Chapter 3

Putting Wages Back into
Competition: Deunionization
and Degradation in Place-Bound
Industries

RUTH MILKMAN
University of California, Los Angeles

This chapter analyzes employment restructuring in three major place-bound industries: residential construction, short-haul trucking, and building services. I draw on fieldwork and other data from southern California, a region that often typifies or anticipates national trends. In all three industries, unionization was extensive in both the region and the nation during the postwar period. As a result, high wages and extensive fringe benefits were well established, although most workers in these fields had little or no postsecondary education. By the early 1980s, however, all three industries had been utterly transformed by successful employer-driven efforts to weaken or eliminate unions: wages plummeted, benefits evaporated, and working conditions sharply deteriorated as union density collapsed.

In all three industries, subcontracting became a key arena for employers' restructuring strategies. In the case of construction, starting in the mid-1970s, newly created non-union subcontractors began to penetrate the residential sector of the industry, and soon they were regularly undercutting union subcontractors with lower bids. During the recovery that followed the steep recession of the early 1980s, when construction activity ground to a halt, this transition was firmly consolidated. The region's residential construction industry was reconstituted on an entirely non-union basis, with dramatic effects on wages, benefits, and working conditions.

Deunionization was equally rapid in the regional trucking industry. The Teamsters' once-formidable strength collapsed almost overnight as deregulation swept the industry in the early 1980s, and sweatshop-like pay and conditions soon became the norm. Here too subcontracting
was a central feature of restructuring, although it took a different form in this case than in construction. In the deregulated environment of the 1980s, trucking employers abandoned the practice of hiring drivers as hourly workers and instead began to set up arrangements with owner-operators and other independent contractors who rapidly took over the work.

Unions also declined among building service workers in the early 1980s, as population growth and changing real estate ownership patterns in the region spurred restructuring. Here too subcontracting was the wedge by means of which the union was increasingly undercut. Just as developers had done in residential construction, now building owners increasingly turned to non-union cleaning contractors to service their buildings. Some had hired their own janitors before; others had used union subcontractors. Now more and more turned to the non-union firms, which rapidly undercut their unionized competitors.

Labor costs make up a large proportion of total costs in all these industries, and with the collapse of the union-based (and in the case of trucking, regulation-based) system taking wages out of competition, cutthroat competition among subcontractors and the intense labor exploitation classically associated with it rapidly reemerged. Fringe benefits and job security disappeared along with the union wage premium, and once-stable jobs soon were replaced by increasingly precarious employment arrangements. Under the newly fashionable banner of "flexibility," labor practices of questionable legality began to flourish. Reports of all-cash wages, lack of overtime compensation, substandard pay for "training periods," and other such practices had become commonplace in all three cases by the 1980s.

Subcontractor-driven deunionization was the motor driving change in these industries, but the dynamics most commonly cited in scholarly and popular accounts of union decline were conspicuously absent. None of these cases involved deindustrialization or a shift in employment from union to non-union sectors (see Farber and Western 2001). On the contrary, employment grew during the 1980s in southern California (and many other regions as well) in these three industries, and all three had been union strongholds before the restructuring began. Nor was union decline caused by globalization or job relocation offshore, for construction, trucking, and building services are all place-bound industries that are invulnerable to outsourcing. The lack of "demand" for unions among non-union workers, which some commentators suggest can help account for the broader decline of union density in this period (see Farber and Krueger 1993), cannot explain these cases either, since all were previously highly organized industries.

Southern California, moreover, does not fit the dominant narrative of union decline, which is rooted in the rustbelt experiences of deindustrialization and outsourcing. The region did lose manufacturing jobs in the 1970s and 1980s (most notably in aerospace), but it nevertheless experienced rapid economic growth in the late 20th century. In residential construction, short-haul trucking, and building services, that growth provided a safety valve, as once-desirable jobs deteriorated in this period. Rather than trying to swim against the tide of union decline, many of the workers affected moved horizontally into other high-wage (and often, still-unionized) positions. Some could do this without even changing occupations. Thus construction workers migrated from the residential sector into the booming (and still highly unionized) commercial sector; truckers moved from local, short-distance jobs to long-haul work, where unions hung on and conditions were better; and janitors moved from the private to the still-unionized public sector. Those able to make such transitions were overwhelmingly native-born workers, most of them white males, except in the janitorial case, where African Americans and women were also employed.

Meanwhile, the region had become a magnet for the new immigration that gathered speed after 1965. As native-born workers abandoned their formerly unionized jobs in industries like trucking, residential construction, and building services, employers turned for replacements to the newcomers, mostly from Mexico and Central America. In the residential building trades, labor recruitment (formerly organized by the unions) was increasingly taken over by opportunistic "labor barons" with ready access to newly arriving immigrants. In trucking, restructuring led to an independent contracting system, and immigrant owner-operators, paid by the truckload rather than by the hour, poured into the field. Finally, in janitorial work, contract-cleaning firms—freed of union restrictions—increasingly turned over labor recruitment and supervision to Latino foremen and crew leaders. Although at the time, many observers, and even some union leaders, blamed immigrants for the decline of organized labor's influence, in fact deunionization preceded the influx of foreign-born workers into these industries. Thus the shift to immigrant labor was a consequence more than a cause of employment restructuring, a dynamic the last section of this chapter exposes in more detail.

