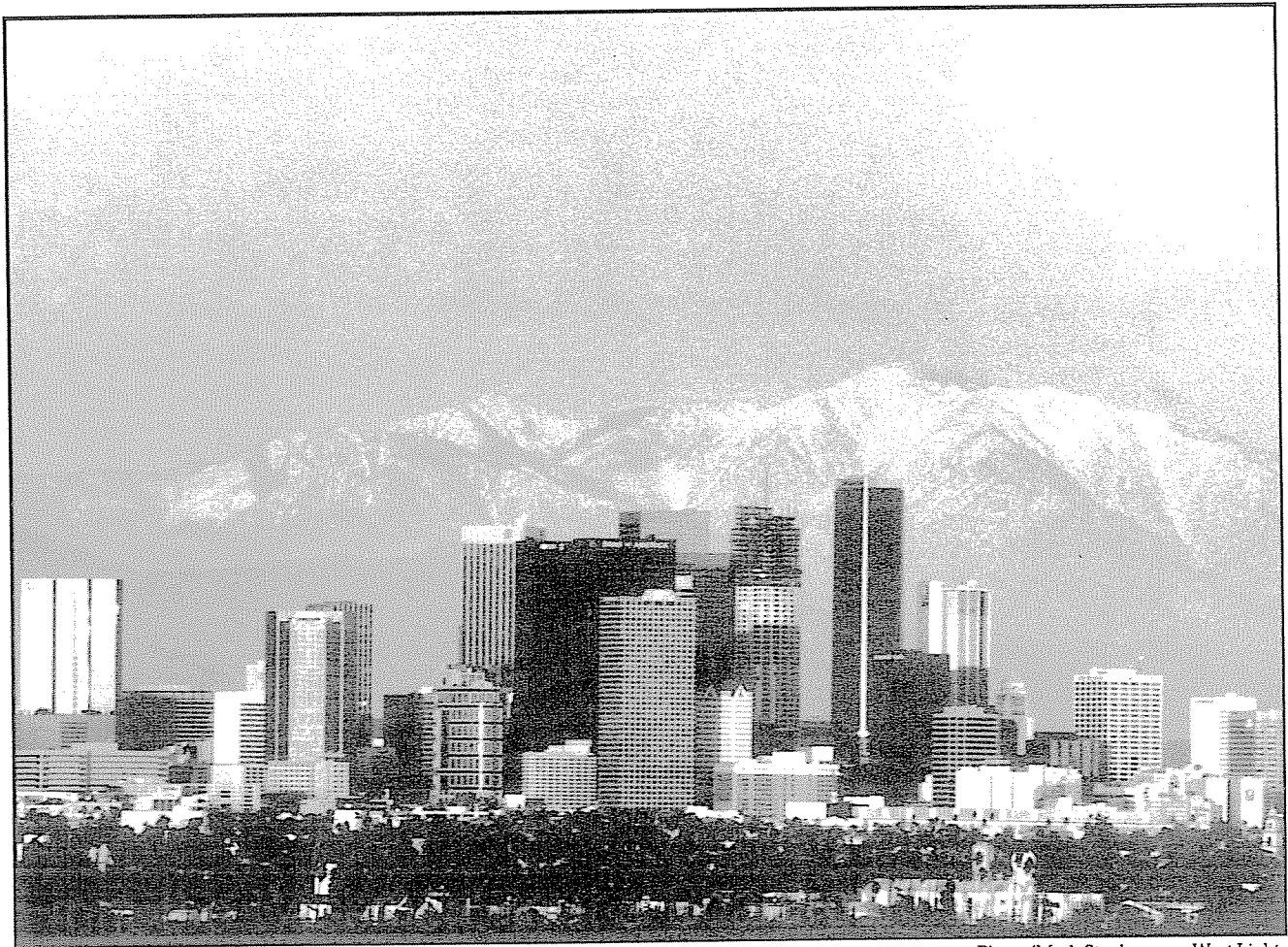


From the Basement to the Boardroom...

Los Angeles Should Work For Everyone



Photo/Mark Stephenson - West Light

*"Los Angeles Cannot Permanently Exist as Two Cities ...
One Amazingly Prosperous,
The Other Increasingly Poorer in Substance and Hope."
...Tom Bradley, Mayor of Los Angeles*

Justice for Janitors

Service Employees International Union, Local 399
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**From the Basement to the Boardroom:
Los Angeles Should Work for Everyone**

Bringing Justice to Los Angeles' Underpaid Janitors.

A report for SEIU Local 399
Justice for Janitors Campaign

Paul Schimek, M.A.
August 1, 1989

Executive Summary

Wealth and Poverty

- Los Angeles has generated enormous wealth in the past decade. With a total personal income of \$141 billion, L.A. County places in the ranks of nations such as Spain, Australia, and Mexico.
- At the same time, the poverty rate has increased from 11.1 percent in 1969 to 15.7 percent in 1987.
- One of the chief reasons for the increased poverty has been the growth in low-wage work. The percent of full-time workers making poverty-level wages more than doubled between 1969 and 1986-87.

Booming Real Estate Market

- At 12.7 percent, the vacancy rate in downtown Los Angeles is more than 3 percentage points below the national average.
- Between 1981 and 1987, net operating income, a measure of profits, increased by 61 percent in downtown Los Angeles, *after adjusting for inflation*.

Janitors Wages Have Plummeted

- The typical janitor's hourly wage dropped from \$7.07 in 1983 to \$4.50 in 1988, a decline of nearly 50 percent in real terms.
- At the same time, the cost of living has been escalating. Housing is an increasing burden for low-wage workers. By 1985, almost three-quarters of the poor in Los Angeles paid more than half their income on rent.

Wages are Only a Fraction of Rental Income

- Only 3 cents of each dollar of rental income downtown goes to janitors wages, down from more than 6 cents in 1981.
- Compared to other cities, Los Angeles underpays its janitors. In 1986, L.A. ranked 21st out of the 25 largest cities in terms of cleaning expenses as a percent of rent, but ranked second in terms of net operating income.
- Increasing pay to the union rate of \$5.00 per hour will only mean an extra 8 cents per square foot per year for each janitor, or less than one cent per

square foot per month.

