



City Manager – Economic Development Division

**City Council
March 22, 2021
Item #12
Hero or Hazard Pay Consideration**





Hero or Hazard Pay Background

City Manager –

- The topic of Hero Pay was raised by Councilmember Madison at the March 8, 2021 City Council meeting and was referred to the Council's Economic Development and Technology Committee for further discussion.
- After considering the issue, the Committee referred the item back to Council for further deliberation without a specific recommendation.



Recent Actions

City Manager –

- Issue has arisen out of concern for grocery and drug store employees who have worked in higher risk circumstances throughout the pandemic
- The jurisdictions in Southern California that have adopted ordinances with \$4/hour “Hero” pay include the Long Beach, Pomona, Montebello, Santa Ana, Costa Mesa, Irvine and Palm Springs at \$4/hr
- LA City and County separately adopted an urgency ordinance to temporarily require grocery retail and drug retail employers to provide an additional \$5 per hour hazard pay to employees working frontline positions



“Employer”

City Manager –

- Is defined as either:
 - > (a) a corporate entity the stock of which is traded on a public stock exchange, or
 - > (b) employs 300 or more workers for compensation nationwide
- Employs more than 10 Employees per Store



“Store”

City Manager –

- A **retail grocery store** that sells primarily food or household goods (including fresh produce, meats, poultry, fish, deli products, dairy products, canned foods, dry foods, beverages, baked goods, and/or prepared foods); or
- A **retail drug store** that sells a variety of prescription and nonprescription medicines and miscellaneous items,
- A retail store that is **over 85,000** square feet and:
 - > Dedicates 10 percent or more of its sales floor to groceries
 - > Dedicates 10 percent or more of its sales floor to drug retail, including, but not limited to, drugs, pharmaceuticals, sundries,