The main driver of transformation in these three industries, nationally and in southern California, was not deindustrialization or a sectoral shift in employment, not globalization and outsourcing, not immigration. Rather it was a broader change in the power balance between labor and capital, with non-union subcontractors as the driving wedge. All three
industries were destabilized by the surge in anti-unionism in the late 1970s and early 1980s that commentators like Freeman and Medoff (1984), Freeman (1988), and Goldfield (1987) have documented. Equally important, union organizing efforts were few and far between in the transitional period (see Farber and Western 2002; Freeman and Medoff 1984). A problem exacerbated in southern California by the “safety valve” effect of economic expansion noted above. A decade later, the new immigrant workforce in all three industries would actively seek to unionize, but in the late 1970s and 1980s, restructuration was unconstrained by any serious resistance from organized labor.

The Anti-Union Offensive in Construction

The transformation began in the construction sector. As Linder (2000) has shown in detail, the national corporate anti-union assault generally associated with the 1980s was foreshadowed by developments in the construction industry during the Vietnam War years. Wage demands from building trades unions escalated in the late 1960s, stimulated by low unemployment in the absence of wage and price controls. In response, the nation’s major construction firms, along with their largest industrial customers, launched a full-scale anti-union offensive in the early 1970s. Non-union “merit shop” contractors began aggressively bidding on jobs, not only in suburban and southern markets where unions were weak but also in highly unionized areas like southern California. They benefited from new construction technologies that facilitated employment of fewer skilled workers, as well as a key NLRB decision in 1973 that sanctioned the use of “double-breasted” firms with both union and non-union subsidiaries (Palladino 2005:176). As the mid-1970s recession further eroded labor’s bargaining power, open-shop firms began to boldly undercut their unionized competitors, and they increasingly put the building trades on the defensive. The unions responded by reopening contracts and “giving back” past gains, paving the way for the wave of concession bargaining that rippled across the nation in industry after industry in the 1980s.

The employers’ attack on the building trades unions proved highly effective. Nationally, union density in construction was cut in half between 1970 and 1990 (falling from 42% to 22%), with the residential sector particularly hard hit (Allan 1994). Leading the open-shop offensive were the Associated Builders and Contractors (ABC), whose largest chapter was in Los Angeles (Bourdon and Levitt 1980; Galenson 1983). The ABC explicitly targeted Los Angeles as the “proving ground” for its efforts; by the late 1970s, some 300 contractors in that city had withdrawn from collective bargaining agreements and announced plans to subcontract work to non-union firms (Palladino 2005).

Construction in southern California had been completely unionized in the mid-1960s, and density remained high through the late 1970s. In 1985, there were 119,200 building trades union members in the region, more than the number of wage and salary workers (104,200) in the construction industry at that time (California Department of Industrial Relations 1965; Union Labor in California 1966). As an L.A. carpenters’ union official declared in 1969, “There isn’t a nail driven in this area that isn’t driven by a union man with a union card in his pocket” (Haggerty 1976:25). A master labor agreement governed wages in this era, and the building trades unions carefully monitored construction sites to ensure that premium rates were paid for especially difficult jobs. Union members had extensive benefits, including pensions, health insurance, and paid vacations. “For every dollar that we paid a man, we were paying another 65 cents between the taxes and the benefits and the workers’ comp,” one contractor recalled. “Most of it was in the union benefit package.” The unions also ran formal apprenticeship programs and hiring halls on which many employers relied for their labor supply.

But construction union membership in the region had slipped to 93% of wage and salary employment by 1975, down from more than 100% a decade earlier. By 1987, union density in construction had plummeted to 53% (Union Labor in California 1989). The turning point was the deep recession of the early 1980s, when the region’s building industry came to a standstill. During the subsequent recovery, the open-shop sector gained the upper hand: A 1984 survey found that non-union general contractors accounted for fully three fourths of residential and one third of commercial construction in the 11-county southern California region (Berkman 1986).

Nationally, construction was an early battleground in the broad corporate assault on unionism that would come to fruition in the late 1970s and 1980s. The open-shop movement was orchestrated by the industry’s big players; smaller contractors often preferred to remain in the union fold as long as they could. “There’s no union contractor I know of that by choice would go open shop for the hell of it,” the president of the Associated General Contractors stated in 1981. “It’s a lot easier for him to stay union as long as he can compete,” since the union provides a reliable supply of trained workers and sets uniform wage scales. “But the minute he starts to lose work and his business is threatened, he will go double-breasted or open shop. That’s all there is to it. He has to” (Engineering News-Record 1981:26). Thus as the non-union sector grew, “the prices dropped out from underneath the union contractors,” one employer recalled in an interview, “and so they were unable to compete. . . . Some double-breasted and went nonunion, but most of them went out of business.”
The open-shop contractors initially profited handsomely by bidding against union firms, but later, as the union sector shrunk, they too had to face intense competition from other open-shop operations.

Initially, the building trades unions offered little resistance to the employer attacks, especially in the residential sector. "Residential construction was not a primary battleground between unions and antiuunion employers, but rather was abandoned to nonunion employers by default," Linder (2000:180) concludes. The AFL-CIO's national Building and Construction Trades Department did launch a pilot organizing campaign in 1978 that focused on Los Angeles and claimed some success (Pulladino 2005). Yet many building trades union leaders in the region were reticent about this effort. Insomuch as they maintained their grip on commercial construction, they did not perceive the triumph of the ABC-led open-shop movement in the residential sector as a major threat, especially if their members readily found new work in the booming commercial sector. "In the 1980s, we had tremendous growth in the commercial industry," a local union official recalled. "We were building twenty, thirty-story buildings, it was just work for us and that's all we cared about. [Residential] is a lost industry, we'll just concentrate on commercial."

