

A Tale of Two

ECONOMIES

**Food Service Workers
in the High Tech–Biotech Corridor**

Foreword

Genentech is sitting on the top of the world – well, actually, down in Silicon Valley. It has a \$4 billion portfolio and is raking in cash from the high-profile anti-cancer agents Avastin and Herceptin. Thankful patients write all the time, and the company duly reprints their letters as full page ads in places like The New York Times. “I am so grateful to the team that worked on the cancer medicine that I believe saved my life,” reads a letter from former patient Joel Golub, “... Your discovery has given me a chance to ... go to a dance recital for my beautiful daughter, see my son play baseball, and generally squeeze every drop I can out of life.”

It's not just cancer survivors who love Genentech. According to both *Science* and *Fortune* magazines, the company ranks as one of the best possible places to work. Employees are entitled to a list of perks that would make most American workers weep in envy: subsidized childcare, \$10,000 a year reimbursement for tuition, domestic partner benefits, free iced tea and espresso, fully paid gym memberships, discounted pet insurance, nursing mothers' rooms, etc.—not to mention generous health insurance and a three-week vacation. At Genentech, every day is casual Friday, and on Friday itself the company hosts a weekly social called a “Ho- Ho.”

Then there's the food in the company cafeteria. Recent offerings included “Hazelnut Beef Stir Fry with Sesame Jasmine Rice and Soy Beans” and “Caribbean Spiced Pork with Apple Fennel Chutney and Sweet Potato Puree,” for a mere \$6, since Genentech picks up the rest of the tab. Or you might opt for the poached salmon or herb-crusted red snapper at \$5 a shot, and dinner is served till 2 AM.

But where there is food, there are food service workers, and the ones at Genentech don't experience the company as a life-giving force. It acts, in fact, as if it were determined to deny them any care. If this didn't show up in the *Science* and *Fortune* surveys of employee satisfaction, that's because Genentech's food service workers are subcontracted through a company called Guckenheimer Enterprises. Still, they're the ones who dish out the Apple Fennel Chutney in the cafeteria, and if they were to write a letter to Genentech for publication in the *New York Times*, it would go something like this statement from Milarose Oriel, age 53, who is featured in this report.

Dear Genentech, it would say:

I like working at the Genentech cafe, but our managers don't care about our health.

I had a stroke in 2001. This year, I asked for time off to see my doctor to get my blood pressure medicine refilled. But it's like Guckenheimer doesn't want me to see a doctor. First, my manager kept telling me to postpone my appointment, then I had to beg her to give me some time off. My doctor actually called me because he was worried...

I met Milarose Oriel in San Francisco in October. She told me she can't afford the insurance Guckenheimer offers, so she relies on temporary insurance provided by the county. In the last few weeks, since Oriel got interested in unionizing her co-workers, she's faced harassment at work – insults, nasty surprises, sudden loud noises – almost as if the company were trying to provoke another stroke.

This report documents the shabby treatment and low wages of service workers like Oriel in high tech Silicon Valley industries. Although the Valley and the Bay Area are among the most affluent areas in the country, they have seen growing poverty in recent years. The number of families who cannot find affordable housing has increased by 20 percent since 1999, and 189,000 people now live below the poverty line in Santa Clara and San Mateo counties. Most of them are the working people who clean offices and labs, serve food, and maintain the buildings and grounds of high tech companies.

Genentech claims to be neutral on the food service workers' organizing drive. It shrugs off the treatment of its food service workers, who are, after all, really the employees of Cuckenheim. But that excuse doesn't wash any more. Whether it's Wal-Mart or the University of Virginia, indignant citizens are demanding that companies take responsibility for their subcontracted labor. The scientists who work at Genentech need to know: there's blood in that chutney (metaphorically speaking). Just as Genentech enabled Joel Golub to live to see his children's recitals and games, it needs to make sure that Milarose Oriel achieves her dream, which is "to live to see my granddaughter grow up."

—Barbara Ehrenreich, 11/1/06

Executive Summary

Santa Clara and San Mateo counties are the economic engine of the Bay Area. Together they form the “High Tech-Biotech Corridor” that runs from San Jose up the Peninsula to South San Francisco. The arrival of high tech and biotech companies, and the establishment of the venture capital firms that support them, has generated enormous profits and prosperity for the region. Despite this prosperity, many area workers still toil in low wage jobs, living paycheck to paycheck.

This report explores the two economies of the High Tech-Biotech Corridor—the corporate economy of high wages, subsidized daycare, and stock options, and the shadow economy of contracted low wage workers who provide services to these multinational corporations.

In order to illustrate the divide between the two economies, this report uses a case study of one food service contractor, Guckenheimer Enterprises, to highlight the problems workers face and what happens when they attempt to improve their conditions. Guckenheimer provides services to many of the region’s top companies, including Genentech, one of the region’s leading biotech firms. Through interviews and surveys, Guckenheimer workers share their experiences of working in the shadows of the High Tech-Biotech Corridor.

Specifically, this report examines:

- Economic difficulties contracted food service workers face, including low wages, lack of affordable healthcare, injuries at work, and intimidation on the job.
- The role high tech and biotech companies can play in transforming contracted food service jobs into quality jobs.

