reference to this earlier --
23 that one of the questions that probably has to be
24 answered on the Council side is a fundamental
25 question of, when we make the -- or put forward a

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2 proposed rate that people should be paid, there is
3 an implementation question, and there is a
4 how-far-does-this-go question.

5 And that question is one of, is that
6 rate applied to only the people who are working on
7 the city contract directly, or, does that rate go to
8 everyone in the company, regardless of whether they
9 are working on the city contract or not.

10 And one example, I guess, of that
11 that can be easily explored is, if we have a
12 contract with a law firm that provides whatever
13 service they provide to us, and there is a
14 requirement for a particular wage that may affect
15 clerical personnel or secretaries or people in the
16 mail room, or whatever the job classification is,
17 the question is whether or not everyone in the
18 company gets the higher wage rate, or only the
19 people who are working on the city contract.

20 And that, I believe, is a policy
21 question, it is not a legal question, for the
22 Council to try to -- Councilmembers to try to
23 address and deal with.

24 If the city Administration people
25 have any particular view or information on that, not

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2 necessarily for today, I would be interested in
3 receiving in writing what your perspective is and
4 your ability to implement such a requirement.

5 Mr. Feeley, were you trying to get
6 something in?

7 MR. FEELEY: Councilman, just to say
8 we will do our best to comply with your E-mail
9 request. And we will consider the other question
10 that you raise and get back to you with that
11 information.

12 CHAIRMAN NUTTER: Okay. Thank you.

13 COUNCILMAN ORTIZ: Mr. Feeley, could
14 you make that as soon as possible?

15 MR. FEELEY: We'll certainly do our
16 best to get it to you as quickly as possible.

17 COUNCILMAN ORTIZ: Okay.

18 And Mr. Mullin, Mr. Mullin, in terms
19 of PIDC and PCDC, could you try to achieve that same
20 result, please?

21 MR. MULLEN: Yes. In fact, I do have
22 some of that.

23 I will -- in your package, we have 75
24 of the loans from PCDC over the last three years and
25 approximately 400 of the PIDC loans.

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2 original agenda for today, if there is anyone here
3 who wishes from the general public to testify, we
4 would certainly entertain those comments now.

5 That's up to the general public. If not...

6 COUNCILMAN ORTIZ: I just want to put
7 this into the public record.

8 It is Public Hearing testimony to
9 City Council Committee on Living Wage Bill from
10 Gwendolyn R. Clay, M.Ed., Executive Director,
11 NorthWest Philadelphia Interfaith Hospitality
12 Network. And this will be put into the record.

13 CHAIRMAN NUTTER: It will be entered
14 into the record as if it had been fully read into
15 the record.

16 Is there anyone from the general
17 public to wishes to testify on the issues raised by
18 the resolution that we're hearing today, 980853?

19 Seeing none. This hearing is
20 recessed until December 11 at 10 o'clock a.m.

21 Thank you very much.

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C E R T I F I C A T I O N

I HEREBY CERTIFY that the foregoing
proceedings of the Council of the City of
Philadelphia of Friday, November 20, 1998, were
reported fully and accurately by me, and that this
is a correct transcript of same.

RE: JOINT COMMITTEE ON LAW AND GOVERNMENT and
COMMERCE AND ECONOMIC DEVELOPMENT

DEBRA A. WHITEHEAD, RPR