Not surprisingly, deunionization led to rapid deterioration in wages, conditions, and benefits in the residential sector. Pay rates were cut by as much as half over the 1980s, overtime work remained common but was often not properly compensated, and fringe benefits became a dim memory. "Once the union was actually broken out of the business," a contractor frankly stated, "these guys were taking a screwing, it was as simple as that."

Unscrupulous and illegal practices that had been rare in the union era emerged as competition among contractors spun out of control. There were reports of workers being paid on an all-cash basis, and even accounts of payment in drugs. At a 1988 hearing, a union contractor laid out the economic logic underlying such practices to the Orange County Human Relations Commission (1989:16):

The average $10-an-hour employee may take home $8 out of that $10 that he earns after the taxes and the FICA and so on is deducted. Well, the typical cash-paying employer will say, "Look, I'll pay you $5.50 in cash, you're going to be $5.50 better off." That saves him $1.50 right off the bat. That's just the tip of the iceberg. What else is he saving? He saves all his share of the payroll taxes that go on top of that: workers' compensation insurance and the other legal requirements, easily another $2.50. By not putting this work on the books, he's saving his obligation to the State and Federal taxes that he owes, easily another $1.00. You're talking $6.00 an hour in savings. I want
to ask any subcontractor out there if he can work on 60% of his labor payroll... obviously, you cannot compete with him.

Under these conditions, union workers began to leave the residential trades; indeed, most never returned after the recession at the beginning of the 1980s.

With the union marginalized, residential contractors transferred the tasks of labor recruitment, training, and deployment to a cadre of "labor barons" (also known as labor brokers, coyotes, contratistas, or patronas). These were Latino entrepreneurs, experienced craft workers themselves, who moved into the vacuum created by the union's collapse and began to recruit immigrant workers into the industry, drawing on extensive social and kinship networks in the immigrant community. "They [immigrant workers] didn't speak English, or very little," one contractor explained in an interview.

You had the rise of the Hispanic that was bilingual, was a little sharper than the rest of them, and he very quickly realized that he could put himself in the position of being a labor baron and not have to touch a tool and make a lot more money than anybody working. So he was the guy that would contact the drywall contractor and say, "Gee, I control fifty drywall hangers, you know. I'll run your work for you."... I have no respect for them [labor barons]. They cheat their people, they cheat the drywall contractor, they cheat everybody. In many cases they will add people to the payroll that don't even exist, just put dead men on the payroll. And then they just take the check down to the local check cashing place where they'll cash anybody's checks and, you know, pay the small fee, and they'll cash five or six checks in different names. Other times they'll have guys take a check for x number of dollars, cash the check and give them back a certain amount of it in cash. It's very hard to control. Obviously we cannot follow a man down to cash his check and make sure he puts the money in his own pocket.

A union staffer described similar abuses that became common in this period:

They were controlling pools of thirty and forty people, living off these guys. They would give them twenty, thirty bucks a day. They could get away with this, because in Mexico you're lucky if you were making $30 a week. And to come here and make $30 a day, you're a king, you know. And some of these patrons had a big house and he had them live with him and he'd charge them rent. So he's whacking 'em twice. He charges 'em gas to go to work and he charges 'em for living with him.
The labor baron system in construction was not really new; such arrangements had been common in the preunion era (see Montgomery 1987, chapter 2), and persisted on the margins of the industry even when the workforce was largely native-born and white (see Haber 1930). But starting in the 1980s, with the virtual collapse of the union and the ensuing shift to immigrant labor, these practices became pervasive in the mainstream of residential construction. If southern California was in the vanguard, other regions soon followed.

The whole setup had many advantages from the contractors’ point of view. Not only were they spared the tasks of labor recruitment, but all the headaches of union work rules, grievances, and bureaucratic bottlenecks were gone, plus costs were lower and market risks externalized. As a contractor explained, “If you’re going to bid so much money to do an operation and you don’t use a labor baron, and you pay out these dollars, you may run over cost. Where if you just put it out as so much money and let them worry about getting it done, you’ve already locked in your margin.”

In an industry where labor accounts for more than half of total production costs, the potential savings to employers were enormous. To be sure, with the labor barons acting as middlemen, the contractors themselves became increasingly “disconnected from the people that were actually doing the work,” as one contractor put it in an interview. But a more flexible system of labor deployment was difficult to imagine, and it quickly became institutionalized as unionism was effectively eliminated from the residential sector. Meanwhile, changes in immigration policy—specifically the introduction of employer sanctions in 1986—made this arm’s-length approach to labor recruitment even more attractive to employers (Massey, Durand, and Malone 2002).

If employers benefited, workers paid a heavy price for this new regime. Not only were their earnings sharply reduced, but they also were forced to absorb the industry’s market-related risks to an unprecedented degree, without any of the advantages unionism had previously secured. Residential construction had effectively reverted to the age of cutthroat competition, with predictable consequences for workers. Although the underlying mechanisms were different, a similar process was under way in other industries as well in this period.

**Deregulation and the Restructuring of Trucking**

The same organized corporate interests that led the open-shop offensive in the construction industry also lobbied successfully to reconfigure the nation’s political and legal environment during the 1970s. Among the most far-reaching of the changes they were able to put into place was deregulation, especially in the transportation and communications sectors.

In the trucking industry, deregulation had devastating effects on unions and workers, reducing wages sharply and precipitating rapid deterioration in working conditions. The modes of worker recruitment, compensation, and deployment were radically transformed as much of the trucking industry came to resemble what Michael Belzer (2000) has aptly labeled “sweatshops on wheels.”