- A unionized workforce is more productive and efficient because of less turnover, greater job security, and the provision of fringe benefits.

Decent Wages and Benefits for Janitors will Benefit all Los Angeles

- By eliminating health insurance benefits, employers have contributed to the growing health care crisis in Los Angeles. More than one in four people in Los Angeles do not carry health insurance, in large measure because of the decline in job-related health coverage.
- Reducing poverty and income inequality is a major public priority, especially in downtown areas where taxpayers have invested heavily in economic revitalization.
- Downtown building owners and managers are in a position to help counter the growing perception of Los Angeles as a Third World city with vast extremes of wealth and poverty. Bringing justice to Los Angeles janitors would help establish Los Angeles as a city of opportunity for all.

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I. The City of Angels: A World-Class City

In the 1980s Los Angeles has become a world-class city. Since 1982 it has overtaken Chicago to become the second largest city in the United States. It is the premier corporate and financial center on the West Coast, and the primary American link to the growing Pacific Rim economy. Unlike the old metropolitan areas of New York and Chicago, Los Angeles is still growing by leaps and bounds, with no end in sight. The region continually places first in employment generation, and population growth continues at a rapid pace. Los Angeles is also an attractive region for foreign investors, with a large influx of capital coming from countries such as Canada, Great Britain, Japan, and Hong Kong.

This new flow of foreign and domestic capital has created enormous wealth in this region. By 1986, the total personal income of everyone in Los Angeles County came to 141 billion dollars, an amount which places it among the top 15 nations of the world. In other words, if Los Angeles County (not including the surrounding areas) were a separate country, it would be economically the equivalent of Australia, Spain or Mexico.¹ A large part of this wealth comes from the growing Pacific Rim trade. Between 1983 and 1986, the total value of imports and exports passing through L.A.'s ports jumped from \$35.4 billion to \$61.8 billion, making it the largest port in the U.S.²

1. Research Group on the Los Angeles Economy, The Widening Divide [Pamphlet], (Los Angeles: UCLA, 1989) p. 1.

2. Frank Jensen, "Japanese Top Investors." Office Market Journal of Greater Los Angeles, 1988, p. 16.

There is also a darker side to these economic changes. Most new jobs pay very low wages. In addition, employers have been taking advantage of the lower section of the workforce by cutting back health and pension benefits. In the past 20 years, the percentage of L.A.'s full-time workers making poverty level wages (\$11,200 yearly in 1986) more than doubled. The official poverty rate has increased by almost 50 percent, from 11.1 percent in 1969 to 15.6 percent in 1987.

The new wealth and the new poverty in Los Angeles meet in highrise downtown office buildings. By day, thousands of bankers, lawyers, businessmen and other professionals earn comfortable livings before returning to their suburban homes. By night, hundreds of janitors clean thousands of square feet in the same buildings, but only take home minimum-wage paychecks. Building managers have pursued a strategy of hiring cleaning contractors who pay janitors the lowest possible wages and who provide no health or pension benefits, often with no overtime pay or vacations.

As the Los Angeles economy grows, so has the demand for prime office space to house law firms, real estate developers, and major corporations. With each new high-rise building, dozens of janitors are employed. The Bureau of Labor Statistics projects that 700,000 new workers will join the 3,000,000 janitors in the U.S. during the next 11 years.

This report shows that while the downtown L.A. commercial real estate market is booming, janitors' wages have declined dramatically. Our study reveals that janitors' wages and benefits are only a tiny fraction of rental income, and that paying decent wages does not significantly impact the profitability of a

building. Finally, the report argues that providing fair wages and health benefits is a sensible long-run strategy for building owners and managers, and one in line with public priorities of alleviating the health care crisis and rising poverty Los Angeles now faces.

II. A Booming Market: Downtown Commercial Real Estate.

By all indications, the downtown real estate market is booming. Recent comments by industry analysts summarize the situation:

'Downtown Los Angeles is so hot in the eyes of the world, that a lot of product is being created,' observes John C. Cushman, president of Cushman Realty Corporation.

'We are seeing big activity from foreign banks, out-of-state banks, and law firms,' adds Mike McRoskey, associate vice president at Coldwell Banker.³

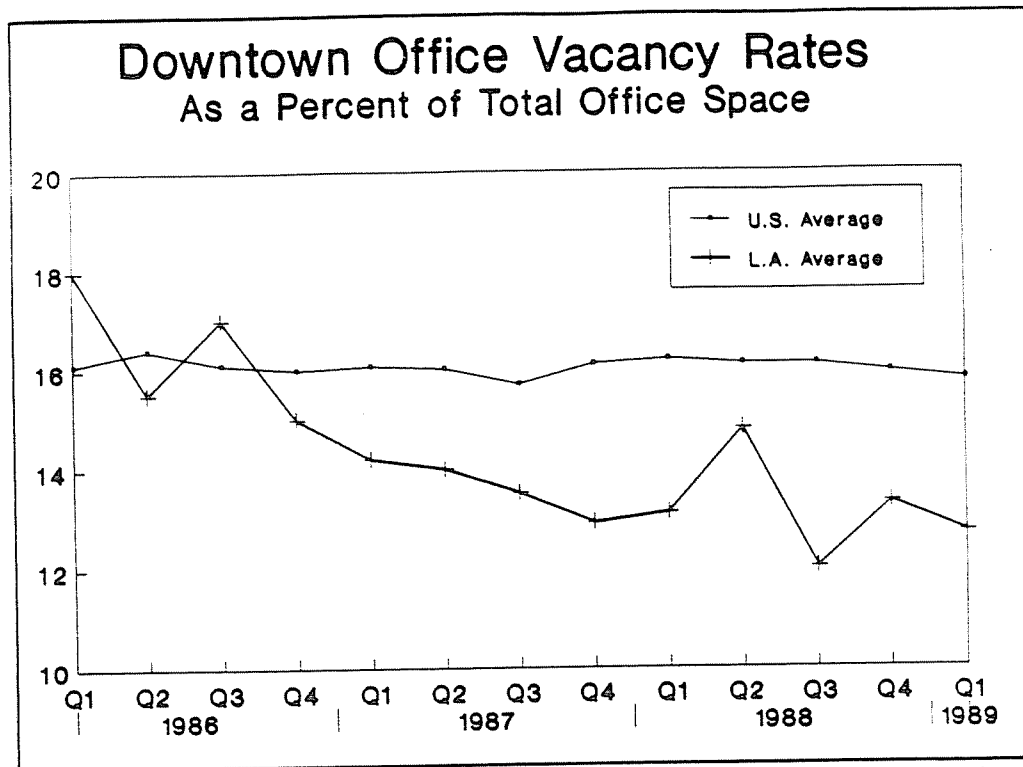
One analyst boasted that the "level of activity has surpassed even the most optimistic projections. There's electricity in the air." Another writes that "A review of the greater Los Angeles marketplace reveals that competition for high-quality commercial investments has risen to a fever pitch."⁴

