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Why the City of Ontario Needs to Raise the Minimum Wage: Earnings Among Warehouse Workers in Inland Southern California

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The availability of cheap land relatively near the Long Beach-Los Angeles port complex has made Inland Southern California (Riverside-San Bernardino-Ontario area) a prime site for warehousing products en route east. The warehouse industry is especially concentrated in the City of Ontario where a regional airport and several major freeways are located.² As of 2013, a total of 338 warehouses were located in the city. While most of these warehouses employed less than 250 workers each, ten of them employed 250 or more workers each and several employed at least 1,000.³

Accurate information about the employment conditions of those who work in these warehouses has proved difficult to obtain from government sources. Specifically, the temporary workers commonly employed in this industry are routinely excluded from the employment data that is collected by state and federal agencies. This brief summarizes the results of a recent survey developed by researchers affiliated with University of California, Riverside (UCR) to fill this gap, and to provide a more complete understanding of wages and working conditions among Inland Southern California's blue-collar warehouse workers. We also compare our findings with those from the 2009-13 American Community Survey (ACS) and findings from the 2014 Bureau of Labor Statistics survey (BLS).

Results from these surveys indicate that non-supervisory blue collar warehouse workers are poorly paid. On average, these workers make \$10.46 per hour, or about \$16,800 annually year according to the UCR and ACS data, respectively. This income is well below the estimated regional living wage (\$11.59/hour for a single person with no dependents and \$23.90 for one adult and one child).⁴ Similarly, the BLS survey shows that most blue-collar warehouse workers in the Riverside-San Bernardino-Ontario area earn, on average, less than \$15 per hour. All three surveys show that earnings are especially low among temporary workers in these occupations. Like other low-wage workers in the region, these workers would greatly benefit from a local living wage ordinance similar to the one recently adopted by the City of Los Angeles. Research shows that raising the minimum wage helps to stimulate the local economy by increasing consumer spending in the region, lowering employee turnover costs, and improving workers' productivity. It also shows that businesses are able to adjust to higher wages through small price increases and small impacts on workers' benefits and hours.⁵

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UCR Survey Data

The UCR survey instrument was designed to obtain information on blue-collar warehouse workers' social characteristics as well as their wages, benefits, and working conditions. In addition to basic demographic questions, the survey asked respondents to provide the following information: how long they have worked in the industry; where they work; the kind of job they do; how much training they received; how much they make; and whether or not they are covered by employer-provided health insurance plans. Prior research suggests that about 80 percent of the workforce in the region's warehouses is Latino and that many are immigrants.⁶ For that reason, we collected surveys in both Spanish and English. Altogether, 71 percent of the surveys were collected in English; 29 percent of the surveys were collected in Spanish. Under the direct supervision of the project's Internship Fellow (Jason Struna), students worked in pairs or teams, with at least one Spanish speaker in each group.



To obtain a representative sample of the region's warehouse workers, we used a stratified sample so that surveyed workers were as representative as possible of the workforce in terms of the size and ownership structure of warehouses found in the region. Altogether, we collected 136 surveys from a variety of warehouse locations in Inland Southern California, including Rancho Cucamonga, Ontario, Chino and Fontana during the fall of 2012 and winter of 2013. Students were sent to specific warehouse areas within cities and collected surveys in warehouse parking lots other areas surrounding the warehouses. Only complete surveys were entered into the dataset.

To design our sampling strategy, we used regional data on the industry from Costar, the global real estate firm that tracks operations around the country. Based where warehouse operations are actually located, we sent students to each Inland Southern California sub-region. As Table 1 shows, the percent of warehouses found in each county in the Costar data are very similar to the County composition of our own survey sample.