Advocates of trucking deregulation included the National Association of Manufacturers (also a player in the earlier effort to denationalize the construction industry) and major industrial shippers. Their initial successes took shape as a series of administrative actions in the late 1970s and then culminated in the Motor Carrier Act of 1980, the key legislation deregulating the trucking industry. Advocates of deregulation explicitly targeted unions as an obstacle to market efficiency. Trucking employers, however, along with the Teamsters union, strongly opposed deregulation (Moore 1986).

In the post–World War II period, thanks in part to regulation as well as to the surge in labor organizing that marked the 1930s and 1940s, trucking was among the nation’s most unionized industries. In southern California, by the 1950s this key transportation sector was unionized “wall to wall.” (Disaggregated figures are not available, but the 1955 data collected by the California Department of Industrial Relations [California Department of Industrial Relations 1956; Union Labor in California 1956] found 68,900 union members in “transportation and warehousing,” a category that also included bus drivers, pilots, and other transportation workers. With a total of 75,700 wage and salary workers in this sector in 1955, clearly union density in trucking was extremely high.) The trucking firms that serviced the Los Angeles–Long Beach port, among others, were all under contract with the Teamsters. “You had to be union to get in on those docks,” one trucker recalled.

Trucking wages were impressive in this era of high union density. Nationally, truckers’ average earnings were 38% higher than those of manufacturing workers as late as 1950 (Perry 1986); at the Los Angeles–Long Beach port during the 1960s and 1970s, truckers earned even more than the famously militant longshore workers with whom they interfaced daily. Although they were exempt from the minimum wage and overtime provisions of the Fair Labor Standards Act, since the vast majority of truckers were Teamsters members in this period, they were protected by contractual rules governing hours and pay practices. They were paid by the hour and guaranteed 40 hours’ work per week. The union contracts also guaranteed extensive benefits, including paid holidays, paid vacations, health insurance, and seniority rights, as well as grievance procedures.
Even before deregulation, non-union trucking had begun to expand throughout the United States during the postwar decades. The legal prohibition on secondary boycotts under the Taft-Hartley Act of 1947 and the Landrum-Griffin Act of 1959 made it difficult for the Teamsters to organize new non-union carriers, while rapid increases in union wage levels in this period deepened trucking employers' motivation to avoid unionization and helped stimulate greater use of owner-operators (Levinson 1980). In southern California’s transportation and warehousing sector, union density fell from 91% in 1955 to 70% 20 years later.

But the decline accelerated sharply with deregulation, along with rising fuel costs and the deep recession of the early 1980s. Now "truckers changed from an almost completely unionized industry, following a centrally-bargained pattern, to a partially unionized industry" (Belzer 1994:260). Nationally, unionization fell from 60% of the nation’s truckers in 1980 to only 25% by century’s end (Belzer 2000).

The decline was especially rapid in the early 1980s, by one estimate falling by half between 1981 and 1985 alone (Perry 1986; Rose 1987). In southern California, union density in the industry fell to 46% by 1985—half the level of 30 years before. Even within the long-distance segment of the industry, where unions maintained a foothold, wages and benefits were deeply eroded in the early 1980s by national-level concession bargaining, while many employers dropped out of the National Master Freight Agreements entirely, extracting even greater givebacks at the local level (Rose 1987).

Short-haul trucking soon came to be dominated by non-union owner-operators who labored long hours for low pay without any of the extensive fringe benefits that had once been standard features of Teamster contracts. With wages no longer taken out of competition, "low wages, long hours, and unsafe and unsanitary working conditions returned to trucking" (Belzer 2000:7). As deregulation advocates promised, ground shipping prices did decline as the basis of competition in the industry shifted from quality of service to price. But the vast bulk of these savings—an estimated 80% (Belzer 2000)—came not from increased efficiency but instead from sharply reduced wages and the elimination of fringe benefits. Costs and risks were increasingly transferred to workers in the deregulated environment, as small firms contracting work out to owner-operators began to replace the larger, unionized trucking companies that once dominated the industry.

The segment of the trucking industry servicing the port of Los Angeles and Long Beach followed this pattern to the letter. Prior to deregulation, a few large firms had dominated drayage in the harbor area, and virtually all their employees had been Teamsters. After 1980, however, mid-sized and small companies began competing for the work. As a trucking firm executive explained:

In 1980, a lot of middle to upper management employees of trucking companies lost their jobs because their companies went out of business. So they decided, "Hm, I'll just start hiring owner-operators, independent contractors, and I'll get myself a license to operate and I'll cut the going rates by twenty percent." With deregulation, you could start a trucking company and operate out of a phone booth. All these people needed, the entrepreneurial people here, was "How do I get enough drivers to buy enough trucks—used trucks, actually, because they put them all in used trucks, okay?"

At the same time, paralleling developments in construction, the large unionized firms soon began "double-breasting," that is, setting up non-union subsidiaries, and many encouraged workers to become independent contractors. The owner-operator idea had widespread appeal among workers. "You had people coming into the industry who saw this as an opportunity," one trucker recalled. "They thought, 'Hey, I'll be my own boss . . . So everybody got their trucks. Everybody's mother got their trucks." Moreover, as a trucking executive noted, this arrangement also had considerable appeal for employers:

The advantage of the owner-operator independent contractor for a company who hires those drivers is that it becomes a non-asset based company. They do not own the equipment. They do not have employees that they have to guarantee work for. And if that employee doesn't work, you're not responsible for unemployment insurance and so forth, because he's not an employee, okay?

