

The Local/Global Context of the Los Angeles Hotel-Tourism Industry

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IN THE WAKE OF THE 1992 URBAN REBELLION AND SUBSEQUENT NATURAL DISASTERS, the Los Angeles Visitors and Convention Bureau unveiled a multimillion dollar ad campaign with a new public relations message, “Los Angeles — Together We’re the Best.” Throughout the L.A. area, billboards, flags, and advertisements all carry this latest version of civic boosterism. Unfortunately, this slogan masks the widening gap of social and economic inequality in L.A. between the haves and have-nots. There is a growing income disparity between the high-skilled, white-collar professionals, who work in high-rise office and entertainment complexes, and the low-wage, primarily Latino, immigrant workers that keep the service and sweatshop economy operating (Ong et al., 1989).

It is not coincidental that a widening gap of poverty in Los Angeles has occurred at the same time as the region became an international business center and a destination for leisure activities. The purpose of this article is to provide an analysis of one industry, the hotel-tourism industry, a fragile pillar in the construction of L.A.’s restructured economy. The tourism industry thrives on a manufactured image of the region that includes sunny beaches, Hollywood entertainment, and mega-amusement parks. However, the slick PR campaigns and the glamorized interpretations of social reality hide a dark underside of poverty and racism that will be explored below. The central questions addressed are: What forces fueled the growth and restructuring of the hotel-tourism industry, what were the local effects, and how have immigrant workers responded to the internationalization of the tourism industry?

A paradox in L.A.’s meteoric rise into a global center is that it also produced an equally alarming growth in poverty among low-wage workers. In the 1960s, a regional center of finance and other services was constructed by a growth coalition that included oil companies, banks, real estate developers, and the *Los Angeles Times* newspaper. This coalition was infused in the 1970s by a wave of Japanese and other foreign investment capital that transformed L.A. into a center of global capital (Davis, 1992). Besides the construction of office buildings, hotels and leisure entertainment were developed to attract international business and tourists.

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To staff the burgeoning tourism and service industry, large numbers of low-wage immigrant workers, predominantly from Mexico and Central America, have become the dominant work force replacing African Americans and ethnic whites. The new immigrant workers have not received the economic and social benefits commensurate with the labor they invested in L.A.'s transformation (Valle and Torres, 1994). For the City and County of Los Angeles, the growth of the tourist industry is an integral part of the region's transition from a heavy industrial and a defense economy into a light manufacturing, apparel, and service economy. Because federal and state funds have dried up, urban centers such as Los Angeles have been scrambling to adopt policies that will create public revenues. The development of the tourism industry is seen by local government officials as being able to generate needed public revenues through bed and sales taxes. The economic importance of the tourism industry cannot be ignored. Tourism in L.A. provides jobs and entertainment for the more than 22 million visitors each year (*Los Angeles Times*, 1995a).

In this article, I will put forward three propositions. First, the tourism industry played a prominent role in L.A.'s restructuring into an international tourist destination and business center. Second, local government officials actively supported the growth of hotels and tourism into an international industry. Third, as the L.A. tourism industry became internationalized and corporate decision-making moved overseas, problems of accountability to the local workers were exacerbated. Access by workers and other local community elements to the source of corporate power became more limited. In response to the internationalization of the tourism industry, the Hotel Employees and Restaurant Employees (HERE), Local 11, in L.A., has used what Johnston (1994) calls social movement unionism¹ to build campaigns that include locally based groups and public officials to pressure transnational corporations for justice for hotel-tourism workers.

Evidence to substantiate these propositions comes from a variety of sources, including interviews with HERE union leaders and staff members, community activists, and public officials that were conducted over the past several years. In addition, research was conducted on the decisions of the Los Angeles Community Redevelopment Agency (CRA), the Los Angeles City Council, and the L.A. real estate and tourism industries. To facilitate a thorough analysis of international growth and local effects in the hotel-tourism industry, this article will be organized into four sections: an analysis of the commodification of L.A. as a tourist attraction, the development of the hotel-tourism industry, including the role of immigrant labor, the role of local government in the construction of the tourism industry, and a case study of HERE Local 11's efforts.

I. The Commodification of Los Angeles Tourism

Travel and tourism industries employ over 200 million workers worldwide. One in every nine workers worldwide is employed in the tourism industry (*Westin*

Bulletin, Spring 1994). The hotel-tourism industry provides a complex web of products and services for travel, including leisure/vacations, travelers for business, and convention travel. During the 1980s, in the U.S., pleasure travel accounted for 40% of the travelers and business increased to 17% of the total travel volume (Law, 1993).