This report finds that across the High Tech-Biotech Corridor:

- The cost of living has risen 10% since 2000, and 46% of households that rent cannot find affordable housing.
- The income of Latino and Black working families is less than half the income of other groups.
- Food service workers on average earn 69% less than the median income for the area.
- Average weekly wages in the food service industry fall below what it costs a single adult to meet basic needs without public assistance.
- Food service workers serving the region’s multinational corporations rely on government assistance to provide health insurance for themselves or their families, allowing profitable companies to pass on employment costs to California tax-payers.
- A survey of more than half the Guckenheimer workers at Genentech found that 23% rely on government funded health insurance or are uninsured. Only 50% rely exclusively on the company health insurance plan, which costs \$200-\$400 per month for family coverage.¹
- Food service workers report going to work sick or not receiving adequate medical care for injuries on the job, potentially causing health risks to their customers.

This report recommends that the Corridor’s corporations adopt codes of conduct

requiring their contractors to be responsible employers. These codes of conduct entail:

- Fair wages,
- Compliance with state and federal laws, including labor, employment and environmental laws,
- Neutrality toward worker organizing, and
- Worker retention by contractors when they take over an account.

This report focuses on the impact of low wage jobs in the food service sector on workers and their economic well-being. The workers themselves face other crucial issues that compound the problems of poor quality jobs, such as race, immigration status, language and gender. A large number of the workers we interviewed for this report are immigrants, generating even greater personal risk when they attempt to improve their conditions.

The High Tech-Biotech Economy

The Peninsula and the South Bay are major centers of technological innovation. Technology companies have contributed to their communities through job creation, taxes, and donations to nonprofit organizations. While the tech bust and recession hit the Bay Area harder than other parts of the country, the economy has been on the rebound since 2003, with the top 150 Silicon Valley companies recording profits of \$37.1 billion in 2005, up 199% from 2003².

South San Francisco is home to Genentech, one of the first and the most successful biotech companies. The Peninsula has become one of the top centers for medical research and innovation in the world. Genentech realized \$1.39 billion in profits in 2005, a 218% increase from 2003³. Beyond Genentech, there are more than 20 other biotech and pharmaceutical companies that operate in the Bay Area. For example, Gilead Sciences in Foster City is the maker of the first one-pill-a-day drug for HIV and saw its profits jump by 81% in one year, after the drug was approved by the US Food and Drug Administration⁴.

The highly-skilled, highly-educated workforce that produces medical and technological innovation is rewarded for its work with generous compensation and benefits packages, including: high wages, substantial medical benefits, paid vacation time, subsidized cafes at their offices, and even stock options. As a result, 8 of the Top 100 Companies to Work For are in the High Tech-Biotech Corridor, with Genentech in South San Francisco ranked #1.⁵

The Working Poor in the High Tech-Biotech Corridor

At the same time, there is another group of workers who work in the same buildings and live in the same region but do not receive the same kind of treatment. Many high tech and biotech companies rely on contractors to perform non-core services, such as food service in on-site cafes, and janitorial work. These workers fall into the low wage economy – living paycheck to paycheck, relying on public assistance and facing poverty, unaffordable housing, and stagnant wages.

In the last six years the number of families who can find affordable rent has decreased by 13%, while the number paying more than 30% of their income on rent has increased by 20%.

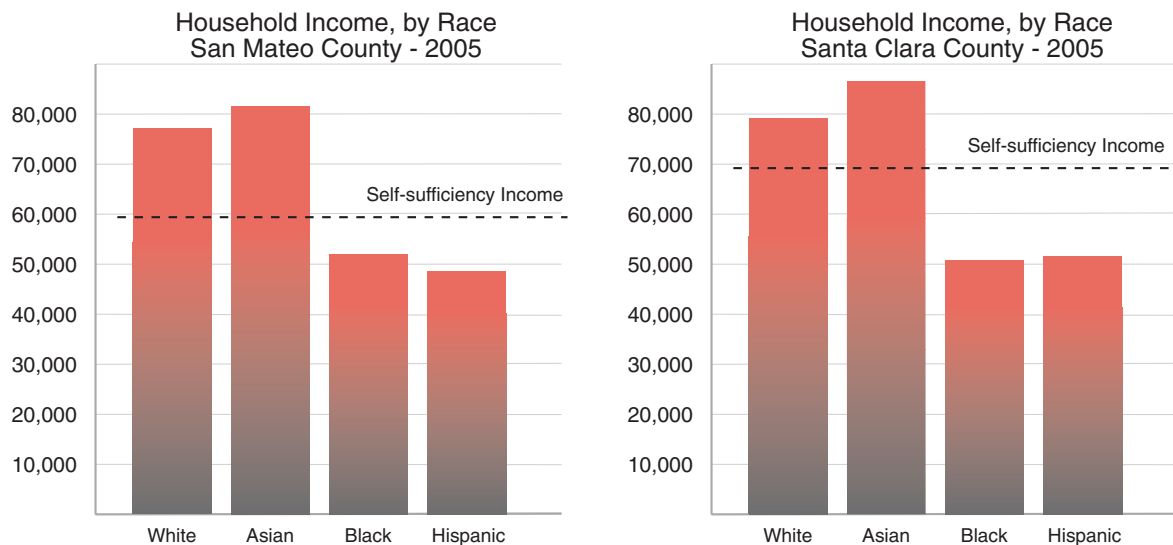
Across the two counties in the High Tech-Biotech Corridor, the cost of living, measured by the consumer price index, has increased by 10% since 2000⁶, as fuel prices, food prices, and housing costs have risen. Working families find it increasingly difficult to meet basic needs while living in the High Tech-Biotech Corridor.