Table 1 Warehouses over 100,000 square feet: Costar 2009 Data		
	Costar Data Percent (N)	Sample Percent (N)

Los Angeles County	23% (112)	23% (31)
San Bernardino County	57% (279)	51% (68)
Riverside County	20% (97)	26% (35)
Total	100% (488)	100% (134)

Survey administrators interviewed workers at warehouses with major retailer and supplier branding, as well as those operated by third party logistics firms. As Table 2 shows, the ownership structure of our sample also closely resembled that found in the Costar data.

Type of Ownership	Costar Total (N)	Costar % of Facilities	Sample Total (N)	Sample % of Facilities
Retailer	50	15.3%	13	10.7%
Supplier	124	38.0%	50	40.9%
3PL	152	46.6%	59	48.4%
Total	326	100%	122	100%

While we made our best effort to obtain a representative sample, lower-wage and more vulnerable immigrant and temporary workers may have been less likely to speak to an interviewer they met outside their workplace than workers who feel more stable and secure in their employment would have been. Monolingual immigrants are also likely to be under-represented, in part because only some of our interviewers spoke Spanish. Over time, some employers actively discouraged workers from talking to UCR interviewers. For all of these reasons, our findings might over-estimate or not fully reflect the wages received by warehouse workers in the region.



American Community and Bureau of Labor Statistics Survey Data

We compare findings from the UCR survey with survey findings from the 2009-13 ACS for Riverside and San Bernardino Counties. Following De Lara,⁷ we considered blue collar warehouse workers as non-supervisory workers employed within the warehouse and storage industry or the (temporary) employment services industry in the following five occupations: industrial truck and tractor operators (forklift drivers), laborers and material movers, packers and packagers, shipping, receiving, and traffic clerks, and stock clerks and order fillers.⁸ While some of the workers in these occupations employed through temporary employment service firms might be employed outside of warehouses and in other industries, they provide the only source of information within this survey on the employment conditions and health insurance needs among temporary blue-collar warehouse workers.

At a Glance
Living Wage for Riverside – San Bernardino – Ontario, CA

- 1 Adult & 1 Child: **\$23.90**
- 1 Adult & 2 Children: **\$27.46**
- 1 Adult & 3 Children: **\$34.63**
- 2 Adults (one working) & one Child: **\$22.20**
- 2 Adults (one working) & two Children: **\$24.83**
- 2 Adults (one working) & three Children: **\$28.67**
- 2 Adults & one Child: **\$13.10**
- 2 Adults & two Children: **\$15.11**
- 2 Adults & three Children: **\$17.73**

**Data according to livingwage.mit.edu*

Finally, we compare our findings on average hourly wages with those reported by the BLS for May 2014. In particular, the BLS reports the average hourly wage for each of the five major blue-collar warehouse occupations listed above with the exception of stock clerks and order fillers.⁹ Like the UCR survey described above, undocumented immigrants and very low-income workers, who tend to be more difficult to access, are likely to be under-represented in the ACS and BLS surveys.

UCR and ACS Survey Findings

Survey results from both the UCR and ACS survey suggest that while warehouses do provide jobs for the region’s workforce, these jobs are not necessarily good jobs. Blue collar warehouse jobs typically pay low wages, are often temporary, and fail to provide health care benefits. Both surveys show a similar profile in terms of workers’ social characteristics, although there were some differences with more Latinos and college students in the UCR survey sample, and fewer immigrants compared to the ACS sample. Overall, the surveys show that most workers in these occupations are Latino (85 percent in the UCR survey and 77 percent in the ACS survey) with a significant share of immigrants (28 percent in the UCR survey and 38 percent in the ACS survey). Most warehouse workers are male (69 percent in the UCR survey and 66 percent in the ACS survey), and have a high school education or less (65 percent in the UCR survey and 75 percent in the ACS survey) The average age of respondents in the UCR survey was 29 years, compared to 34 years in the ACS sample.