The health of the commercial real estate market can be evaluated by analyzing several key indicators: vacancy rates, absorption, projects on line, and the increase in net operating income. The most recent vacancy rate figure (March 1989) for downtown was 12.7 percent, more than three percentage points below the national average of 16.1 percent. The vacancy rate for class-A buildings was even lower, around 11 percent. In the past three years, despite unprecedented building, the L.A. vacancy rate has dropped considerably, while the national average has remained steady (see Graph 1).

Rentable square footage downtown more than doubled between 1976 and

3. John Allen, "Is the downtown Marketplace Superhot or Overheated?" Downtown News, May 15, 1989, p. 15.

4. Jack Rodman, "Competition Heats Prices." Office Market Journal of Greater Los Angeles, 1989, p. 22.

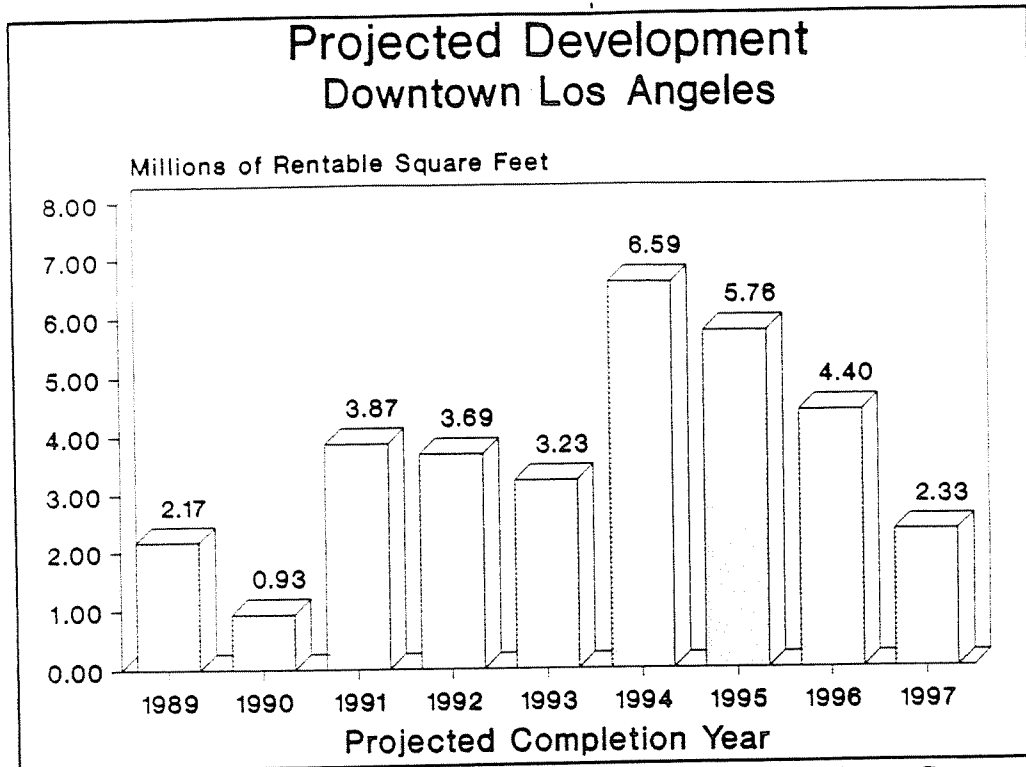


Graph 1. Source: Downtown News, Coldwell and Banker.

1988.⁵ In 1989, 2 million square feet of new office space will become available, *two-thirds of which is already pre-leased*. "No matter how you count it," writes the Downtown News, "that's a major leap in absorption for downtown." A total of 33 million more rentable square feet of office space is already planned between now and 1997. Between 1991 and 1993, more than 3 million square feet will come on line each year. Graph 2 shows the total square footage slated for each of the next nine years.