The increasing cost of housing has placed affordable housing beyond the reach of a large number of working families in the High tech-Biotech Corridor. The generally accepted definition of affordable housing is for a household to pay no more than 30% of its annual income on housing. Families who pay more than that may have difficulty affording necessities such as food, clothing, transportation, and medical care.⁷

Across the High Tech-Biotech Corridor, 46% of households are paying more in rent than what is affordable on their income.⁸ In the last six years the number of families who can find affordable rent has *decreased* by 13%, while the number paying more than 30% of their income on rent has *increased* by 20%.

The combination of increased costs and a lack of available quality jobs means that poverty is increasing. In Santa Clara County, there has been a 30% increase in the number of people living in poverty since 2000. In San Mateo County, there has been a 35% increase. Throughout the Corridor, 189,000 people, or 8% of the population, live below the poverty line.⁹

The problems faced by people living in the High tech-Biotech Corridor face are different depending on their racial and ethnic groups. Latino and black households in the High Tech-Biotech Corridor earn less, on average, than Asian and white households.¹⁰ Furthermore, many of these households earn less than the self-sufficiency wage, meaning that they are not able to provide for all of the basic necessities without using public assistance.¹¹



Food Service in the High Tech-Biotech Corridor

More than 6,000 people work in food service in the Corridor.¹² The employees of Guckenheimer Enterprises an example of what their work lives are like.

Guckenheimer Enterprises is a locally-based company that grew up as part of the High Tech-Biotech economy, with more than 120 accounts in Northern California. Its presence in the region rivals its national competitors. Guckenheimer competes for business based on the quality of service it provides, not on its ability to offer services at a low price. The companies that use Guckenheimer Enterprises as a contractor include: Genentech, Adobe, Applied Materials, AMD, and Gilead Sciences.



I like working at the Genentech Cafes, but our managers do not care about our health. I had a stroke in 2001. I'm only 53 years old. I still want to see my granddaughter grow up, so I take my medicine and try to take care of myself. This year, I asked for time off to see my doctor to get my blood pressure medicine refilled. But it's like Guckenheimer doesn't want me to see a doctor. First, my manager kept telling me to postpone my appointment, then I had to beg her to give me some time off. My doctor actually called me because he was worried.

The Guckenheimer health insurance is very expensive, too expensive for me to afford. I use a temporary insurance program offered by the government.

**—Milarose Oriol, Cashier at Genentech
2-year Guckenheimer employee**

Wages



As a single mother, making ends meet is hard. I already use WIC to get things like milk and eggs for my daughter. Working at Guckenheimer doesn't make it any easier. In my nine months as a cashier, they have shown little regard for my well being. They often deliver my paycheck late, making it impossible for me to pay all my bills on time. I struggle with my rent, childcare costs and the high price of Guckenheimer health insurance. Recently, I've been considering getting a second job or getting on the county health insurance because my paycheck alone won't let me support my daughter.

**— Claudia Rivera, Cashier at Genentech
10-month Guckenheimer employee**

After finishing culinary school at the California Culinary Academy in San Francisco, I did an externship with Guckenheimer. They started me at \$8 an hour. They told me I would get a 30% raise when I started on the regular payroll. Instead, I had to fight with the management for over 2 months to get my raise. After two and a half years, and another two raises, I can barely afford to pay off my loans from culinary school and still have enough to live on.

**—Mark Simmons, Prep Cook at Genentech
2½ year Guckenheimer employee**



I've worked for Guckenheimer as a driver, a porter, a caterer and an assistant cook. I like my job and I work hard to keep the customers satisfied. But the managers here don't reward us for our experience and dedication. They offer higher wages to newer workers. And they don't always give us the raises they promised. It is not easy to take care of my two daughters and wife on a Guckenheimer salary.

**—Ri Hua Zheng, Assistant Cook at Genentech
5 year Guckenheimer employee**

Food Service workers are a typical part of the low wage economy. People who work for food service contractors at cafeterias in the High Tech-Biotech Corridor are often paid low wages and have limited benefits. Food service workers earn 69% less than the median wage for the area. Contracted food service workers also earn less than those in comparable jobs that similarly do not require higher education or training.

**Average Wages for Workers in
San Mateo and Santa Clara Counties (2005)¹³**

<u>Industry</u>	<u>Weekly Wage</u>
All Workers	\$1,365
Home Health Care	\$615
Grocery Stores	\$577
Hotels & Motels	\$509
Contracted Food Service	\$426

The low wages in the food service industry mean that wages are inadequate to meet the self sufficiency standard in the region. For a family of two, the self-sufficiency standard ranges from \$43,459 to \$50,709 in San Mateo County and from \$47,815 to \$57,169 for Santa Clara County.¹⁴ In the Contracted Food Service industry, average wages are \$22,178 annually.¹⁵

Many contracted food service workers are priced out of the housing market, struggle to afford basic necessities and cannot afford health insurance.

Healthcare



I am 55 years old and I don't have health insurance. Guckenheimer's health insurance is too expensive; it costs more than \$200 per month and I only make \$10 an hour. But I cannot ask for government assistance because I make too much money to qualify. I have diabetes and I cannot take any medicine for it because I can't afford it. To survive, I avoid certain foods. But it is an illness that gets you over the long term. For instance, my eyesight is fading. On top of that, I have high blood pressure.