Thus the large unionized firms rapidly disappeared from the Los Angeles and Long Beach ports. The Teamsters did attempt to reorganize port truckers in the early 1980s under these changed conditions, but after a few years they abandoned the effort.

The rates paid by steamship companies to have cargo containers trucked from the harbor to various local destinations fell sharply with this transition—by as much as half according to some industry insiders. These savings came largely at the expense of the truckers themselves, who now were paid by the load rather than hourly and received no income while they waited for work, often for as long as half a day, in huge queues at the shipping terminals. "They would contract that particular work out to a driver and he would be paid a set amount of money for taking that can
greatly reduced costs under this new regime. Immigrant truck drivers, nominally independent contractors but tied to their de facto employers through elaborate arrangements that involve loans, insurance, and other business necessities, absorb the costs of the new flexibility. Far from the postindustrial utopia imagined by some early apostles of the "new economy," then, trucking deregulation has instead heralded a return to classic sweatshop conditions (see also Bonacich and Wilson 2007).

"Flexibility" and Restructuring in Building Services

Even when unionization was at its peak, density was never quite as high in the building service industry as it was in the construction and trucking sectors, but organized labor had captured a substantial share of the janitorial market in cities around the country by the 1950s. Before World War II, janitors in Chicago, New York, and San Francisco had been organized, along with those in Seattle, St. Louis, Boston, Philadelphia, Milwaukee, Minneapolis, and Portland. The Building Services Employees International Union (BSEIU, as it was called until 1968, when it dropped the "B") had 40,000 members by 1937, and it continued to grow steadily thereafter. It gained 130,000 members during the 1940s alone, recruiting janitors in cities across Canada as well as the United States. By 1960, BSEIU's total membership had grown to 275,000, although by then it had begun to recruit in other industries outside building services as well (Beaudoin et al. 1992).

Los Angeles was among the cities BSEIU organized in the aftermath of the war. A 1956 management survey found that service workers in 35% of Los Angeles's major office buildings were unionized (Building Service Employees International Union, Report to Locals, June 1956). BSEIU Local 399 had over 7,000 members in 1957, about half of whom were employed by building maintenance contractors (3,225) or directly by office building owners (385), while another large group (1,050) cleaned theaters and supermarkets ("Local Composition Form," July 24, 1957, SEIU Archives, Wayne State University, SEIU Research Department Historical Files Collection, Box 14, Folder "Local 399: General"). By the late 1960s, most janitors cleaning large office buildings in downtown Los Angeles were unionized, as were many of those in outlying areas (Mines and Avina 1992).

The largely African American building service workers in the region never earned as much as their counterparts in construction or trucking, but by 1975 unionized janitors in Los Angeles averaged $3.75 an hour—double the rates paid a decade earlier and well above the minimum wage (then $2.10). Wages for the city's unionized janitors continued to rise over the next few years by about 50 cents an hour, reaching an all-time high of $12 an hour in 1982. In response to BSEIU demands, the city's cleaning contractors also had agreed to employ janitors on a full-time basis, eliminating
the part-time arrangements that prevailed during the preunion era. Janitors' benefits included 11 paid holidays, full medical coverage (Mines and Avina 1992), and access to grievance and arbitration procedures.

By 1973 the flagship SEIU local in Los Angeles, Local 399, had nearly tripled its membership over the 1957 level. Much of this growth was due to extensive new organizing among hospital workers, but the local also had 5,900 members in its building maintenance division in 1973 (up from 3,225 in 1957) and another 2,000 or so performing janitorial jobs in supermarkets, industrial facilities, and other commercial buildings (“Breakdown of Local 399 Membership by Division,” July 31, 1973, SEIU Archives, Wayne State University, George Hardy Collection, Box 42, Folder: “Local 399 June–July 1973”).

Deunionization began a bit later in building services than in construction and trucking, taking off in the 1980s. Although the union's founding locals in New York and Chicago held their ground, between 1979 and 1984, according to the union's official history, 15 of the SEIU's 22 building services locals suffered “drastic declines in membership” (Beadling et al. 1992:74). Los Angeles was typical in this regard. Despite an office building boom in the region in the aftermath of the recession that opened the 1980s, by 1985 Local 399's building services membership had fallen to 1,800 workers, only about 8% of the city's growing janitorial workforce. The union contract signed in 1983 included major wage concessions, reflecting a desperate effort to hold on to the remaining membership in building services (Mines and Avina 1992).

The combination of expansion of the non-union sector and concessions in the union sector sent real wages for the city's janitors into a tailspin: they fell 36% from 1983 to 1988 alone (Bernstein 1989). Total office space in Los Angeles doubled over the decade that ended in 1994, but the number of janitors increased only by 25% (Service Employees International Union 1995). Thus janitors found themselves cleaning more space for less pay. Cleaning costs declined from $1.87 per square foot per year in 1979 for the city's downtown buildings to $1.08 in 1993 (in constant dollars), even as cleaning contractors' revenues rose (Service Employees International Union 1995).