Between 1981 and 1987, net operating income rose from \$7.67 per square

5. David M. McKinney, "Downtown L.A. Growth." Office Market Journal of Greater Los Angeles, p. 40.



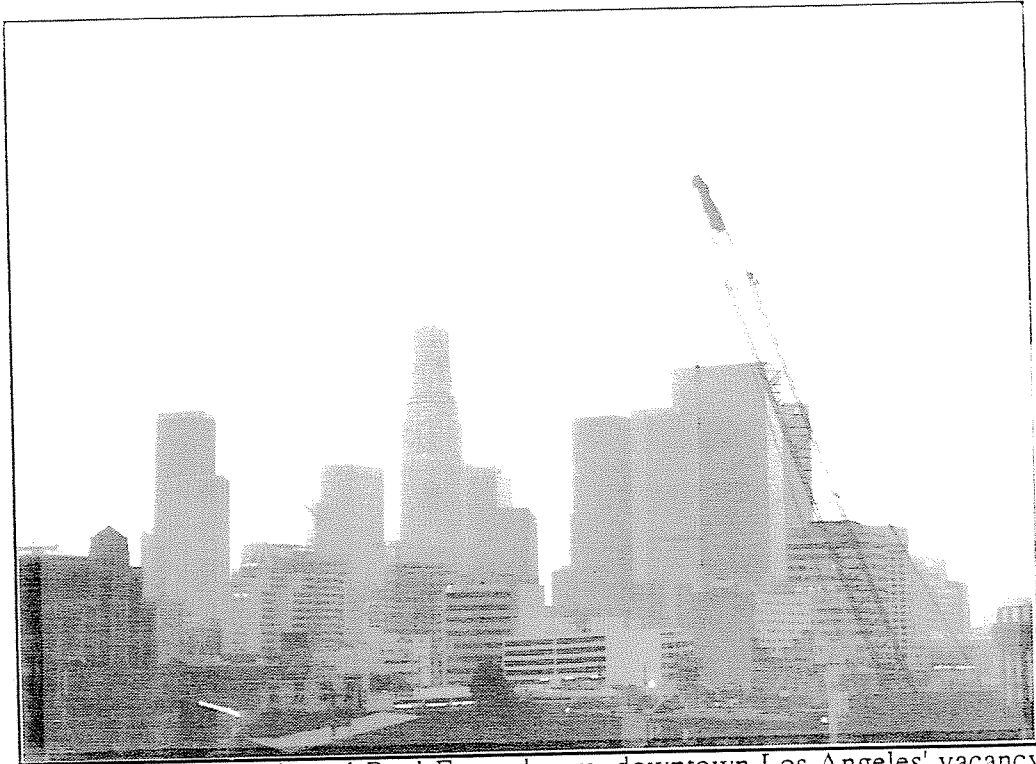
Graph 2. Source: Downtown News and the Faulkner Company.

foot to \$12.33 per square foot in real terms, that is, *after adjusting for inflation*.⁶ This represents an increase of more than 60 percent. Total rental income in downtown Los Angeles has now reached the staggering figure of \$500 million per year.

Clearly, investment in downtown real estate has become increasingly profitable. The decline in vacancy, the increase in both absorption rates and net operating income, and the massive amount of new construction already planned, spell the development of a qualitatively new market for commercial real estate in Los Angeles. Part of the explanation for this enormous real estate boom has been the increase in foreign investment. By 1987, nearly half of downtown Los

6. BOMA Experience and Exchange Report. (Washington: BOMA International, 1982 and 1988).

Angeles's premier office buildings were fully or in part foreign-owned. Also in that year, Los Angeles had the second largest amount of foreign real estate investment of any U.S. city, amounting to \$2.6 billion.



Photo/Mark Stephenson - West Light

Despite an unprecedented Real Estate boom, downtown Los Angeles' vacancy rates have declined steadily.

The public sector has also been involved in promoting this boom in downtown investment. The Los Angeles Community Redevelopment Agency (CRA) has spent millions of dollars from local tax revenues and Federal block grants to foster the development of downtown. In the 1950s and 1960s, the city cleared large tracts of prime downtown real estate, notably Bunker Hill, for reassembly into larger parcels and resale to private investors. The CRA has reinvested the increase in tax revenue from the redevelopment areas, or tax increment, back into downtown projects such as street lighting, housing

rehabilitation, and commercial building construction. Total CRA investment in downtown L.A. now amounts to more than \$100 million annually.⁷

All signs indicate that the downtown commercial real estate market is one of the strongest in the country. With continuing foreign investment, public sector encouragement, and a booming economy, downtown Los Angeles is bound to grow further.

7. City of Los Angeles, Community Redevelopment Agency. Eleventh Annual Work Program. (Los Angeles: Community Redevelopment Agency, 1987). p. 11.

III. Declining Wages, Increasing Costs: The Plight of Downtown Janitors

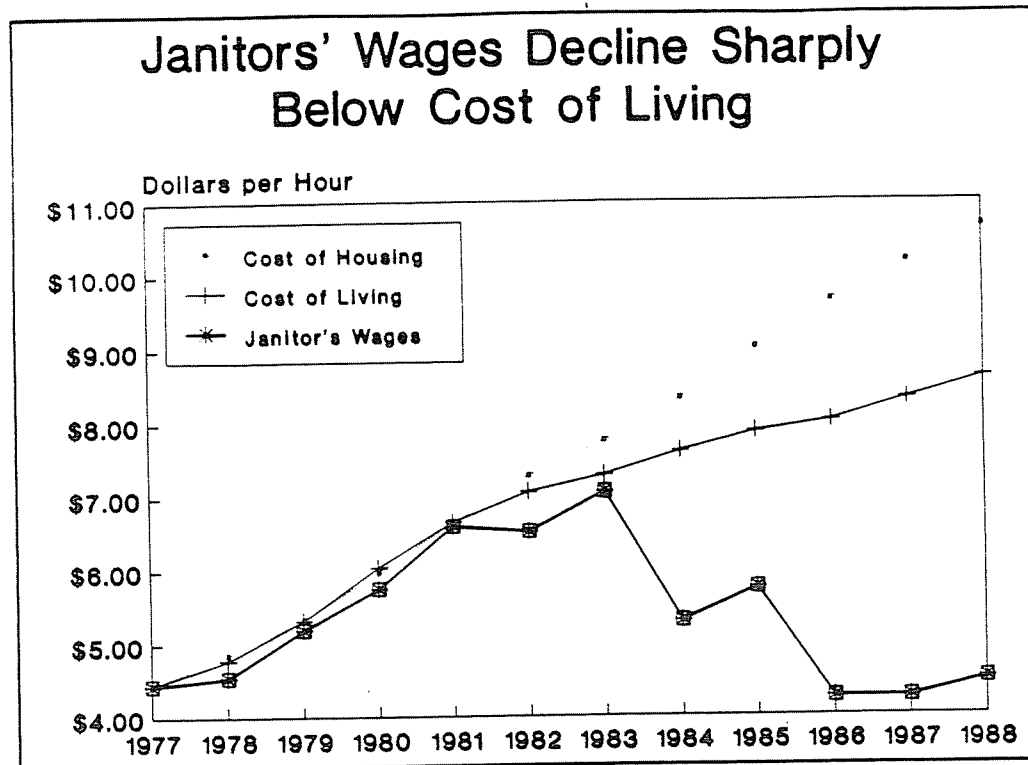
While building owners, managers, and tenants prosper, janitors who work in downtown office buildings have been faring less well. In the late 1970s and early 1980s, most janitors were covered by union contracts providing decent wages, and a comprehensive benefit package, including medical, dental, prescription, and life insurance. But by the mid-eighties, the majority of workers were no longer covered by a union contract, and even unionized janitors were forced to accept severe wage and benefit cuts.