**—Rosario Ramirez, Deli worker at Genentech
1-year Guckenheimer employee**

It is hard to pay almost \$400 every month for family health insurance. I need to have health insurance because my wife and I just had a baby who was born premature. I can't pay thousands of dollars if there is an emergency. I use the insurance because I don't have any other options.

**—Luis Ponce, Food Prep at Electronic Arts
9-year Guckenheimer employee**



I do my best to piece together healthcare for my family. I use the Guckenheimer insurance for myself. My three children are on Healthy Families. But my husband has no insurance at all. I know we all need to have health insurance. I'm still paying off an \$18,000 debt from the maternity hospital.

—**Mireya Villalobos, Catering at Broadcom
3-year Guckenheimer employee**



I do not have health insurance because it is too expensive for me. I have to pay cash for doctor visits and prescriptions and most of the time I do not go to the doctor because I do not have money.

—**Nelsy Olson, Cashier at WebEx Communications
8-month Guckenheimer employee**

I have three daughters. When one of them gets sick, I need to take time off to take her to the doctor. My managers always give me a hard time when I use my sick days. Even when I bring in a doctor's note, I do not always get paid for my sick days.

—**Sonia Moreno, Cashier at Genentech
9-year Guckenheimer employee**



Access to health insurance is a major issue for low wage workers. Among households enrolled in public assistance in 2002, 53% were working families, meaning that at least one family member worked a full-time job. Medi-Cal and Healthy Families¹⁶ provided health insurance for over 5.1 million people in 2002, at a cost of \$8.5 billion.¹⁷

In San Mateo County, 40.7% of working families who earn wages similar to what food services workers earn lack health insurance and 48.9% could not afford at least one needed prescription.¹⁸ Contracted food service workers are one group of workers who forgo medical treatment due either to lack of insurance or lack of money for medication.

The health benefits offered by food service contractors are often expensive relative to workers' incomes, and like other low wage workers, they turn to public assistance to get healthcare for themselves and their children. **Many high tech and biotech companies offer subsidized meals for their employees, yet taxpayers ultimately subsidize these company perks by shouldering the cost of health care that food service contractors fail to adequately provide.**

For example, at Guckenheimer, workers who use the company insurance pay \$200-\$400 a month for family health insurance. This can be as much as **20% of a worker's take-home pay.**¹⁹

A survey of 80 of the approximately 150 food service workers in the Guckenheimer cafeterias at Genentech²⁰ revealed that only 50% of workers rely exclusively on the company provided insurance, and 23% have no insurance at all or rely on government funded insurance for themselves or their children.²¹

At Applied Materials²² in San Jose, a survey of 11 of the 21 workers found that 45% relied on government funded insurance.

Health and Safety Issues

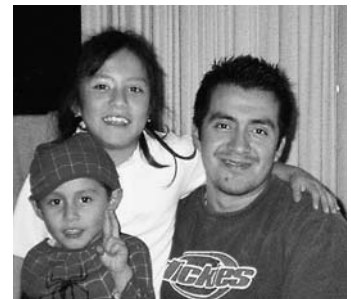


In March, I was working fast. There was a lot of work to be done, as usual. I was getting a plastic container to fill up with lettuce from the dishwasher station. The trays were stacked up and fell on my face, and my nose was bleeding. My co-workers came in to assist me but they found that there was nothing in the first aid box. When my manager came, I explained what happened. He told me to wash my face then he went back to his office and slammed the door! I couldn't tend to my injury until after work. The next day I woke up with an inflamed nose and a headache.

**—Josefina Espinoza, Food Prep at WebEx Communication
9-year Guckenheimer employee**

I worked for Guckenheimer for three years, at Credence in Milpitas. I was hired as a grill cook. While I worked there I didn't have the health insurance.

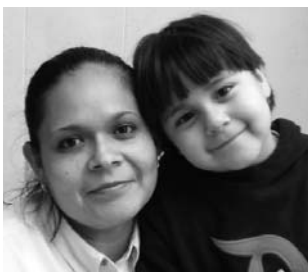
In July 2006, I was picking up the steam table that was used for burritos. I picked it up with towels on the handles, like I always did, and it spilled on my left arm. I knew I needed to see a doctor. The chef manager told me to put it on ice for fifteen minutes. Then forty minutes later I called a manager from Credence. He told me I needed to go to the doctor and that he would talk to the chef. After he did, my manager sent me to see the nurse at Credence and she said I needed to go to the doctor. It took an hour and a half for me to finally leave to see the doctor.



Then I had to drive myself to the doctor Guckenheimer uses in Milpitas. On the drive my arm felt like it was burning because the sun was shining on it. The doctor gave me some cream and bandaged my arm. He wrote a note to the chef telling him that I could return to work immediately, but I was not supposed to work over hot areas. When I went to work the next day the chef put the note on his computer and told me to go work on the grill anyway. Working at the grill, it felt like my arm was burning. I was very mad because I knew I was not supposed to be working there in the first place.

Now three months later, my arm still feels like it is burning when I touch it.

—Ruban Zambrano, formerly a Grill Cook for Guckenheimer for 3 years



On September 5, I hurt my leg. I was walking towards a van and fell. My manager saw and brought me inside and called the hospital. The chef brought me to the clinic where I was told to return at 9 in the morning for an x-ray. My boss asked why the appointment had to be in the morning, because I had to work. Someone from the office took me to my appointment with the doctor. After my injury, I had the same amount of work as before. They did not reduce my workload while I was healing from the injury.