Table 3 Demographic characteristics of all workers		
	UCR	ACS
Gender		
Male	69%	66%
Female	31%	34%
Nativity		
Foreign-born	28%	38%
Native-born	72%	62%
Race/Ethnicity		
Latino/Hispanic	85%	77%
Non-Hispanic White	4%	10%

Non-Hispanic Black	7%	10%
Non-Hispanic Other	3%	4%
Age		
17-25	56%	33%
26-40	29%	38%
41-78	15%	29%
Level of education		
Less than high school	15%	39%
High school/GED	50%	36%
College and above	35%	24%



Below we compare the main findings regarding these workers' earnings and employment status:

- Most UCR survey respondents (63 percent) claimed to be employed through temporary staffing agencies rather than directly by the warehouse operators. This statistic drops to just under half of the currently employed ACS respondents (46 percent). Among all ACS respondents, 28 percent were unemployed, which is not surprising given the seasonal and temporary nature of warehouse employment.
- Overall, warehouse workers report low wages in the UCR survey, with an overall average hourly wage of \$10.46; while direct hire workers earn an average hourly wage of \$12.49, temporary workers earn an average hourly wage of \$9.42.
- On average, ACS respondents who worked 20 hours or more reported annual incomes of \$16,792; direct hires earned about \$11,000 more per year than temporary workers on average (\$21,444 versus \$10,034).
- Among the full UCR sample, workers' most recent job lasted an average of 28 months (2 years and 4 months). For direct hires, this average was 57.5 months (about 4 Years and 9 months), compared with 11.5 months among temporary workers.
- Among the full UCR sample, workers' hours on average ranged from 38 to 44 hours per week when asked about their current minimum and maximum weekly hours of employment. Direct hires reported higher average weekly hours of employment (44-51) than temporary workers (35-41).

Respondents in the ACS sample reported hours that average about 36 hours per week. Direct hires work on average 38 hours per week, whereas temporary workers work 33 hours.

- Only a small proportion of ACS survey respondents (29 percent) and UCR survey respondents (33 percent), said that they do have access to health insurance through their employment. Among UCR survey respondents, about 54 percent of direct hires surveyed had employer-provided health insurance, but only 21 percent of temporary hires did. The ACS data shows that only 40 percent of direct hires have employment-related health insurance (through employer or union), which falls to about 16 percent for temporary hires.

	UCR	ACS
Direct hires	37%	54%
Temp hires	63%	46%



	Temp hires	UCR Direct hires	All Hires	Temp hires	ACS Direct hires	All Hires
Employment time						
Full-time	85%	93%	88%	72%	90%	82%
Part-time	15%	7%	12%	28%	10%	18%
Weekly hours						
Range of hours	35-41	44-51	38-44	--	--	--
Average hours	--	--	--	33	38	36
Hourly wages	\$9.42	\$12.49	\$10.46	--	--	--
Income						
Average	--	--	--	\$21,444	\$10,034	\$16,792
Median	--	--	--	\$20,000	\$6,850	\$14,000

Length of job (months)	11.5	57.5	28	--	--	--
Insured via employment						
Yes	21%	54%	33%	16%	40%	29%
No	79%	46%	67%	85%	60%	71%

2014 Bureau of Labor Statistics Data

Table 4 shows the average hourly wage for four of five of the major blue-collar non-supervisory warehouse occupations listed above that were employed in the warehousing or storage or in (temporary) employment services industries for 2014 (the most recent data available, and collected several years after the UCR survey). While the average hourly wages reported by the BLS are somewhat higher than those shown in the UCR survey results, they still show that, on average, most warehouse workers earn less than \$15 per hour. The results in Table 4 also indicate that, for blue-collar warehouse workers, average hourly wages are considerably lower among temporary workers than among those directly employed by employers in the warehouse and storage industry. This pattern remains consistent for each of the occupations shown in Table 4. Overall, average hourly wage rates range from a high of \$15.86 (direct hires employed as shipping, receiving, and traffic clerks) to a low of \$9.99 (temporary workers employed as hand packers and packagers). Moreover, Table 4 reveals that, across all four occupations, temporary workers earn less than \$14 per hour on average. Table 4 also shows that the majority of workers (both temporary and direct hires) are employed as laborers and material movers, the second lowest paying of the four occupations shown.