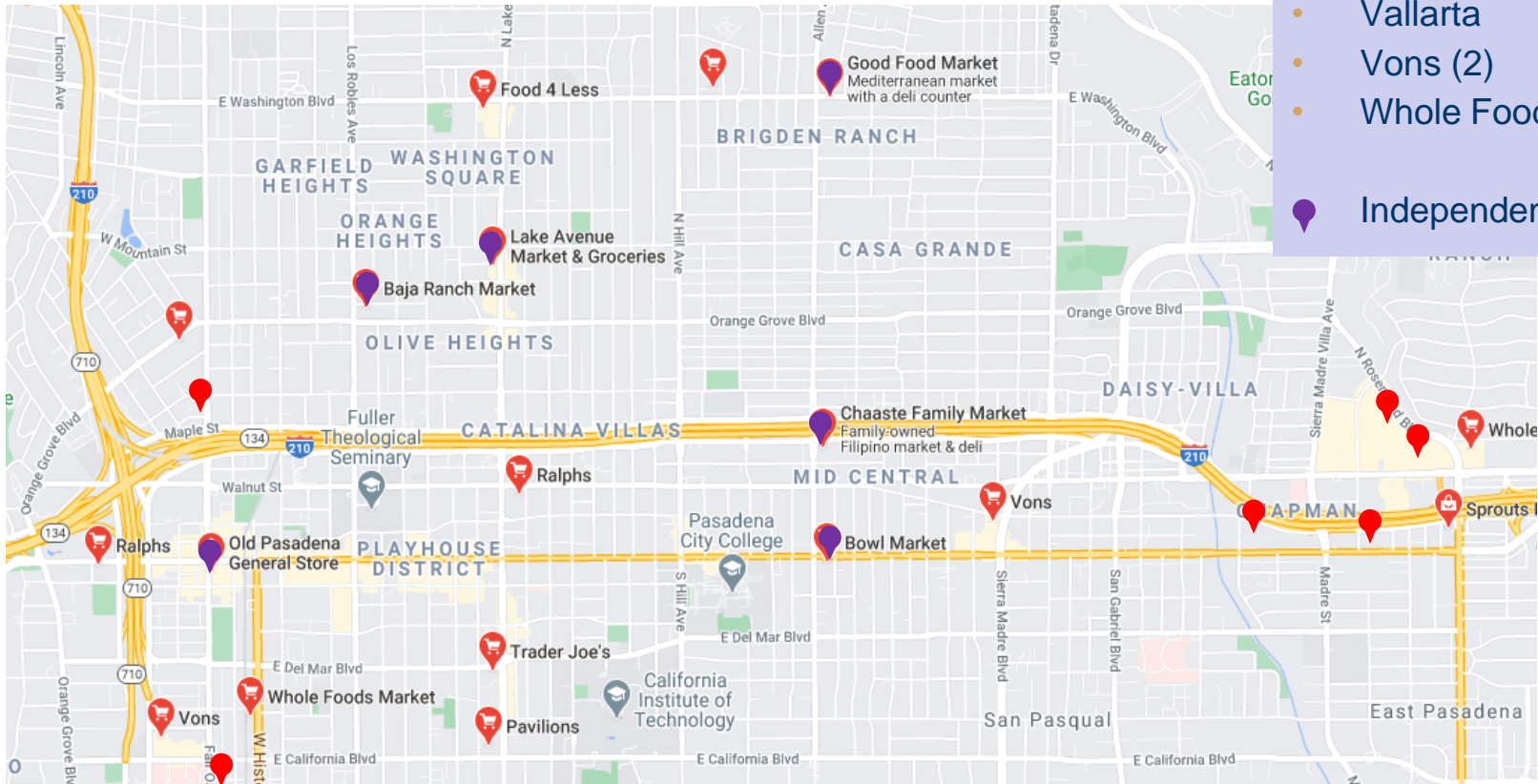
Jurisdiction	Hero Pay	Businesses	Eligible Emps	Term
LA County Santa Monica	\$5	Grocery stores, convenience stores, liquor stores and other retail locations that sell food or beverage products located in unincorporated Los Angeles County and are publicly traded or have at least 300 employees nationwide and more than 10 employees per store.	All workers	120 days
LA City	\$5	Grocery or drug retail, including retail stores with 85,000 square feet or more that dedicate 10 percent of the sales floor to grocery or drug retail. Must employ over 300 employees nationally and 10 or more employees on-site.	all hourly, non-managerial	120 days
Long Beach Montebello	\$4	70% or more of the business activity involves the selling of groceries, and the company employs over 300 covered employees nationally, and has more than 15 employees per site.	Employed at Grocery Store except managers and supervisors	120 days
Palm Springs	\$4 Equiv	Grocery and drug stores that are publicly traded or have at least 300 employees nationwide and more than 15 employees per store – allows credit of extra employ benefits post declaration of emergency by state.	Not including managers, supervisors or confidential	120 days



Grocery Store Locations

City Manager –

-  Food-4-Less
-  Ralphs (3)
-  Pavilions
-  Smart Final (2)
-  Stater Bros.
-  Trader Joes (3)
-  Vallarta
-  Vons (2)
-  Whole Foods (2)
-  Independents