**—Adriana Gonzalez, Cashier at Genentech
2-year Guckenheimer employee**



During 8 hours of work I never get my 10 minute breaks. We get pushed to run around like ants rushing everywhere to get the work done. I am in charge of stocking kitchen supplies and products in the refrigerator and shelf. Most of the products are heavy, weighing approximately 30-50 pounds each. I lift boxes and boxes of sodas, oranges, potatoes and onions without a belt, dolly or a pushcart. I now have a permanent pain in my back that feels like someone is punching me.

**—Aurelio Alvarado, Food Prep at Applied Materials
8-month Guckenheimer employee**

I am only 26 years old and I am in constant pain as a result of this work. Guckenheimer puts a lot of pressure on us to move fast. I am constantly bending over, doing heavy lifting and rushing around doing more than one person's job. I believe in pitching in to get the job done but sometimes when I get home I can not lift my right arm over my head. It feels like my bones are hitting and grinding against each other. I like to play with my son at the park but when I feel like this after work I do not have much energy to do anything.

**—Paul Perez, Catering at Applied Materials
1-year Guckenheimer employee**

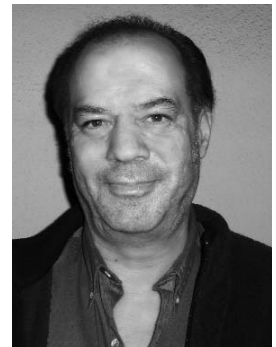


My back hurts—it feels like pulsing pain. I am exhausted after work. I used to work in the construction industry but I have never felt pain like I do now. I work for 30 minutes in the freezer stocking supplies without any protection, and later I wash dishes, pots and pans with warm and hot water and assist the cooks. The back and forth between temperatures isn't good.

**—Etelberto Cruz, Utility worker at WebEx Communications
8-month Guckenheimer employee**

In the 10 years I've worked for Guckenheimer, I've worked in at least 5 different cafes. In every one of the places, I've had multiple responsibilities, more than any one person could handle. We cannot always take our breaks because there is too much to do. By the end of the day my lower back hurts from lifting all the trash, my fingers get numb from pulling things off the dish-washing carousel, washing out the pans and the grease pans, and my feet are sore from walking back and forth from the prep area to the kitchen to the line with dishes, bringing in deliveries and taking pots and pans to the catering area. Don't get me wrong, I take pride in doing a good job. But working in food service really takes a toll on you.

**—Greg Ayers, Dishwasher at Juniper Networks
10-year Guckenheimer employee**





Earlier this year, I got sick with an earache. I needed to see a doctor right away. When I tried to take time off to go to the doctor's appointment, my manager told me I had to give her advanced notice. When I told her the earache just started, she said I was a problem worker. She wanted me to come to work when I was sick. After I went to the doctor, I showed her a note to prove that I went, but she still docked my pay.

**—Luis Davila, Salad Bar worker at Genentech
1-year Guckenheimer employee**

Cutting corners on health and safety in the workplace can have a negative impact on the quality of food service as well as the workers. While individual worker stories attest to this, a comprehensive exploration of the issue in the High Tech-Biotech Corridor is not available.

However, in a study of the New York City restaurant industry, researchers found that employers who violate labor or wage and hour laws are more likely to violate health and safety laws. The majority of these workers also reported that they didn't have health insurance through their employers, didn't receive paid sick days, and went to work when sick.²³

The findings of this study correlate with what some workers in the Bay Area report: they come to work sick because they cannot afford sick days, they are denied access to adequate medical care when injured on the job, and they cannot afford medical care, even when they have employer sponsored health insurance. These problems can potentially jeopardize the customers' health.

Job Security

Contracted food service workers face more risk of job turnover than workers directly employed by corporations on whose campuses they operate. In addition to bearing the risk that the corporations could downsize or go out of business, food service workers are also subject to job loss if a corporation changes contractors.

When a contractor loses an account, sometimes it will transfer some employees to other cafeterias, but sometimes it will let go of all the workers at that site. The workers then have to apply with the new contractor who is under no obligation to hire them.



I worked for Guckenheimer for 2 years. I liked my job serving the customers; I felt proud of my work. When Guckenheimer's contract at Magma got downsized as they prepared to close the cafe, many of us were not given the opportunity to work at other Guckenheimer facilities. We were laid off. We were told we could apply for work with another contractor in another building in the office park that was replacing our cafe. I had to look for a job elsewhere.

**—Matilda Gonzalez, Catering
former Guckenheimer 2-year employee at Magma Design Automation**

Trying to Improve Job Quality

Since I've been identified as a pro-union worker, management has been isolating me from everyone else. I've been forced to take my first break at 8am, and my lunch later than everyone else, so that I won't be with the rest of the workers. I've been told that I'm forbidden to talk to my co-workers, and forbidden to walk into areas that aren't dispatched, like the kitchen, so that they can monitor who I'm talking to and what I'm doing. They hired a man to follow me around and take pictures of me for a couple of weeks. I told my manager that I knew they were watching me and taking pictures, but he just denied it. When they found that I was doing a good job, the pictures stopped. I feel like I'm being punished for standing up for better wages, working conditions and affordable health care for myself and my coworkers.



—**Alejandro Ramirez, Driver at Genentech**
1-year Guckenheimer employee



Since we started talking about wanting a union, the managers have been harassing us. When I wore a union button, they began pressuring me about the union, and trying to provoke me. I'd like to see the managers treat us better. I want to make improvements in our working conditions, I want respect on the job, I don't want to be yelled at anymore.