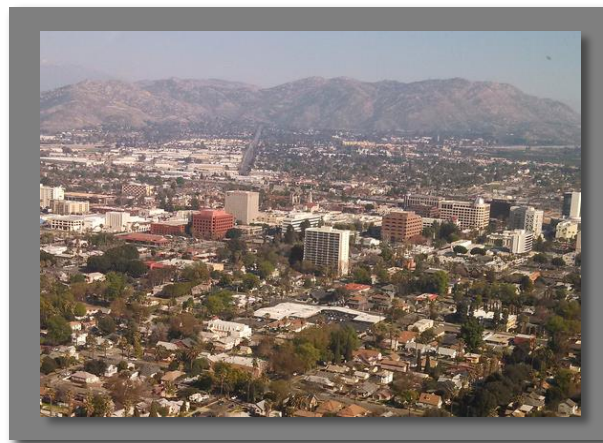
Table 6 Average Hourly Wages for Blue-Collar Warehouse Workers By Select Industries, Bureau of Labor Statistics, May 2014 (Riverside, San Bernardino, Ontario Area)

Occupation	Warehousing and Storage	Employment Services
Industrial Truck and Tractor Operators	\$15.68	\$13.90
	(92,070) (25.6%)	(62,690) (8.7%)
Laborers and Freight, Stock, and Material Movers	\$14.43	\$11.05
	(187,370) (52.1%)	(488,220) (68.1%)
Packers and Packagers, Hand	\$13.89	\$9.99
	(45,500) (12.7%)	(139,300) (19.4%)

Shipping, Receiving, and Traffic Clerks	\$15.86	\$13.31
	(34,390) (9.6%)	(26,870) (3.8%)
Total Employed	359,330 (100%)	717,080 (100%)

Policy Recommendations

Warehouse workers in Ontario, like those in other Inland Southern California cities, would greatly benefit from the adoption and enforcement of living or minimum wage policies to improve their wages, such as the local minimum wage ordinance adopted by the City of Los Angeles in 2015. Allowing businesses to adjust to the new wage requirements over time, that ordinance requires employers in Los Angeles to pay an increasingly higher minimum wage to both part-time and full-time workers each year between 2016 and 2020, rising from its current level of \$9 per hour to \$15 per hour by the year 2020 and thereafter being adjusted for inflation based on the consumer price index.¹⁰ The City also approved a \$500,000 increase in spending to improve the enforcement of wage and hour policies.¹¹ The spread of such policies would help to better protect warehouse workers in Southern California from wage theft. Already, wage theft complaints by warehouse workers led to multi-million dollar settlements with warehouses in Inland Southern California in 2014,¹² and a subsequent class action lawsuit filed by warehouse workers in Los Angeles that same year.¹³



Community benefit agreements and union contracts with warehouse companies could also help to raise wages and transform more temporary warehouse jobs into direct hires. Despite significant advantages associated with investing in the development of committed permanent workers, employers have lowered wages, reduced benefits, and increased dependence on a temporary workforce.¹⁴ Incentivizing the conversion of temporary positions to permanent ones would help to stabilize employment and reduce poverty in the region, as well as the need for publicly subsidized health insurance.



Raising the wages for warehouse and other low-wage workers in Ontario and other high-poverty Inland Southern California cities¹⁵ would benefit those workers and their families, and is likely to have positive ripple effects on the local economy. A minimum wage increase tends to raise the wages received by minimum wage workers as well as those earning slightly above the minimum wage.¹⁶ The overall higher wages could, in turn, help to stimulate consumer spending and increase the tax base in the region.¹⁷ Research suggests that businesses can adjust to wage hikes through minor increases in consumer prices and small adjustments to workers' hours and benefits. While businesses commonly oppose wage hikes, raising wages has been shown to help businesses to stabilize their employment and reduce employee turnover costs. Higher wages could also help to retain the most talented and productive workers in Inland Southern California given the current incentives to work in higher paying cities, such as Los Angeles.¹⁸