The Bureau of Labor Statistics's Area Wage Survey data for Los Angeles County show a precipitous decline in janitors' wages, especially when compared to the cost of living. In Graph 3, the bottom line shows the janitors' median wages⁸ in current dollars. Since 1983, median hourly wages have dropped in current dollars from \$7.07 to \$4.50.⁹ At the same time, the cost of living, or the inflation rate (represented by the middle line), has increased steadily. In other words, until 1981 increases in janitors' wages followed inflation, but since then the gap between wages and the cost of living has widened steadily.

Furthermore, since 1983 housing costs have risen considerably faster than the cost of living (see the top line of Graph 3). Since poor households spend

8. By definition, half of all janitors earn more than the median wage, and half earn less.

9. By 1987, many janitors were only earning the minimum wage of \$3.35 an hour. When the California minimum wage was increased to \$4.25 on July 1, 1989, many janitors got a raise. The slight rise in median wages in 1988 is most likely entirely the result of the increase in the minimum wage.



Graph 3. Source: BLS Area Wage Survey, Los Angeles-Long Beach SMSA, 1977-1988.

a disproportionate amount of their income on shelter, the greater rise in shelter costs means that the working poor may have an even lower disposable income. One indicator of the increasing burden of housing costs is the number of poor people and near poor people who spend a large fraction of their income on rent. In 1970, just over half of the poor in Los Angeles spent more than half of their income in rent; by 1985, nearly *three-quarters* of the poor spent *over half* their income in rent. Those just above the poverty line have seen their rents go up at an even faster rate – from around 10 percent in 1970 to 38 percent in 1985. By way of comparison, Federal Government and mortgage guidelines define spending more than 30 percent of income on rent as excessive. In 1985, 93 percent of poor households in Los Angeles spent more than 30 percent of

their income on rent.¹⁰

Skyrocketing rental rates, which are indicative of the extent of the housing crisis in Los Angeles, severely impact low-wage workers such as janitors. Between 1980 and 1985 there was a drastic decline in apartments renting for less than \$400.¹¹ The biggest decline was in the units most affordable to janitors, those renting for between \$200 and \$300 per month. The number of these apartment units declined by *more than half*.¹²

A recent series of surveys by the Los Angeles Herald Examiner found that poor people in Los Angeles pay more for housing and several other necessities than their more affluent neighbors. The study found that:

- Shoppers in the poorest sections of Los Angeles County pay as much as 70 percent more for groceries than customers in middle-income and rich areas.
- Square foot costs are more than twice as high for roach-infested slum apartments as they are for apartments in upscale neighborhoods in West LA.
- People in low-income neighborhoods pay 54 percent more for auto insurance than drivers in middle-income areas.
- Poor people without bank accounts pay a premium to cash their checks – as much as 10 percent at the check cashing outlets that pervade their neighborhoods.¹³

Outrageous as it may seem, these data clearly reveal that low-wage workers such as janitors must pay more of their meager resources on necessities than better-paid workers.

10. Research Group on the Los Angeles Economy, The Widening Divide. (Los Angeles: UCLA, 1989). pp. 169-170.

11. In constant 1985 dollars.

12. The Widening Divide, Table 8-A.2, p. 183.

13. Los Angeles Herald Examiner, June 21, 1989, p. A8.

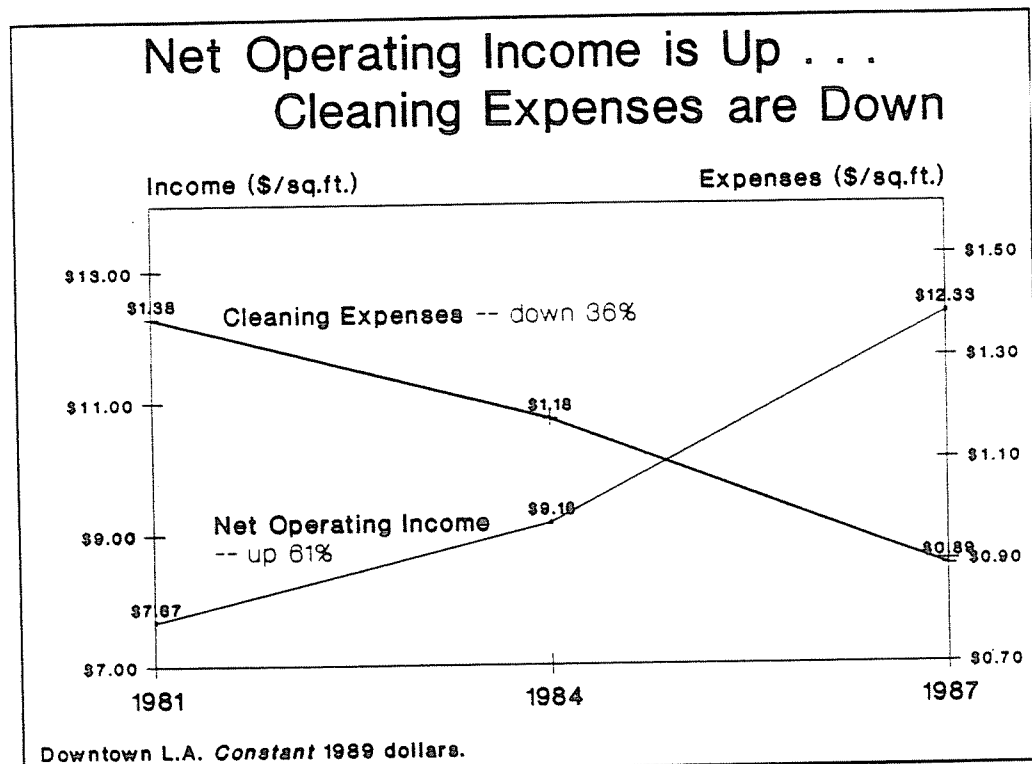
An example of the janitors' plight reveals the human suffering only suggested in the statistics. Maria Garcia (not her real name) is an immigrant from El Salvador who, like most janitors, cleans 36,000 square feet of office space every night – the equivalent of 15 single-family homes. She dusts desks and fixtures, empties trash, and vacuums in the Wells Fargo building and sometimes cleans up after an office party. If one of her co-workers calls in sick, she and the other janitors in the building are forced to pick up the additional work. Garcia earns \$4.25 an hour, and receives no health insurance or any other benefits. Working full time, she earns \$170 a week, or \$8,840 a year, which is below the poverty line for a family of three. On this income she supports four children, the eldest of which is 14 and the youngest just 8 months.