—**Sonia Zeledon, Cashier at Genentech**
2½ -year Guckenheimer employee

Recently, the company got wind of some of us talking to the union and all of a sudden we were being interviewed by Guckenheimer HR representatives who were asking us about how we like our jobs, if everything is okay, do we have any problems, etc. I told them the truth. I told them we were tired of the mistreatment by our manager and the increased work loads. I also told them that workers had called the headquarters to complain about our bad treatment and that the company did nothing. As a result of my talking to the company representatives I was transferred from Broadcom to a small cafeteria whose contract is going to be terminated in a few months. I feel like they were trying to isolate me. And I don't know what will happen to my job when this cafeteria closes.



—**Oscar Merino, Food Prep at Magma Design Automation**
3-year Guckenheimer employee

For low wage workers, the primary means of improving the quality of their jobs, including raising wages, achieving affordable medical care, creating a workplace where health and safety issues are addressed, stabilizing their employment and protecting themselves when other workplace issues arise, is the opportunity to join a union without management interference.

Food service workers see improvements in wages when they are members of a union. Nationally, union food service workers earn 20% more than their non-union colleagues,

with median weekly wages of \$439 in 2005, compared to \$350 for non-union workers²⁴.

In the early 1990s, janitors working for contractors at high tech companies earned just above minimum wage and had no health insurance. Janitors in the Bay Area sought to join SEIU Local 1877, and won significant improvements in wages and health care.²⁵ For example, janitors on the Genentech campus, who work for a contractor, pay only 5% of their healthcare costs as a result of their union contract.²⁶

I have two daughters with a hereditary genetic kidney disease. We couldn't afford Guckenheimer's insurance so we used Medi-Cal. When I worked for Guckenheimer, my manager would try to make me cancel my appointments. One time, I did cancel one. But because we had Medi-Cal it took another month to get an appointment. So I decided from that point on I would not cancel any of my daughter's appointments. The next time, I told the manager about my daughter's appointment 20 days in advance. Before I could tell him when it was, he coldly asked me, "What comes first? Your job or your daughters?" I told him "My daughters always come first." He wanted me to say "My job." I left crying. Recently I was lucky enough to find a job at a cafe where we have a union. It makes a big difference. I am being paid a little more than when I worked at Guckenheimer, and I have much less work. I am only doing the job of a prep-cook. I am much more relaxed, it is much calmer, and my bosses don't yell at me. I just got the application for the health insurance and it is only \$64/month for family, and the co-pays are much cheaper. Workers in other corporate cafes need a union, too.



**—Donatilda Chitana
former Guckenheimer employee for 4½ years.**



I have worked at SFO with a union contract for twenty-five years. I have raised four children and have five grandchildren. The best part of working union is being able to negotiate contracts, giving us a voice on the job. The bosses have to respect you when you are union. If you are a cook, you do not have to be the cashier or trash collector; you only have the responsibilities of a cook.

When I was raising my family, if I worked more than 140 hours a month, I didn't have to pay for my family's health insurance. And when the contractor at the airport changed, I kept my job at the airport.

**—Consuelo "Connie" Allen, SFO Anchorsteam
Creative Host employee**

I work fulltime as a caterer for Guckenheimer. We are treated with disrespect. We are yelled at and overworked. And Guckenheimer's health insurance is too expensive. I have a second job, working part-time doing banquets at a union hotel. What a difference. As a union member, I have free health care. And at the union shop, management treats us with more respect. I want to have a union at Guckenheimer, too.



**—Alfredo Vera, Catering at Broadcom
8-year Guckenheimer employee**

Responsible Contractors: Bridging the Two Economies

High tech and biotech companies in the Peninsula and South Bay have an opportunity to hold their contractors to their same standard of creating quality jobs with good wages and affordable health insurance. The economic prosperity in the High Tech-Biotech Corridor means that companies do not need to use the lowest cost as their sole criteria for choosing a contractor. Other factors, including compliance with legal and regulatory requirements and employment practices can and should be taken into account.

Companies can adopt their own code of conduct for contractors to take responsibility for the quality of the jobs they indirectly provide. If a large number of companies in the High Tech-Biotech Corridor adopted a code of conduct, contractors would have to raise the standards of the jobs they provide in order to maintain and grow their businesses.

What is a Code of Conduct?

Codes of Conduct, which are often called Responsible Contractor Policies, have been implemented in a variety of forms by public airports, city councils, pension funds, investment vehicles and private companies. Private companies voluntarily adopt and implement these policies and enforce them with their contractors. The elements usually include standards that apply to

- fair wages,
- compliance with state and federal laws,
- labor peace requirements or neutrality toward worker organizing, and
- worker retention when contractors change.

Fair Wages and Benefits

In addition to Contractor Codes of Conduct, living wage policies have been passed by a number of public entities. These laws set a living wage for a geographic region or industry, and usually include basic requirements for health insurance and benefits. Communities across the country have passed living wage laws. In California these include: the Port of Oakland, Emeryville,²⁷ Berkeley,²⁸ Sonoma, San Jose, and Hayward.

Compliance with State and Federal Laws

Contractors often cut corners to reduce costs either to underbid their competition or to squeeze out higher profit margins. This can lead to violations of health & safety standards, environmental standards, anti-discrimination standards, and wage and hour laws.