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² Dablanc, Laetitia. 2013. "Logistics Sprawl: The Growth and Decentralization of Warehouses in the L.A. Area." Paper presented at the Fifth International Urban Freight Conference, October 8-10, Long Beach, CA. Available at: http://www.metrotrans.org/sites/default/files/SprawlDablanc_0.pdf

³ These figures were obtained using 2013 data for four Ontario zipcodes from the U.S. Census Bureau. 2014. "Number of Employment by Employment-Size Class," ZIP Code Business Patterns. Available at: <http://www.census.gov/econ/cbp/index.html>

⁴ Glasmeir, Amy. 2015. Living Wage Calculation for Riverside, CA. Available at: <http://livingwage.mit.edu/counties/06065>

⁵ Economic Roundtable, UCLA Labor Center, and the UCLA Institute for Research on Labor and Employment. 2015. Los Angeles Rising: A City that Works for Everyone. Available at: <http://economicrt.org/wp-content/uploads/2015/03/LA-Rising-final1.pdf>

⁶ Allen, Nicholas. 2010. "Exploring the Inland Empire: Life, Work, and Injustice in Southern California's Retail Fortress." *New Labor Forum* 19(2): 36-43. Retrieved October 15, 2012. Allen 2010: 40.

⁷ DeLara, Juan. 2013. "Warehouse Work: Path to the Middle Class or Road to Economic Insecurity?" USC Program for Environmental and Regional Equity (PERE), September. Retrieved 1 October 2013. 8 pp. Available at: https://dornsifecms.usc.edu/assets/sites/242/docs/WarehouseWorkerPay_web.pdf

⁸ Ibid.

⁹ U.S. Bureau of Labor Statistics., Division of Occupational Employment Statistics. 2015. "May 2014 Metropolitan and Nonmetropolitan Area Occupational and Wage Estimates, Riverside-San Bernardino-Ontario, CA." Available at: http://www.bls.gov/oes/current/oes_40140.htm

¹⁰ Minimum wage hikes would also affect tipped employees, but it will be delayed for one year for small businesses with 25 or fewer employees (Jamison, Peter, David Zahniser, and Alice Walton. 2015. "Los Angeles' minimum wage on track to go up to \$15 by 2020." *Los Angeles Times*, May 19. Available at: <http://www.latimes.com/local/lanow/la-me-ln-minimum-wage-hike-20150518-story.html#page=1>

¹¹ Zahniser, David. 2015. "Will L.A. put money behind wage theft crackdown?" *Los Angeles Times*, June 8. Available at: <http://www.latimes.com/local/cityhall/la-me-wage-theft-funding-20150608-story.html#page=1>

¹² Jamieson, Dave. 2014. "Walmart Warehouse Contractor to Pay \$21 Million to Settle Wage Theft Allegations." *Huffington Post*, May 14. http://www.huffingtonpost.com/2014/05/14/walmart-warehouse-wage-theft_n_5324021.html

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- ¹³ Robes Meeks, Karen. 2014. "L.A., Long Beach Warehouse Workers Sue Over Wages, Say They're Getting Stiffed." *Long Beach Press Telegram*, December 18. Available at: <http://www.presstelegram.com/business/20141218/la-long-beach-warehouse-workers-sue-over-wages-say-theyre-getting-stiffed>
- ¹⁴ Hatton, Erin. 2011. *The Temp Economy: From Kelly Girls to Permatemps in Postwar America*. Temple University Press.
- ¹⁵ The Census Bureau shows that the percent of people living below the federal poverty line for 2009-13 in the city of Ontario (18.1), Riverside County (16.2), and San Bernardino County (18.7) exceeds the poverty rate for both California (15.9) and the (15.4) (available at quickfacts.census.gov).
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