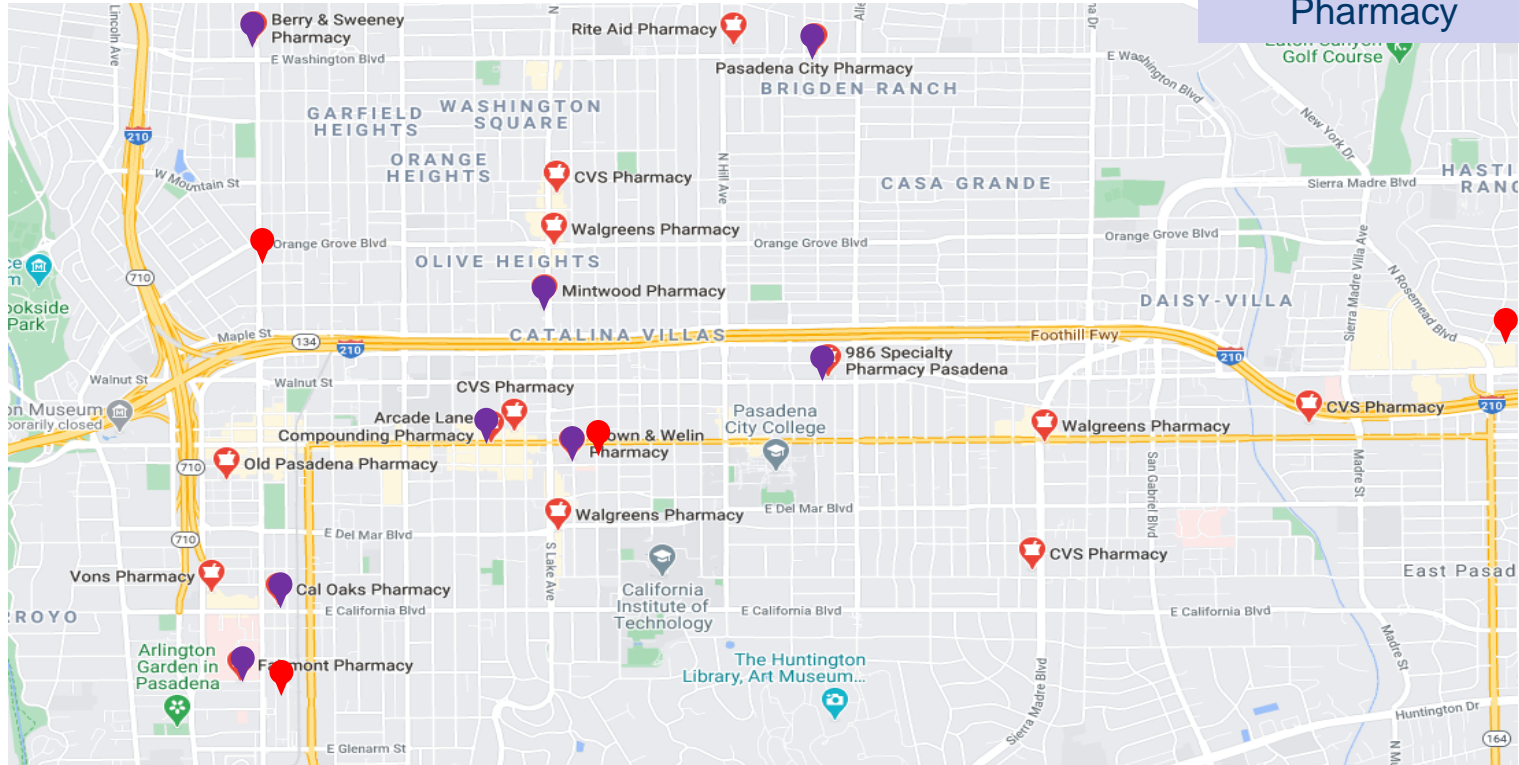




Pharmacy / Drug Store Locations

City Manager –

- CVS (3)
- Rite-Aid (3)
- Walgreens (3)
- Independent Pharmacy



PASADENA



Stores (no independents included)