Many janitors working full-time earn wages that do not bring them above the poverty line.

IV. The Bottom Line

The previous two sections have shown that despite the increase in profitability in downtown real estate, prosperity has not trickled down to janitors working in high-rise office buildings. On the contrary, janitors' wages have declined sharply, even as the cost of living and net operating revenues continue



Graph 4. Source: BOMA Experience and Exchange Report, 1982, 1985, 1988.

to rise (see Graph 4). Net operating income rose by 61 percent in real terms between 1981 and 1987, whereas cleaning expenses declined by 36 percent in real terms during this same period. Since janitors' wages and benefits account for 70 percent of cleaning expenses, this decrease in cleaning expenses has largely been paid for by janitors. These changes represent a transfer of income from some of society's most disadvantaged to some of its most advantaged.

Median rental income per square foot has increased steadily over this period, from \$15 to \$21 in real terms – an increase of nearly 40 percent (see Table 1). At the same time, total operating expenses are down by 6 percent in real terms. As a result, cleaning expenses – and therefore janitors wages – have decreased as a percentage of both expenses and of rent. Janitors' wages have decreased from 13 percent of total expenses (fixed and operating) in 1981 to only 7 percent in 1987. As a percentage of rent, wages have decreased from 6 percent to 3 percent.

Table 1. Rents and Operating Expenses, Downtown Los Angeles Office Buildings, Private Sector

Assume: Janitors' wages = 70% of cleaning expenses.

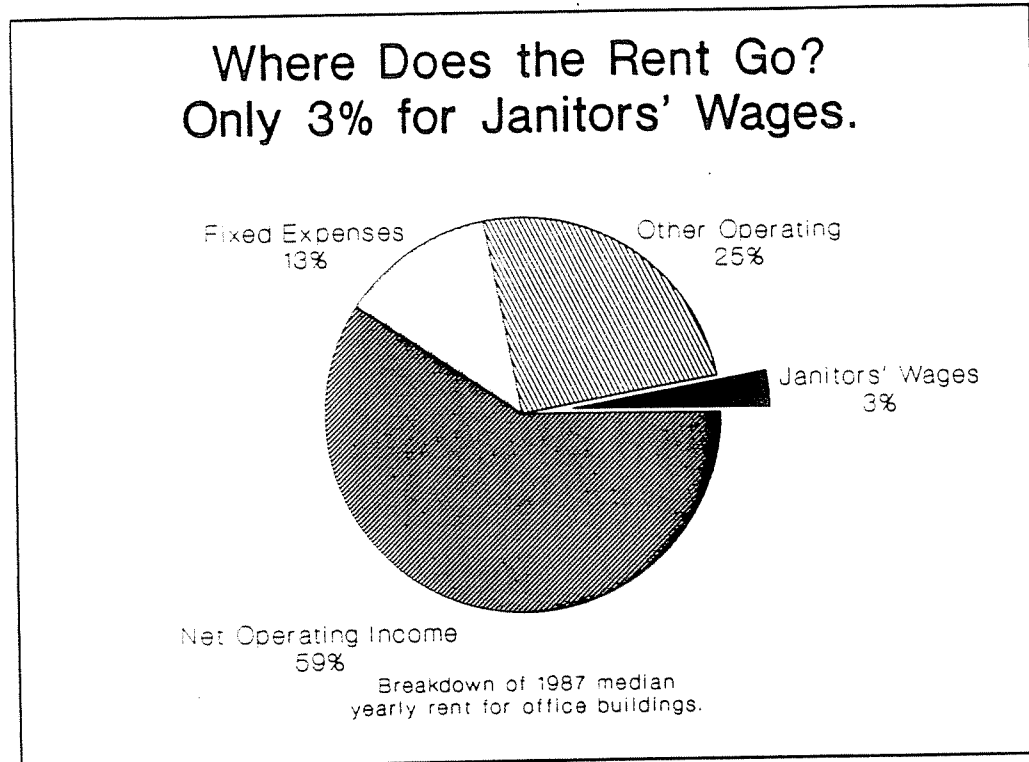
Current Dollars.		Total Rent	Cleaning Expenses	Total Operating Expenses	Operating & Fixed Expenses	Net Operating Income	Wage Share of Expenses	Wage Share of Rent
1981	\$11.01	\$1.01	\$4.55	\$5.38	\$5.63	13.1%	6.4%	
1984	\$13.56	\$0.99	\$4.66	\$5.87	\$7.69	11.8%	5.1%	
1987	\$19.06	\$0.82	\$5.33	\$7.75	\$11.31	7.4%	3.0%	

Constant 1989 Dollars. CPI		Total Rent	Cleaning Expenses	Total Operating Expenses	Operating & Fixed Expenses	Net Operating Income	Wage Share of Expenses	Wage Share of Rent
1981	90.9	\$14.99	\$1.38	\$6.20	\$7.33	\$7.67	13.1%	6.4%
1984	103.9	\$16.16	\$1.18	\$5.55	\$6.99	\$9.16	11.8%	5.1%
1987	113.6	\$20.77	\$0.89	\$5.81	\$8.45	\$12.33	7.4%	3.0%
1989	123.8							
Percent Change==>		36.2%	38.5%	-35.0%	-6.3%	15.3%	60.7%	-43.6%

SOURCE: BOMA Experience and Exchange Report, 1982, 1985, 1988. Median survey results for all Downtown L.A. private sector office buildings. BLS, CPI Detailed Report, Jan. 1985-1988. 1989 figure is for May, as reported in Los Angeles Times, 7/17/89.