For firms that specialize in janitorial services, direct labor is the single largest component of operating costs—more than 50% for the larger cleaning contractors, which enjoy economies of scale on overhead and other expenses (Building Service Contractors Association International 1995). In contrast to industries like construction, where the small enterprises have the greatest incentives to reduce labor costs, in building services the largest firms are in such a position. In the 1970s and 1980s, as national and even international firms came to dominate the building services industry, efforts to cut costs by avoiding union contractors began to emerge. Non-union building maintenance firms surfaced around the country in the 1970s, undercutting the unionized cleaning contractors with discounted prices, especially in outlying areas of major cities. As the non-union sector grew, it put growing competitive pressure on the unionized firms, whose costs were inevitably higher. These trends were apparent as early as 1971 in Los Angeles, when the president of a union firm complained to Local 399:

We have a serious problem in the city of Los Angeles. It is growing in intensity and becomes more alarming every week. I am referring again to nonunion competition over which, it appears, the union has no control. So that makes two of us. We have estimated that we have lost about $1,000,000 a year to non-union competitors. (A.H. Wittenberg, Jr. to Michael McDermott, July 30, 1971, SEIU Archives, Wayne State University, George Hardy Collection, Box 41, Folder: “Local 399, Aug. 1971”).

Foreshadowing later developments, the non-union cleaning companies in Los Angeles were already beginning to hire immigrants in the 1970s and were “delegating a great deal of decision-making power to Hispanic crew leaders, who typically recruit, hire, fire and pay workers” (Mines and Avina 1992:432; see also Johnston 1994: 160).

Entering the market for office cleaning requires minimal capital, and indeed, there are many small “mom-and-pop” companies in the business. But few owners of major buildings are willing to entrust their valuable properties to such firms. Rather they tend to contract with larger, more reputable companies. After a group of midsize non-union cleaning firms aggressively moved into the market in the late 1970s and early 1980s, disrupting the old equilibrium whereby unionization had taken wages out of competition, more and more of the unionized firms set up non-union “double breasts.” Faced with this, Local 399 was forced to grant concessions to hold on to its remaining janitorial membership, by now reduced to a small core group in downtown Los Angeles.

The union did launch some efforts to organize the new non-union firms in the early 1980s, but it made little headway. Even when the SEIU was able to win NLRB elections among janitors (it won three in Los Angeles between 1981 and 1985), its efforts were constantly stymied, for building owners could simply terminate their contracts with the newly unionized cleaning firms (such contracts typically have 30-day cancellation clauses) and arrange to obtain services from a non-union firm instead (Mines and Avina 1992; Waldinger et al. 1998). The strike weapon was also undermined. As one Local 399 staffer put it, "We used
to walk out to settle our differences, but now if we go out, we don’t get back in” (Mines and Avina 1992).

Freed of the constraints that had accompanied unionization, cleaning contractors increasingly turned responsibility for hiring and firing and for day-to-day operations over to first-line supervisors. As in the construction and trucking cases, Latino intermediaries now emerged as key players, prized for their ability to tap into and control the immigrant labor supply that rapidly came to dominate the janitorial workforce. As in those other cases, the absence of union regulation combined with a relatively informal and decentralized form of management soon gave rise to unscrupulous and often illegal practices that exploited the vulnerability of the new immigrant workforce.

In 2000, the Los Angeles Times published an expose of such practices in the segment of the industry comprised of non-union subcontractors hired to clean supermarkets and other large retail establishments:

He works the midnight shift seven nights a week, stripping, washing and buffing the floors. . . He says he earns far less than the minimum wage, and just laughs when asked about overtime pay for his 56-hour weeks. Strong chemicals make his nose bleed, burn his fingers and eat the soles of his cheap sneakers. He operates powerful, potentially dangerous machines but isn’t protected by workers’ compensation insurance. . . . Not only are many janitors earning subminimum wages—about $550 to $750 twice a month for 56-hour weeks—they are also untaxed. Typically paid in cash or personal checks, with no deductions for Social Security, Medicare or federal and state income tax, they are part of a thriving underground economy that robs billions of dollars from U.S. and California treasuries every year. . . [None of the workers interviewed] could name the company for whom they worked. They knew only the subcontractor, who showed up twice a month to pay them in personal checks. They told of wrapping steel wool pads around their sneakers when stripping floors, to keep from slipping on the slick chemicals. They told of weeks they went unpaid, of arbitrary schedule changes (Cleveland 2000:1).

Another case that came to public attention involved an office cleaning company firm that pleaded guilty in court to failing to pay overtime and to keep legally required records. One of the employees involved complained that he was forced to work up to 19 hours without a break and was paid neither the minimum wage nor overtime (Fausset 2001).

One common practice was to demand that newly hired janitors turn over their first month’s pay to the supervisor to secure their jobs. Some supervisors reportedly extracted sexual favors from female janitors on the same basis. Health and safety protection was non-existent for janitors working with dangerous chemicals and heavy machinery, and unpaid overtime was common (Gardetta 1993). One janitor told the Los Angeles Times in 1988 that he had worked for five weeks full-time for no pay in a “training program.” After that, when he refused his supervisor’s demand of a $150 payoff out of his first paycheck to keep the job, he was summarily fired (Ybarra 1988).

Cynthia Cranford (2001.97) describes other employment practices, most of them illegal, used by cleaning firms:

Working for more hours than one was paid, and earning less than the minimum wage, was very common in this industry and was achieved in multiple ways. Cleaners often worked by the piece, rather than by the hour. . . Cleaners were also encouraged to bring family members to “help” with the work without being paid. And many janitors worked for weeks without pay, to “practice” in order to get a “recommendation.” . . Cleaners were also pressured to prepare their supplies before they checked in and to work different split shifts, clocking in under different names at each shift. Cleaners were often paid in cash or by personal check in order to avoid detection of such violations, to avoid having to pay social security.