Under the laws of supply and demand, the need or desire for a product is what attracts the visitor (consumer) to a place; in this case, it is the urban landscape and events available for use by locals and visitors. Places are marketed as part of the new culture of consumption, thus creating fierce competition for business. Both domestic and international tourists travel to L.A. to visit an “image” of sun and fun promoted by the tourism and entertainment industry. Urry (1990) describes the attraction of a place where a tourist can “gaze” or observe particular objects that are not normally seen in their typical daily experience.

The mythology of Southern California as a tourist destination began in the 1880s and expanded in the 1920s and 1930s as the Hollywood entertainment industry promoted Los Angeles as a glamorous “island on the land” (McWilliams, 1973). The construction of Disneyland in 1955 marked the beginning of postwar mass consumption and the commodification of Southern California (Warren, 1995). As Zukin (1991) notes, the traditional amusement park was transformed into a “landscape of social power,” whereby several different landscapes, some imaginatively recreated, and others purely imaginary, were conceived in a controlled environment. The Hollywood entertainment industry, based in L.A., contributes to this manufactured image of L.A. Sanitized images of L.A. are created through television shows such as “Beverly Hills 90210,” “Melrose Place,” and “Baywatch,” as well as harder-edged cop shows like “LAPD.” Recent films such as *L.A. Story*, *Boyz N the Hood*, and *Grand Canyon* depict L.A. as an urban area composed of a fragmented landscape divided into multiple identities (Benton, 1995). Place-specific films and television shows create fantasy by promoting images of particular locations. The entertainment industry is able to capitalize off positive and negative images to profit financially by using L.A. as a place to be marketed and sold as a commodity.

Los Angeles is marketed as a place for consumers to enjoy, but only in preselected places. Other parts of L.A. are never visited by tourists. The communities where the tourism industry workers live and raise their families are not on the tourists’ map. These are the areas that went up in smoke during the 1992 urban rebellion. There is a duality to L.A., one of leisure and business, and another as a location of fear and avoidance. Although both images can be used by the entertainment industry to profit from L.A. as a place commodity, for the tourism industry though, only positive images of L.A. are promoted. Major social problems and negative images can quickly threaten the viability of tourism as a profitable industry. In the aftermath of the 1992 riots in Los Angeles, tourism plummeted (*Los Angeles Times*, December 14, 1993). Paradoxically, two of

L.A.'s fastest growing industries are seemingly in conflict when it comes to how to promote L.A. as a place commodity. The development of a tourism industry has been constructed by a combination of local real estate interests, global capital, and local political actors. The next section will analyze the convergence of local and global capital to construct the hotel and tourism industries.

II. Capital Investment in the Hotel-Tourism Industry

There are several factors that combined to create L.A.'s restructured economy, including the closure of large segments of the durable goods manufacturing industry (all auto, steel, and rubber plants were closed), defense industry cutbacks following the end of the Cold War, and corporate downsizing that reduced the work force in numerous service and retail industries. These globally based processes have meant that L.A. has had to become increasingly dependent on other industries to generate jobs and revenues. Beyond the growth of the financial and real estate sectors (Beauregard, 1991), hotels, entertainment, and tourism have also become key pillars of the L.A. economy. In particular, the steady flow of visitors into L.A. has become vital for the local economy. In 1994, 22.2 million tourists spent \$9.5 billion, which translates into a total economic impact of \$22 billion in revenue generated by the tourism industry in L.A. County (*Los Angeles Times*, 1995a). The tourism industry is a large job generator, including 50,000 hotel workers, 227,000 in restaurants and bars, plus an additional 50,000 workers at amusement parks, recreation, and race tracks (many of these workers cater directly to tourists). This is a grand total of 337,000 employees in the L.A. hotel and tourism industry. In the entire tourism industry, fewer than 10% are unionized workers. Most of the unionized workers are employed at hotels, amusement parks, sporting venues, and race tracks, while most restaurant and bars are nonunion.

The global restructuring of the hotel and tourism industry in Los Angeles is most apparent in the growing internationalization of capital and labor. The investment of international capital has come in two waves. The first wave began during the 1970s when Japanese capital, in conjunction with Canadian, European, and U.S. capital, fueled the growth of the built environment in downtown L.A. and other subregional centers. The first stage represented the growth period, when the local growth coalition focused on construction of the corporate downtown headquarters. The second stage began in the 1980s as other international players began to invest in the L.A. real estate market. This created a high demand for real estate that resulted in the inflation of market values. Labor migration to L.A., since 1965, also came in waves as immigrants from Asia, Mexico, and Central America fueled the growth of the service and light manufacturing industries.