Graph 5 shows the division of rental income. Nearly 60 percent, a larger share than in 1981, goes to net operating income (an indicator of profits). Only 3 percent goes to janitors' wages. In other words, *janitors receive only 3 cents for*

each dollar of rental income per square foot. For the median rent of \$20 per square foot, janitors therefore receive only 60 cents per square foot per year, or 5 cents per square foot per month.



Graph 5. Source: BOMA Experience and Exchange Report, 1988.

Compared to other cities, Los Angeles building owners are paying rock bottom prices for janitorial services. In 1986, cleaning expenses were 4.7 percent of rent, ranking among the lowest (21st) of America's 25 largest cities. In terms of net operating income, however, L.A. was near the top, second only to San Francisco.¹⁴ One can only conclude that real estate investors in Los Angeles are taking advantage of an abundance of cheap labor by cutting wages to reap windfall profits. Even in Los Angeles, not all janitors are so exploited. Janitors

14. BOMA Experience and Exchange Report, 1987.

working in government buildings are paid considerably more than their private-sector counterparts. More important, their wages (as indicated by cleaning expenses) have kept up with the cost of living since 1981 (see Table 2).

Table 2. Rents and Operating Expenses, Downtown Los Angeles Office Buildings, **Public Sector**

Assume: Janitors' wages = 70% of cleaning expenses.

Current Dollars.		Cleaning Expenses	Total Operating Expenses	Operating & Fixed Expenses	Cleaning Share of Expenses	Wage Share of Expenses
1981		\$1.51	\$4.00		NA	NA
1984		\$1.45	\$4.95	\$5.19	27.9%	19.6%
1987		\$1.91	\$5.54	\$5.54	34.5%	24.1%

Constant 1989 Dollars.		Cleaning Expenses	Total Operating Expenses	Operating & Fixed Expenses	Cleaning Share of Expenses	Wage Share of Expenses
1981	90.9	\$2.06	\$5.45		NA	NA
1984	103.9	\$1.73	\$5.90	\$6.18	27.9%	19.6%
1987	113.6	\$2.08	\$6.04	\$6.04	34.5%	24.1%
1989	123.8					

Percent Change==>		1.2%	10.8%	NA	NA	NA
	36.2%					

SOURCE: BOMA Experience and Exchange Report, 1982, 1985, 1988. Median survey results for all Downtown L.A. public sector office buildings. BLS CPI Detailed Report, Jan. 1985-1988. Figure for 1989 is for May, as reported in Los Angeles Times, 7/17/89.

Paradoxically, paying minimally decent wages would not be that expensive. The current industry contract in downtown calls for a primary wage of \$5.00 an hour, and health insurance beginning in April, 1991. Currently, cleaning contractors that pay the minimum wage are paying approximately \$0.33 per year per square foot in janitors' wages (assuming janitors on average clean 36,000 square feet in an eight-hour shift). By raising wages to union standards (\$5.00 per hour), the costs will increase to approximately \$0.41 per square foot per

year.¹⁵ In other words, paying union wages will only mean 8 cents more per square foot per year, or less than one cent more per square foot per month.

Beyond the issue of fair wages, there are other significant benefits to building managers who contract for unionized workers. Janitors who are paid decently and who receive benefits feel they have a stake in their job. Turnover is therefore lower, and workers are more productive. High turnover rates, an array of analysts recognize, have led dissatisfied property managers to perpetually switch their cleaning contracts as they have searched in vain for dependable service. As R. Daniel Harris, Jr., publisher of Cleaning Management, cogently argues, high quality building cleaning is a complex operation. He observes that high quality cleaning is dependent on contractors taking ample time to familiarize themselves with clients and their buildings.¹⁶ Moreover, as Ralph Fine of Triangle Maintenance argues, good janitors need careful training. This training, however, can only fruitfully be developed with job experience. Yet as managers struggle to cut labor costs, encouraging janitors to quit their low-paying jobs, few janitors get either the training or the experience upon which quality service is based.¹⁷

Data from union and non-union contract cleaning companies in Los Angeles back up the assertion that union buildings have workers who on average have

15. And since prices will have increased 5 to 10 percent between now and 1991, the actual increase in costs is even less.

16. R. Daniel Harris, Jr. "How Many People Does it Take to Clean a Building . . . Effectively." Cleaning Management Magazine, 26(3), March 1989, p. 4.

17. "Where Are We Going?" Building Service Contractor, 26(3), p. 22.

been on their jobs longer than non-union workers. In many non-union buildings, periodic turnover in the entire staff is not unusual as building managers search for newer and cheaper janitorial companies. In union buildings, however, it is common to find workers who have been in the same building for ten or fifteen years.

