

Welcoming Labor to Hospitality

By - 8/3/2009

Los Angeles Business Journal Staff

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Los Angeles is one of the world's most popular tourist destinations. Last year alone, Los Angeles welcomed 25.5 million overnight visitors, almost 5 million of them from other countries. They come here to attend conventions, explore Universal City, the Hollywood Walk of Fame and other attractions, and visit their children attending area colleges and universities. They stay in hotels, eat in restaurants, take taxis, and buy souvenirs and clothing in local stores. In 2007 (the most recent figures), conventiongoers alone spent \$143 million in the local economy.

A new report by the Los Angeles County Economic Development Corp. documents that tourism and hospitality now ranks as the region's largest employment sector. More than 450,000 people work in that industry, about 40,000 in hotels, and the rest in restaurants, convention centers, amusement parks and elsewhere. This compares with 288,000 jobs in professional and business services, and 281,000 jobs in international trade.

Size matters. But that sector's impact on the region's economy depends not only on how much tourists spend, or how many people are employed, but also on how much tourism employees earn.

Some have argued that because tourism is a "low-wage" and "low-skill" industry, it doesn't have the significant ripple effects for boosting the regional economy. They are partly right, but partly wrong.

Because tourism is "sticky" – tied to the region – its jobs can't be exported overseas or to other cities. But this major advantage is undermined by the wide disparities in income and benefits among industry employees.

For example, Aurora Due is a housekeeper at the Long Beach Hyatt Regency hotel. She earns \$10.64 an hour and pays \$126 a month for health insurance just for herself. Her husband, who works at the same hotel, pays an additional \$169 a month for his health insurance. Together, they pay \$3,540 a year for health insurance – a significant portion of their household income. That leaves little left over for rent, food and other necessities.

Rhena Gonzalez has the same job at the Hyatt Regency Century Plaza, managed by the same chain. She earns \$13.72 an hour and gets free health insurance for the whole family. She and her co-workers get two weeks of annual paid vacation after two years and three weeks vacation after seven years.

Due and Gonzalez have similar educational backgrounds and the same skills, so what accounts for the significant difference in pay and benefits?

Gonzalez's job is covered by a union contract between Unite Here Local 11 and her employer, while Due's job is not. They represent two faces of Los Angeles County's largest employment sector.

The same national hotel chains that pay low wages in some hotels pay living wages in others. This is not because the better-paid workers have more skills or more generous hotel managers, but because they are union members.

Union membership in Los Angeles County's hotel sector grew from 29 percent to 40 percent in recent years. In contrast, in San Francisco and New York, about 75 percent of all hotel employees (and 90 percent within the upscale hotels) are covered by a union contract.

'Union density'

Not surprisingly, wages in those cities are higher, because greater "union density" lifts pay levels and benefits for the whole industry. In San Francisco, unionized room cleaners get \$18.09 an hour and fully paid family health care, including when they retire. In New York, unionized hotel workers earn about \$24 per hour with great family health benefits.

Hotel workers at four LAX-area hotels recently won a union contract, significantly boosting their pay and benefits. At the Radisson, employees will get a \$2.60-an-hour wage increase over three years, free family health insurance and safer working conditions. Their campaign garnered widespread support from religious, community and political leaders, which helped persuade the hotels to agree to a union contract without having to endure a costly and disruptive strike.

Unions help lift employees into the middle class. This was true among blue-collar factory workers during the post-World War II boom years, and among teachers and nurses in the past several decades. Now, as service sector employees join unions, they, too, are able to buy a home (or rent a nice apartment), take a vacation, send their children to college and save for retirement.

A recent Los Angeles Economic Roundtable report found that union jobs promote shared prosperity. The 800,000 union members in this county (roughly 15 percent of the workforce) earn an average of \$41,682 – 27 percent more than nonunion workers in the same occupation. The wages of L.A.'s union workers, most of it spent in the local economy, accounted for \$51 billion in total sales last year. This created 307,100 jobs. Contrary to conventional wisdom, unions are pro-business.

The current recession is partly the result of a decline in real wages – families that can't afford to pay for housing, gas, health care, food and other necessities – or what economists call the lack of “effective demand.” The most obvious antidote is to improve wages and benefits.

Tourism can help lift Los Angeles out of the recession, but only if its employees are well-paid. In other words, if Los Angeles had more union workers like Rhena Gonzalez, our families, and our region's economy, would be much better off.

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