The foundation for rapid growth in downtown L.A. began in the 1950s. L.A. corporate, media, and political leaders recognized the need to utilize federal funds to rebuild the central city area into a major corporate headquarters. Davis (1992) discussed how L.A. city government embarked on a major urban renewal project

that covered most of downtown L.A. Needing additional sources of capital investment, the local growth machine established a local redevelopment agency that obtained federal funds (Fulton, 1991). In addition, foreign sources of capital were sought to supplement domestic capital resources. The combination of domestic and foreign investment capital enabled L.A. to make the transition into an international global financial center and corporate headquarters.

Circuits of Capital Investment

Global capital investment is critical for the development of cities. Capital contains several circuits, or levels, of investment. The first (primary) circuit is the investment of money and credit capital into raw materials, equipment, labor, and transportation. The secondary circuit of capital contains the flow of capital into land and real estate, including the “built environment” of office buildings, shopping centers, and factories (Feagin and Parker, 1990).

In the early 1970s, the international economic crisis of profits in the primary circuit of manufacturing capital prompted a dramatic increase in the secondary circuit of capital within the built environment, as many investors sought alternate locations for investment. Capital investment has come from two sources: the surplus profits gained in the primary circuit such as the flood of Japanese and OPEC oil money in the 1970s (Harvey, 1985) and from local economic actors seeking to profit from real estate investment (Feagin, 1988; Gottdeiner, 1985). This second group includes commercial real estate brokers and investors. The flow of investment capital into the real estate market fueled the growth of L.A.’s downtown and subregional centers. Speculative investment by developers involves a complex process whereby local and international construction companies, architectural firms, and city government officials utilize financial capital to develop offices, hotels, and retail malls (Feagin and Parker, 1990: 77). The sources of venture capital generally are financial capital in the U.S. and foreign banking institutions.

Japanese Capital Investment in Los Angeles

Since the 1970s, global investments in the secondary circuit of real estate have rapidly expanded. This study focuses on Asian capital investment in the L.A. tourism industry. Japanese capital investment played a crucial role in L.A.’s economic growth. In the late 1960s and 1970s, Japanese venture capital invested the surplus profits gained in post-World War II Asia and the U.S. in overseas real estate properties (*Ibid.*: 87). Japanese corporate interests, looking for a way to enter the U.S. real estate market, obtained prime urban sites in San Francisco, Los Angeles, and other cities. Overall, Gerlowski, Fung, and Ford (1994) found that Japanese real estate investment in the U.S. was overwhelmingly based in California. The first Japanese involvement in the real estate market took place in the traditional Japanese enclaves known as “Little Tokyo” in L.A. and “Nihonmachi”

in San Francisco. These investments were considered relatively safe risks (Aoyama, 1990). However, to obtain the properties they needed in Los Angeles and San Francisco, Japanese capital forced community residents to leave their traditional communities. Local community residents were replaced by hotels, office buildings, and shopping centers for Japanese tourists and businessmen (LTPRO, 1977). In L.A., low-income residents and small businesspeople, after years of mass community protests, were forced to relocate out of Little Tokyo. For many residents of Japanese descent, this was the second forced evacuation from their community, as many residents were forced into Japanese relocation centers during World War II (LTPRO, 1977).

The Kajima Corporation, a billion dollar construction company with close ties with the Sumitomo Group in Japan, was the first major Japanese developer in L.A. Kajima first developed an entire block in L.A.'s Little Tokyo in the early 1970s. Kajima acquired extensive financial resources through connections with Japan's largest banks. Kajima outbid other local developers to build the New Otani Hotel. The Kajima Corporation was able to purchase land valued at \$1.5 million (Dun and Bradstreet Appraisal, 1972) for a little over one million dollars from the Los Angeles redevelopment agency.

After beginning in Little Tokyo, Japanese capital began to expand their investments. Japanese investors figured prominently in the building of the Bonaventure Hotel. The Mitsubishi Corporation, Japan's largest real estate company, helped finance the construction of this hotel. The Bonaventure Hotel was designed to anchor the redevelopment of downtown L.A. and signaled to other Japanese investors that the downtown area was an important place to construct and purchase existing office buildings.