In short, taking the strategy of using a unionized workforce can enhance productivity, and therefore increase profits. One recent evaluation of the costs and benefit of unionization concluded:

The view of unions as a major deterrent to productivity is erroneous. In many sectors, unionized establishments are more productive than nonunion establishments, while in only a few are they less productive. The higher productivity is due in part to the lower rate of turnover under unionism, improved managerial performance in response to the union challenge, and generally cooperative labor-management relations
...¹⁸

Industry analysts note that higher labor costs can be offset both by advances in cleaning equipment and processes and by more effective management. For example, Patrick Cassese sees "the need to create a full-time workforce" which "will require a raise in wages and the provision of fringe benefits." But, he adds, "a full-time workforce will actually reduce costs by lowering turnover, increasing productivity, and employing less people."¹⁹

Health benefits also aid in increasing worker productivity. The United States, writes one commentator, is "at risk of further hampering American productivity and competitiveness as the work force includes more and more

18. Richard B. Freeman and James L. Medoff. What Do Unions Do? (New York: Basic Books, 1984). pp. 21-22.

19. "Where Are We Going?" Building Service Contractor, 26(3), p. 22.

uninsured workers. Such employees are more likely to miss work, to lose jobs, to spend time at home with sick family members, and to spread what ails them to fellow employees."²⁰ The study of the costs and benefits of unionization also showed the link between unions and social benefits:

In addition to raising wages, unions alter the entire package of compensation, substantially increasing the proportion of compensation allocated to fringe benefits, particularly to deferred benefits such as pensions and life, accident, and health insurance, which are favored by older workers. These changes are, on balance, to be viewed as a social plus.²¹

Furthermore, tenants prefer janitors who have been working in the same building for many years; they know their janitors and have a much lower theft and security risk. Unions also provide a mechanism for keeping problems away from managers. Problems can be solved quickly through standard grievance procedures, rather than a barrage of complaints, or involving governmental regulatory agencies.

In sum, there are concrete benefits which accrue to building managers and owners as a result of using a unionized janitorial staff, both in terms of productivity and profitability.

20. Emily Friedman, "The Torturer's Horse." Journal of the American Medical Association, 261(10), March 10, 1989, p. 1482.

21. Freeman and Medoff, p. 20.

V. Good Corporate Citizenship

The previous section established that paying decent wages and benefits will not result in excessive costs and will in fact benefit building managers in the form of increased productivity and stability. However, there are broader social reasons for paying living wages to janitors. One of the most compelling reasons for reversing the decline in benefits is the health care crisis that Los Angeles is currently facing. At present, one in four people in Los Angeles do not have health insurance.²² The increase in people not covered by medical insurance is strongly correlated with the rise in service sector jobs such as janitorial work, and the attack on unions and the benefits they provide. For example, in Los Angeles County, only half of all workers in business service industries, which include building maintenance services, receive health insurance. The percentage for the contract cleaning industry by itself is undoubtedly much lower. By contrast, other occupations in downtown Los Angeles commercial buildings, such as operating engineer services and parking services, are almost entirely unionized. Workers in those industries therefore receive health insurance and other basic benefits.

One of the results of this decline in health insurance coverage is a dramatic rise in the cost of uncompensated care paid by California hospitals. In the 1985-1986 fiscal year, hospitals in the state paid \$975 million for uncompensated

22. E. Richard Brown, et. al. "Californians without Health Insurance: a Report to the California Legislature." Berkeley: California Policy Seminar, University of California, Berkeley, 1987.

care, a rise of nearly 50 percent over the 1981-82 cost – after taking into account inflation.²³ The rise in the cost of uncompensated care is a major factor in the impending collapse of the emergency health care system in Los Angeles. Already, several trauma centers have closed their doors permanently. Importantly, this trauma network serves not just the poor but everyone – and in large measure, automobile accident victims. Fewer trauma centers means longer ambulance delivery times. Anyone who drives on the freeways is endangered by the shrinkage of the emergency care system.

Since the late 1960s, downtown development has been the outgrowth of cooperation between the public sector and private investors and corporations to rejuvenate the central city. A central purpose was to establish downtown L.A. as a regional center of for economic growth and employment opportunities. The resulting development has indeed provided jobs, but in the janitorial industry, these jobs offer poverty-level wages and no benefits.

The poverty crisis in Los Angeles has sparked strong concern from public officials. Mayor Tom Bradley has recently pledged to make reducing poverty and income polarization a major priority of city policy. The Los Angeles Times reported that "Bradley set out for himself an ambitious agenda highlighted by a pledge to end a growing disparity in the city between rich and poor. Los Angeles cannot permanently exist as two cities – one amazingly prosperous, the

23. E. Richard Brown, "California's Uninsured Population: The Problem and Alternative Public Policy Strategies." Los Angeles: UCLA School of Public Health. May 25, 1989.

other increasingly poorer in substance and in hope."²⁴

One of the goals of CRA projects is to generate employment at fair wages. On May 31, 1989, the CRA unanimously passed a resolution requiring that buildings which it occupies utilize janitors earning at least the wages and benefits which are prevailing for this area. In addition, the CRA pledged to investigate how it could require buildings which it subsidizes to follow the same policy.

The first step towards alleviating the problem of poverty is to make sure that those who work year-round, full-time do not still end up in poverty. The California Industrial Welfare Commission made an important step in this direction a year and a half ago by raising the California minimum wage. If the Los Angeles community is serious about its commitment to helping the poor, it will insure that its janitors are not exploited. Real estate investors and corporations who have reaped the benefits of public investment in revitalizing the downtown core must not now turn their backs on some of the most disadvantaged downtown workers.

For building owners and managers in Los Angeles, the strategy of cutting janitors' wages and benefits may produce short-term profits, but may not make sense in the long run. Do building owners and managers want to increase the ranks of the working poor, thereby exacerbating the health care crisis and contributing to the growing inequality of income in Los Angeles? The image of Los Angeles, although replete with glittering postmodern skyscrapers and

24. Bill Boyarsky, "Bradley Vows Help for Poor in His Fifth Term." Los Angeles Times, July 1, 1989, p. 20.

Hollywood celebrities, is becoming increasingly tainted by perceptions of gang violence, impoverished communities, and thousands of immigrant workers trapped in low-wage jobs. Already some analysts are talking about the "Third-worldization" of Los Angeles, in which this city appears to be headed in the direction of São Paulo or Mexico City: a core of prosperity surrounded by dire poverty.

Downtown building owners and managers stand at the crossroads today. They can either contribute to the mounting crisis of low-wage work and accept the consequences of growing social unrest and citizen discontent, or they can join their voices and actions with those who are actively working to end poverty in Los Angeles. In taking the latter road, by making a commitment to justice for janitors, they will be making a commitment to building a Los Angeles that truly works for everyone.

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