City Manager –

- Approximately 30 stores totaling 1,900-2,000 jobs
- 48% Union Stores

	Pharmacy/Grocery Stores	Address
1	CVS	900 N Lake Ave
2	CVS	20 Orange Grove Blvd
3	CVS	727 S Arroyo Pkwy
4	CVS	3883 Foothill Blvd
5	CVS (Target)	777 E Colorado Blvd
6	CVS (Target)	3121 E Colorado
7	Food 4 Less	1329 N Lake Ave
8	Grove Pharmacy (Vallarta)	
9	Pavilions	845 E California
10	Ralphs	160 N Lake
11	Ralphs	320 W Colorado
12	Ralphs	3601 Foothill Blvd
13	Rite Aid	1421 E Washington
14	Rite Aid	1038 E Colorado
15	Rite Aid	3745 Foothill Blvd
16	Smart & Final	401 N Fair Oaks
17	Smart & Final	3299 E Colorado Blvd
18	Stater Bros.	1390 Allen Ave
19	Target	3121 Foothill
20	Target	777 E Colorado Blvd
21	Trader Joes	345 S Lake Ave
22	Trader Joes	610 S Arroyo Pkwy
23	Trader Joes	467 N Rosemead
24	Vallarta	615 N Fair Oaks
25	Vons	2355 E Colorado
26	Vons	155 W California
27	Walgreens	670 N Lake Ave
28	Walgreens	310 S Lake
29	Walgreens	2376 E Colorado Blvd
30	Whole Foods	465 S Arroyo Pkwy
31	Whole Foods	3751 Foothill
32		