Standards [for contractors and subcontractors hired to develop and maintain properties] outline some prerequisites of quality service: decent wages, benefits and respect for applicable state and federal law. **Adoption of these standards by several large institutional owners sends a common message to asset managers and to service providers competing for this premium clientele.** Clear expectations of high quality providers simplifies the monitoring process, allowing self-reporting by property managers and building service providers using the specified guidelines.

—Impacts of Quality Building Management and Service on Real Estate Investments, Julie Gozan and Melissa Moyes, Jan. 2000

Cutting corners can also lead to poorer quality of service for clients. Codes of conduct can ensure compliance with State and Federal laws and lead to better performance from contractors.

Neutrality toward unionization and Labor Peace

Across the US from the New York-New Jersey Port Authority to the Port of Oakland,²⁹ many public entities have adopted Labor Peace policies to protect their proprietary interests. These policies require contractors to ensure that there will be no labor disruptions that could affect the agency's revenue stream. In the Bay Area, San Francisco³⁰ and Monterey³¹ have also adopted labor peace/ neutrality policies.

Worker Retention

Many public agencies across the country have adopted worker retention policies, including policies for government contractors. These policies protect local economies from worker displacement in the event of layoffs due to a change in contractor or owner. Some local examples include: the City of San Francisco, the San Francisco International Airport Commission, the County of Santa Cruz and the City of San Jose. The State of

California has laws that protect all contracted workers in a few selected industries, not just employees of contractors doing work for the state.³²

Holding Contractors Accountable

In 2003, the workers in the cafeteria at the US Trust headquarters in New York City (now a division of Charles Schwab) wanted to organize a union. The contractor at that cafeteria retaliated against the workers and had to settle charges of breaking federal labor law. The management of US Trust decided that if its contractor could not obey federal laws and still provide quality services, they would find a different contractor. US Trust chose a new contractor who agreed to keep all the food service workers in their jobs and to recognize a union if the workers wanted one. The transition between contractors happened over the course of one weekend.

Who adopts Codes of Conduct?

Codes of conduct have now been adopted by firms with more than \$400 billion in invested capital.³³ Some private companies that have adopted Codes of Conduct include³⁴ the insurance company CIGNA, the investment bank Prudential, the investment vehicles Lend Lease and the Multi-Employer Property Trust, and several pension funds, such as CalPERS, the San Diego County Employee Retirement Association, and the New York Common Retirement Fund.

Some universities have adopted living wage policies. In 2002, Harvard University adopted a living wage policy for its service workers. This policy establishes wage and benefit parity for all Harvard service workers, including sub-contracted labor.³⁵ Students across the country are calling on university administrators to adopt a Labor Code of Conduct, to implement real standards for service workers on college campuses.³⁶

A Model Responsible Food Service Contractor Code of Conduct

Our company, like many in the Bay Area, is a responsible employer that provides high quality jobs, with excellent wages and benefits. With major operations in the area, we contract with other companies that provide non-core services, such as operating cafes in our buildings.

We recognize that jobs in service industries, such as food service, are not of the same caliber as the ones we provide. Therefore we adopt the following principles to apply to our relationship with food service contractors as a way to make sure that the jobs indirectly provided by our business are good jobs that build the surrounding communities. Upon adoption of this policy, we will notify our existing food service contractors of this Code of Conduct.

A responsible food service contractor:

- Provides affordable family health care coverage and access to health care when needed;
- Pays wages that its employees and their families can live on;
- Complies with all applicable federal, state, and local laws, regulations, and ordinances, including (but not limited to) those related to insurance, wages, non-discrimination, health and safety, and environmental matters; and
- Respects the right to organize a union without management interference when employees want to improve their lives.

If it comes to our attention that a contractor does not act in accordance with these principles, either at our company's facilities or at other locations, we will remind the contractor of these principles and ask them to rectify any problems.

If for any reason we elect to change contractors, we will seek out an alternative contractor who will hire the employees already working in our buildings, will offer comparable or better compensation and working conditions to these employees and who respects the right of these employees to organize.

Conclusion

The High Tech-Biotech Corridor is in the midst of an economic recovery that many of the most significant employers are enjoying. The ability of the local communities to benefit from this economic recovery depends on the quality of the jobs these companies provide, both directly, and indirectly through contractors.

The High Tech-Biotech Corridor encompasses two economies existing side-by-side. The first is composed of multinational corporations that generate huge profits and provide employees perks from subsidized lunches to stock options. They create high skilled, high wage jobs. But they also create a shadow economy of subcontracted workers who clean, cook and cater to these prosperous companies.

Contracted food service workers work hard everyday to provide quality service to multinational corporations, all while trying to make ends meet on low wages, without access to affordable health insurance or housing. When they turn to the government for assistance, it is ultimately tax payers who are subsidizing the perks offered at multinational companies.

The path toward turning subcontracted jobs into quality jobs is clear. Corporations that retain contractors to provide non-core services can take responsibility for creating prosperity by adopting codes of conduct that help low wage workers to deal with the economic reality of living in the region, ultimately contributing to strong communities for all working families.