The construction of the Bonaventure and the New Otani hotels in the 1970s marked the entrance of Japanese capital into the L.A. hotel market. By 1995, Japanese ownership was 40% of the L.A. luxury hotel market, nearly double the percentage under U.S. ownership.² In one widely publicized purchase in 1989, the Bel Air Hotel, an exclusive hotel in L.A.'s exclusive westside area, was purchased by the Sazale Group of Japan. The property sold for \$110 million or \$1.2 million per room (*Los Angeles Times*, April 8, 1994). Investment by Japanese capital also extended into the real estate sector; for example, the Shuwa Investment Company purchased the Arco Plaza in downtown L.A. for \$620 million in 1986. This large an investment by direct foreign investors was unprecedented in L.A. and demonstrated the rapid growth of international capital at the local level (Aoyama, 1990). By 1990, Japanese owned 27% of downtown L.A.'s real estate market (see Table 1 at the end of the article).

New Stage in Hotel-Tourism Development

In the late 1980s, as part of the global restructuring in the hotel-tourism industry, new investors entered the L.A. real estate market from the developing

nations in the Pacific Rim. This second stage involved a relatively limited amount of new construction; instead, existing properties have been purchased and then resold to new investors. In the 1980s, Japanese investment began to diversify, particularly into the entertainment field and in other real estate investments. For example, the Sony corporation purchased Columbia Pictures and the Matsushita conglomerate purchased MCA, which included Universal Studios, a major L.A. tourist venue. Korean and Taiwanese capital interests also invested overseas and the U.S. was one of the major investment destinations. Since 1989, three hotels in L.A., including the Westin Bonaventure, were sold to Taiwanese corporations. Korean capital interests recently purchased two hotels. The L.A. Omni (formerly known as the L.A. Hilton) in downtown L.A. was purchased in 1989. In 1991, an L.A. Hyatt Hotel was sold to wealthy Korean investors.

What stands out about L.A. is the rapid diversification of different sources of growth in foreign investment. Of the 24 major L.A.-area luxury hotels (excluding Santa Monica and Los Angeles Airport that are part of another HERE local's jurisdiction), 75% are owned by non-U.S. investors. (See Table 2 at the end of the article.) In addition to Korean, Taiwanese, and Hong Kong investment, the Sultan of Brunei, who is worth an estimated \$30 billion, owns the opulent Beverly Hills Hotel.

Investment in hotels is highly speculative. Real estate values rise and fall rapidly due to a number of economic factors. In addition to long-term players in the tourism industry, there are investors who seek to make a quick return on their investment through the buying and selling of property. This creates rapid swings in property values with boom-and-bust cycles becoming a common occurrence (Gottdeiner, 1994). The dizzying pace of property transference is exemplified by the following two examples. The Bonaventure Hotel was built in 1977 for \$110 million. In 1989, it was offered for \$290 million to potential Japanese investors during the last Japanese buying binge of U.S. real estate. In 1994, the original owner went into bankruptcy due to a collapse in the domestic commercial real estate market during the 1990–1992 recession. The hotel recently sold for \$50 million to a Taiwan-based company (interview with HERE researcher). The Bel Air Hotel was sold in 1995 for a reported \$50 million, less than one-half of what it was sold for in the late 1980s.

The boom-and-bust cycle of real estate speculation in L.A.'s hotel industry cannot be explained solely by the local context of the real estate market. Most investment decisions regarding a particular property take place at the global level by international speculators. Investment decisions may be influenced by a variety of factors. Aoyama (1990) examined the reasons for Japanese investment in the L.A. real estate market and found that the limited availability of real estate property in Japan creates steep land prices and is very rarely sold. Investment in real estate overseas is motivated by differences in return on investment; for example, in Japan the return on equity investment is between two percent and four

percent. In the U.S. during the 1980s, however, return on equity was between five percent and eight percent on real estate properties (*Ibid.*). Japanese capital left the country due to the lack of investment opportunities and was pulled toward the higher yields of L.A. properties. An additional pull factor from L.A. is that there is a strong presence of Japanese manufacturing and banking sectors that are based in Southern California (*Ibid.*).