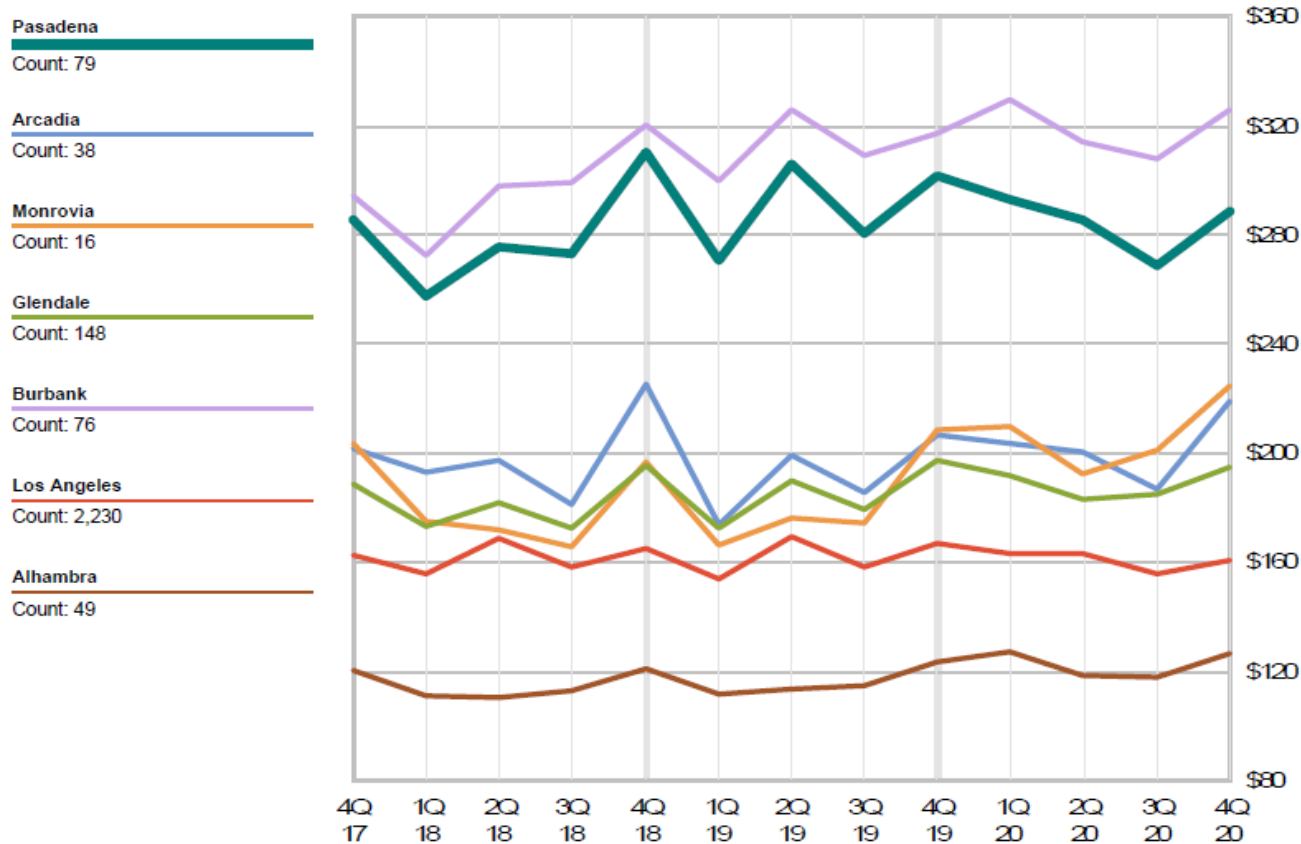


Stores – Sales Tax (independents included)



CITY OF PASADENA AGENCY COMPARISONS - DRUG STORES & GROCERY STORES

Per Capita Sales





Other Considerations

City Manager –

- Broader range of higher risk workers not part of this Hero Pay promoted by United Food and Commercial Workers Union
- Some recent store closures in Long Beach and Los Angeles coincided with new Ordinance
- A federal judge denied a bid by the California Grocers Association to temporarily overturn the Long Beach Ordinance. Lawsuits with the other cities are still pending
- Public discourse on Hero Pay topic coincided with peak in Covid-19 cases beginning of year. Pasadena now in Red Tier and has experienced a decrease in infections and hospitalizations in March



- Average pay for grocery workers in California is currently about \$17.50 - \$18.00 per hour (closer to \$20.00 in Pasadena)
- a \$5.00 increase would raise store labor costs by approximately 25-28%
- Average salary \$28,699/yr in LA and Pasadena (Salary.com) blends full and part time staff.
- Many stores have provided some hourly stipend or bonus pay during pandemic



Resources: County Ordin/Summary

City Manager –



Los Angeles County Hero Pay Ordinance **\$5.00 PER HOUR HAZARD PAY**

This Ordinance takes effect **February 26, 2021**

FOR 120 DAYS UNLESS OTHERWISE EXTENDED

The Hero Pay Ordinance is an urgency ordinance that temporarily requires grocery retail and drug retail employers to provide an additional \$5 per hour hazard pay to employees working frontline positions as compensation for the hazards these employees face during the COVID-19 pandemic.

EMPLOYEES ENTITLED TO \$5.00 "HERO PAY"

Los Angeles County Code Section 8.204.020 (J)

As an employee, you may be entitled to Hero Pay if your employer meets the following criteria:

- Your employer is a Grocery Store, Drug Store, or large retailer that sells groceries and/or drug products
- Your employer is a publicly traded company or employs 300 or more people nationwide
- Your employer employs more than 10 employees at the store where you work
- The store where you work is located in the unincorporated area of the County of Los Angeles
- You are physically present at the store when you are performing work for your employer

See *Los Angeles County Code Chapter 8.204* for specific information about covered employees and employers

CREDIT FOR EXISTING HAZARD PAY

Los Angeles County Code Section 8.204.050

If your employer already provides hazard pay for COVID-19 related reasons to employees, but the amount is less than \$5 per hour, your employer must pay the difference to ensure employees receive a total of \$5 per hour in order to comply with this Ordinance.

PAID LEAVE IN LIEU OF HAZARD PAY

Los Angeles County Code Section 8.204.040 (C)

Employees can elect to receive Paid Leave instead of Hero Pay. An election to receive paid leave in lieu of Hero Pay must be made in a writing signed by the employee. An employee accrues one full hour of paid leave when the Hero Pay earned totals one hour of the employee's Base Wage.