Notes

- 1 See footnotes 20-22 for full details.
- 2 "Valley Steps up its rebound", by Chris O'Brien and Jack Davis. *San Jose Mercury News*, April 10, 2006.
- 3 Genentech 10K, 2005. Profit is Non-GAAP net income.
- 4 Gilead Sciences 10-K FY 2005, comparison of net income 2004 and 2005.
- 5 *Fortune Magazine*, January 2006.
- 6 US Bureau of Labor Statistics. Consumer Price Index (CPI) for all goods for San Francisco-Oakland-San Jose MSA, 2000-2005.
- 7 The US Dept. of Housing and Urban Development, <http://www.hud.gov/offices/cpd/affordablehousing/>.
- 8 US Census Bureau, American Community Survey, 2005. Aggregate for San Mateo and Santa Clara Counties.
- 9 US Census Bureau, American Community Survey, 2005. US Census Bureau, 2000 Supplementary Survey Summary Tables.
- 10 Median Household Income by Race for San Mateo and Santa Clara counties. US Census Bureau, American Community Survey, 2005
- 11 *The Self-Sufficiency Standard for California* 2003. by Dr. Diana Pierce and Jennifer Brooks, National Economic Development and Law Center. The NEDLC produces a self-sufficiency standard for household types in different California counties. The self-sufficiency standard is the basic income requirements for a family to live in a given area. For San Mateo County, the self-sufficiency standard for 2 adults and a preschooler was \$59,382 in 2003. In Santa Clara County the self-sufficiency standard for the same family type in 2003 was \$69,226. These household types were chosen to compare to median household income, since the average household size is 2.74 and 2.92 in San Mateo and Santa Clara counties, respectively.
- 12 US Bureau of Labor Statistics. Quarterly Census of Employment and Wages, 2005. Contracted food service workers include "private cafeterias" and "special food service".
- 13 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2005. Data are from San Mateo and Santa Clara counties. Contracted Food Service includes "Special Food Services" and "Private Cafeterias". Occupations used to generate the average include hourly employees such as cashiers and cooks, as well as salaried management.
- 14 NEDLC Self-Sufficiency Standard, 2003.
- 15 US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2005.
- 16 Healthy Families is low cost insurance for minors, subsidized by the state of California. It provides coverage to children who do not have insurance and do not qualify for the free Medi-Cal program offered to children in families with extremely low income. www.healthyfamilies.ca.gov
- 17 *The Hidden Public Cost of Low Wage Jobs in California*. By Carol Zabin, Arindrajit Dube and Ken Jacobs. Center for Labor Research and Education, UC Berkeley. May 2004.
- 18 2004 San Mateo County Health/Quality of Life Survey. Healthy Community Collaborative of San Mateo County, August 2004. These statistics refer to families earning less than 185% of the poverty line. Contracted food service workers made an average salary of \$20,706 (US Bureau of Labor Statistics, Quarterly Census of Employment & Wages, 2004, "Private Cafeterias" and "Special Food Services") which translates into 166% of the Federal Poverty line for a family of two (single parent plus one child) and even less for larger families. (Annual Update of HHS Poverty Guidelines. *Federal Register*, Vol 69 No 30, pg 7335-7338. In 2004, the Federal poverty line was \$9,310 for a single person and \$12,490 for a family of two.)

- 19 We have found that workers for whom the health insurance would cost more than 20% of their salaries tend to forgo using the company's medical insurance.
- 20 Our survey of 80 Guckenheimer workers at Genentech found the following distribution of health insurance utilization:

<u>Type of Health Insurance</u>	<u>Number of Workers</u>
Only Company Plan	40
Company Plan + Healthy Families	2
Family or second job	21
Public Assistance	11
Uninsured	5

- 21 Government funded insurance programs include Medi-Cal, Healthy Families, and Government Clinics.
- 22 Our survey of 11 workers at Applied Materials found the following distribution of health insurance utilization:
- | <u>Type of Health Insurance</u> | <u>Number of Workers</u> |
|---------------------------------|--------------------------|
| Only Company Plan | 4 |
| Family or second job | 2 |
| Public Assistance | 5 |
- 23 Restaurant Opportunities Center of New York (ROC-NY), New York City Restaurant Industry Coalition. *Behind the Kitchen Door: Pervasive Inequality in New York City's Thriving Restaurant Industry*. 25 January 2005
- 24 US Bureau of Labor Statistics. Median weekly earnings of full-time wage and salary workers by union affiliation, occupation, and industry, News release. Food Service Workers is the category "Food preparation and serving related occupations".
- 25 "Re-invented Silicon Valley Fosters New Labor Abuses," by Denise Mitchell and Mike Garcia. *San Jose Mercury News*, February 22, 1994.
- 26 "Genentech to pay janitors' health insurance". *Honolulu Star Bulletin*, Business Briefs. May 10, 2003.
- 27 Measure C covers hospitality workers at large hotels in Emeryville.
- 28 The Berkeley Living Wage covers businesses in the Marina Zone.
- 29 The Port of Oakland included labor peace language in their most recent Airport Concessions RFP.
- 30 San Francisco's card check ordinance covers developments on city-owned land.
- 31 Monterey's Labor Peace Ordinance covers new hotel developments that receive public assistance.
- 32 Labor Code sections 1060-65 for janitors
- 33 http://www.seiu.org/property/janitors/responsible_contractors/
- 34 Ibid.
- 35 <http://www.news.harvard.edu/gazette/2002/01.31/01-katz.html>
- 36 <http://www.studentsagainstsweatshops.org/> The Labor Code of Conduct is modeled on the concept used by over 150 colleges and universities to promote fair manufacturing of college branded clothing by apparel licensees. Some universities that have adopted apparel codes of conduct include the University of California system, the University of San Francisco, Harvard University and the Massachusetts Institute of Technology.

November 2006
UNITE HERE Local 19, San Jose
UNITE HERE Local 2, San Francisco
www.serviceworkersrising.org