Thus in janitorial work as in residential construction and trucking, classic sweatshop conditions became endemic in the wake of deunionization. In addition to sharply reduced wages and the disappearance of benefits, janitors were subjected to a variety of illegal and exploitative practices, similar to those facing others in the growing deregulated, non-union low-wage labor market. Meanwhile, first in southern California, and later in many other parts of the nation, employers in those labor markets were rapidly recruiting foreign-born workers into these newly degraded jobs.

Incorporating Immigrant Labor

Some commentators have attributed the precipitous decline of unionism during the late 1970s and early 1980s to the increased availability of “cheap” immigrant labor. In this view, a large influx of foreign-born workers—particularly those with limited education who seek relatively low-skilled jobs—invariably depresses wages, especially for the less-educated and for ethnic and racial minorities. Economist Vernon Briggs (2001:174), for example, argues that “unskilled and poor” immigrants, “by their presence . . . impoverish similarly situated native-born workers and their
families in the same local labor markets.” George Borjas (1999) takes a different approach but comes to a similar conclusion, attributing a large share of the recent growth in U.S. income inequality to immigration. Noting that the sharp decline in union density took place in the very same period as the surge in immigration, Briggs (2001) suggests that “the revival of mass immigration is likely to be a contributing factor to the decline in unionism.”

The strong correlation between declining union density and increasing immigration does not, however, mean that the causal arrow should be drawn in the way that these commentators presume. On the contrary, there is evidence to suggest that it operated in precisely the opposite direction: that deunionization—which, as we have already seen, leads to deterioration in wages, benefits, and working conditions—provoked native-born workers to abandon no-longer-desirable jobs, at which point immigrants filled the vacancies. That is precisely what appears to have happened in the cases examined here. Apart from the qualitative evidence summarized above, the timing of the immigrant influx, together with selected comparisons between the labor market in southern California and in other parts of the nation, provides support for this interpretation.

When deunionization took off in the late 1970s and 1980s, it affected many parts of the United States that lacked any significant supply of immigrant labor. Southern California attracted a disproportionate share of immigrants in this period, and most of the rest were concentrated in a few other regions (Massey, Durand, and Malone 2002; Portes and Rumbaut 1990). But in all three of the industries considered here, union decline, and the accompanying deterioration in compensation and working conditions, was by no means confined to such immigrant-rich labor markets. That alone casts doubt on the notion that the increased availability of immigrant labor was an important cause of deunionization.5

Moreover, in some areas of the United States where a large supply of immigrants was available in this period, such as New York City, union decline was relatively modest in some of the very same industries where rapid deunionization had radically transformed labor conditions in southern California. In the janitorial case, for example, deunionization was geographically uneven: The SEIU maintained its grip on building services in its historic strongholds of New York, Chicago, and San Francisco even as it collapsed in Los Angeles and many other cities. But immigrants moved into the New York building services workforce to almost the same degree as they did in Los Angeles. By 1990, 57% of New York City’s janitors were foreign-born, compared to 64% of those in the Los Angeles region.6 Yet because the vast majority of both native- and foreign-born janitors in New York were union members, in 1990 they earned $7,000 more annually than their Los Angeles counterparts (Waldinger et al. 1998). The influx of immigrants in this case had no apparent effect on the strength of the union.

In construction and trucking, too, union decline was well under way in regions across the nation at a time when immigration was still highly concentrated in a few gateway cities. In construction, as discussed above, rapid deunionization began in the 1970s and accelerated in the early 1980s. At this point, however, major urban immigrant-receiving areas like New York and Chicago were more likely to retain a significant union presence in construction, relative to the Sunbelt or the booming suburban exurban areas, where immigration flows had not yet appeared. And in terms of race, ethnicity, and nativity, the construction workforce was remarkably stable during these years. Nationally, 90.6% of unionized construction workers were white in 1977–78, and the figure was only slightly lower—89.0%—in 1989. In the non-union sector, too, whites made up 91% of the workforce at both the beginning and the end of this period of rapid union decline (Allen 1994). These data are difficult to reconcile with the hypothesis that immigration was a key driver of union decline.

In the trucking industry, similarly, there was minimal change in the ethnic and racial makeup of the workforce at the national level prior to the rapid deunionization that followed deregulation in the 1980s. In 1970, 80.9% of truckers in the United States were native-born whites; in 1980, the figure was virtually unchanged at 81.0%. Only after 1980 did immigrants (as well as African Americans) enter trucking in significant numbers. In the Los Angeles area, 10.5% of truckers were foreign-born Latinos in 1980; 10 years later the figure had skyrocketed to 26.1%, and during that same decade the total number of truckers in the region rose by more than a third (Milkman 2006).

Even if the availability of immigrant labor accelerated the shift to low-road employment practices, the sequence of events for both construction and trucking suggests that immigrant employment was more a consequence than a cause of the change. The janitorial case is more ambiguous, since there was substantial growth in immigrant janitorial employment in southern California as early as the 1970s. This early immigrant influx probably reflected the initial emergence of the non-union sector during the 1970s, for (as noted above) unionized building service employers had complained about undercutting by non-union contractors as early as 1971. Other qualitative evidence suggests that new non-union contractors relied on immigrant labor from the outset, especially in outlying areas of Los Angeles’s sprawling metropolis (Mines and Avina 1992).

In all three industries, the increase in immigrant employment occurred earlier and was more extensive in southern California than in the nation as a whole. This is not surprising, given the region’s prominence as
an immigrant gateway and the later dispersion of immigrant flows throughout the United States (see Frey 2002; Massey, Durand, and Malone 2002). By the time immigrants became a significant presence in the nation as a whole, union decline was already ancient history. Meanwhile, employers rapidly came to view immigrants as highly desirable workers. “You know, the good old days of the Anglo-Saxon worker, there were good sides to it and there were bad sides to it. Communication was good. Work ethic was bad,” one drywall contractor declared.