PAY STATEMENT INFORMATION

Los Angeles County Code Section 8.204.060

This Ordinance requires covered employers include information about Hero Pay on the pay statement for covered employees, including:

- The hourly rate of Hero Pay (\$5 per hour) or voluntary hazard pay your employer is providing you
- The amount of Hero Pay, Paid Leave in lieu of Hero Pay, or voluntary hazard pay you earned;
- The number of hours you worked that entitled you to Hero Pay or voluntary hazard pay in the pay period

RETALIATION IS PROHIBITED

Los Angeles County Code Section 8.204.080

You have the protected right to:

- File a complaint
- Inform any person of their potential rights
- Assert your rights under this ordinance

These actions are prohibited if done in retaliation against you for exercising your rights:

- Fire you
- Reduce your pay
- Discriminate against you
- Threaten you or your immediate family members

ENFORCEMENT

Los Angeles County Code Section 8.204.110

The Department of Consumer and Business Affairs (DCBA) is authorized to investigate complaints of alleged violations of Hero Pay Ordinance. Call DCBA at (800) 593-8222.

More info: dcba.lacounty.gov/heropay

HERO PAY MAY IMPACT OTHER BENEFITS

Hero Pay is added to an employee's hourly wage and may temporarily increase the employee's total income for the time period this Ordinance is in effect. This increase in total income may affect the employee's eligibility for other forms of governmental aid that are income-based. Contact the aid program administrator for more information on eligibility.



Resources: Other links

City Manager –

City of Los Angeles Report

https://clkrep.lacity.org/onlinedocs/2020/20-1609_rpt_CLA_02-19-2021.pdf

News Article – Civil Eats

<https://civileats.com/2021/02/25/grocery-stores-continue-to-push-back-against-hazard-pay-for-workers/>

Recent News Article – Los Angeles Times

LA Times - Ralphs and Food 4 Less locations to close in Los Angeles over hazard pay rules

<https://www.latimes.com/business/story/2021-03-10/ralphs-food-4-less-locations-close-los-angeles-hazard-pay>

Study Prepared by California Grocers Association

<https://www.extrapayfacts.com/wp-content/uploads/2021/01/2021-Extra-Pay-Mandates-Economic-Study.pdf>



REPORT OF THE CHIEF LEGISLATIVE ANALYST	
DATE:	February 19, 2021
TO:	Honorable Members of the City Council
FROM:	Sharon M. Tso ²⁰²¹ Chief Legislative Analyst
	Council File No. 20-1609 Assignment No. 21-02-0086
Grocery, Drug, and Retail Store COVID-19 Hazard Pay Economic Impact	
SUMMARY	
On February 2, 2021, the City Council requested that the City Attorney draft an ordinance that will provide all hourly, non-managerial employees at grocery, drug, and retail stores (with a grocery or drug component) in the City with 300 or more employees nationally and 10 or more employees on-site, with a total of five dollars per hour premium hazard pay in addition to their base wage for the next 120 days. The Council further directed the Office of Wage Standards (Bureau of Contract Administration), with assistance of the City Attorney, to promulgate rules and regulations for implementing the ordinance. Additionally, the Chief Legislative Analyst (CLA) was instructed to report on the ordinance's economic impact, potential legal challenges, strategies to counter such challenges, and the impact on disadvantaged communities. Subsequent to Council action, the City Attorney transmitted the draft ordinance to the Council on February 5, 2021.	
To prepare this report, our Office reviewed the actions of other cities, interviewed stakeholders, and analyzed research papers on the matter. This report includes a discussion of the draft ordinance, grocery industry economics, potential economic impacts (including on underserved communities), and potential legal challenges.	
RECOMMENDATION	
That the City Council note and file this report as it is for informational purposes only.	

Consumer and Community Impacts of Hazard Pay Mandates

January 2021

Prepared for:
California Grocers Association

Prepared by:
Brad Williams, Chief Economist
Michael C. Genest, Founder and Chairman
Capitol Matrix Consulting





RECOMMENDATION:

- It is recommended that the Council receive the following report and consider whether to take any further action.