The drywall trade, being a piecework operation, it has always been a haven for people who cannot get to work at eight o’clock every day. The white guys, you had no communication problem. But unfortunately there was a higher than desirable percentage of the alcoholics, the drug users, the problem personalities. When John Smith wanted to show up at nine, ten o’clock and then miss two days during the week, the Hispanics were there wanting to work. Willing to work. Showing up early. Working all day. Drug use is almost nonexistent. Drinking on the job: in the drywall trade they like their beer, but generally speaking you don’t find them drinking during working hours and they don’t stick around the jobs and drink. Those two issues I think are much better under Hispanic labor than they ever were under the white Anglo. A lot of the so-called white Anglos that worked in the trade, not all of them, but a great percentage of them, were not the most desirable. So you really got the bottom of the work status in the white Anglos. Where in the Hispanic, you’re getting mainstream, you’re getting more of the family-oriented. For them it was a good job. It was a much better job than picking strawberries. So you got a better class of worker.

Managers in other immigrant-employing industries expressed similar views. “If I could find another labor force as reliable . . . as Mexicans, I would use it,” an executive in the building services industry remarked in the early 1990s. “But I can’t.” And a manager at a unionized janitorial firm complained that “there are plenty of people on the union benches, but they are rejects” (Mines and Avina 1992; see also Waldinger and Lichter 2003).

Thus all three industries were radically transformed in the final decades of the 20th century. In an earlier era, thanks to unionization, native-born white male truckers and construction workers with limited formal education earned high wages and extensive fringe benefits, and had good working conditions as well. Janitorial workers were several notches below those labor aristocrats on the occupational ladder, and they included more women as well as African Americans. But even their jobs had provided superior wages, benefits, and working conditions in the glory days of organized labor.

In the 1970s and early 1980s, however, everything changed. Employers relentlessly attacked unionism and extracted cost savings and “flexibility” from the workforce—both directly, by means of wage and benefit cuts, and indirectly, by introducing new organizational forms that forced workers to absorb more market risk. In all three industries, subcontracting was at the center of the transformation process. In residential construction (where subcontracting had always been ubiquitous) and in building services (where it had been commonplace as early as the 1950s), employers increasingly shifted work to non-union subcontractors, and this became the key wedge undermining unionism. In trucking, reliance on subcontractors was a more radical break with the past, facilitated by deregulation.

Although subcontracting per se did not necessarily produce labor degradation, it facilitated the process of externalizing market risks and of decentralizing management. Some risks were shifted to workers themselves, as in the shift from hourly pay systems to job-based payment in trucking. At the same time, the labor barons that took over in construction, the independent trucking contractors, and the newly empowered crew leaders in the janitorial industry turned increasingly to more casualized forms of labor recruitment and management. In combination with growing competitive pressures, these organizational shifts soon generated new forms of labor degradation. In residential construction, trucking, and building services alike, the result was the same: Wages fell sharply, benefits were eliminated, and working conditions deteriorated, in many instances regressing to levels reminiscent of pre-New Deal sweatshops.

Faced with these circumstances, native-born workers abandoned these employment fields, and immigrants rapidly replaced them. Upper-level managers looked the other way while the “labor barons” and supervisors to whom they had transferred responsibility for labor recruitment and management engaged in a variety of unsavory and often illegal labor practices. The immigrant newcomers at first appeared—to friends and foes alike—“willing” to tolerate such practices. Virtually no one expected them to mount an organized response. Starting in the late 1980s, they would surprise everyone by doing precisely that. But that is another story (see Milksman 2006, chapter 4).

Endnotes

1 This chapter includes material adapted from chapter 2 of my book, L.A. Story: Immigrant Workers and the Future of the U.S. Labor Movement (New York: Russell Sage Foundation, 2006). Reprinted with the publisher’s permission.
The discrepancy is due to the fact that substantial numbers of building trades union members were unemployed, working in other industries, in the military, on strike, and so on. As a result, union density often exceeded 100% in this period.

This quote is from an interview conducted in the course of my fieldwork; unless otherwise indicated, such interviews are the source for other unattributed quotes in the rest of the chapter.

The fact that 1975 was a recession year, when unemployment was at a peak level, means that the actual density drop was even sharper than these data indicate: The 1975 denominator (the number of wage and salary workers) was at an unusually low point in this cyclically sensitive industry, whereas the numerator remained high since many unemployed building trades workers retained their union membership.

Borjas (1990) points out the complexity of distinguishing cause and effect in analyzing the relationship between immigration and wages, since native-born workers can "vote with their feet" in response to an influx of immigration. This is one possible interpretation of the out-migration of native-born workers from California to other states in the 1980s, which in Borjas' view enlarged the labor supply in the receiving regions and thus depressed wages there as well. Borjas neither examines the relationship of immigration to deunionization nor considers the possibility that deunionization was an intervening variable precipitating both increased demand for immigrant labor and the observed decline in wages for relatively low-skilled jobs.

Note that these figures include immigrants of all racial and ethnic groups. The makeup of New York's immigrant population is far less homogeneous than that of Los Angeles. In 1980, foreign-born Latinos made up 33% of New York's building service workers, whereas in Los Angeles the figure was 56%. (These figures are for the New York metropolitan area, which includes the five boroughs of New York City as well as Putnam, Rockland, and Westchester counties.)

References