At the local level, commercial real estate interests play an important intermediary role. They assist global capital in the complicated process of buying and selling hotels as well as other properties. Their clients are primarily international investors. Ownership in the L.A. hotel industry is primarily based overseas. The hotel management companies, on the other hand, have historically been based in the U.S. This group includes well-known corporations such as Hilton, Westin, and Marriott. This pattern of ownership and management is changing rapidly. There is a blurring of any clear pattern in the globalized hotel industry. It is common to find a U.S.-based management company operating a hotel for a partnership of foreign investors that is financed by a Japanese lending institution. Determining ownership and accountability has become increasingly difficult. Many companies use offshore dummy corporations located in corporate tax-free places like the Grand Cayman Islands to conceal investments and profits (interviews with HERE Researchers). Management, financing, and ownership are integral components of the increasingly diffuse global hotel and tourism industries. Generally, foreign owners tend to stand aloof from the local area and their involvement with the daily operations of their U.S. investments is minimal. How has the growth of foreign ownership affected the lives of tourism workers? The next section will briefly describe the growth of the immigrant work force in Los Angeles.

Tourism Profits from Immigrant Labor

Coupled with the rapid investment of international capital in the L.A. hotel-tourism industry, there has been a corresponding growth in immigrant labor. In 1960, 35 years ago, the population of L.A. County was 85% white. By 1990, Latinos comprised 37.8%, African Americans 11.2%, and Asian 10.8% of the population. This dramatic demographic change was spurred on by the loosening of immigration restrictions in the 1965 Immigration Act, to accommodate the needs of capital for inexpensive low- and high-skilled labor from the developing world. L.A. became a magnet for immigrants from Asia and Latin America, including a massive influx of workers from Mexico seeking jobs and a more economically secure way of life, and from Central Americans fleeing from war and deteriorating economic conditions in their own countries (Chinchilla, Hamilton, and Loucky, 1993). By the 1980s, Latino and Asian immigrant workers had become the dominant sector in the local work force in the service and light manufacturing industries (Sassen, 1988; Bonacich et al., 1994).

As a result of the economic and political calamities in Latin America, coupled with the relaxation of immigration restrictions, millions of young Latino/a workers have moved north to work in L.A.'s restructured economy. Unlike some of the older highly industrialized cities where high rates of poverty are associated with joblessness, in Latino and low-income Asian communities in L.A., poverty is related to the quality of employment. Labor-force participation rates are relatively high, as demand has been consistently heavy for low-wage workers, but poverty rates are also extremely high in immigrant communities (Morales and Ong, 1993), with 75% of the poor in L.A. spending half their income on rent (Ong et al., 1989). The restructuring of L.A. with low-wage immigrant labor has meant increased profits for the corporate community, but limited economic mobility for the service workers who keep the system functioning day to day. The restructuring process helps create the conditions for the widening gap of poverty in L.A.

The effect of labor migration is illustrated by an examination of the tourism industry. In the 1980s, Latino immigrants became the largest segment of the tourism industry in L.A. Foreign-born room cleaners rose from 34% to 62% of all cleaners in the hotel industry between 1980 and 1990 (*Los Angeles Times*, November 15, 1993). The hotel industry is composed of large numbers of first-generation immigrants, with the ethnic composition being 70% Latino, 10% Asian and Pacific Islander, 10% African American, and 10% white (interviews with HERE leaders).

Besides the high percentage of immigrant workers, another characteristic of the L.A. tourism industry is that wage levels are extremely low. Wage levels among room cleaners and dishwashers are barely above the minimum wage in nonunion places. What these low wages translate into is large numbers of workers being forced to live in poor working-class communities, including Pico Union, East Hollywood, East L.A., and South L.A., which surround downtown. Many hotel workers, unable to afford high rents, are forced to share apartments with other families. Numerous hotel workers work two and three jobs at the same time, juggling work and family responsibilities. The lack of medical benefits also forces nonunionized workers to utilize the county public health-care system. Currently, there are over two million uninsured Angelenos who use the public hospitals. This creates an even greater strain on the county hospitals that are overflowing with an unemployed, underemployed, and low-wage work force that can't afford private health care.

The increase in the prevalence of low wages, inadequate health care, and poor living conditions for low-wage Latino workers corresponds to the expansion of the tourism industry. International capital, seeking to maximize return on investment, has increased the inequalities in the tourism industry by hiring low-wage Latino labor and added to the social and economic inequalities in L.A. The next section describes the participation of local government leaders in the growth of the tourism industry.

III. Local Government Support for Hotel-Tourism Growth

In addition to global capital investment and labor migration, local government in L.A. represents the third component in the growth of the hotel-tourism industry. In recent years, various scholars have debated the role of local government in the economic development of cities. Peterson (1981) argues that cities are constrained by fiscal crises and have limited influence in the investment decisions of capital. The “unitary” interest of cities is to seek and attract capital investment. In contrast, I argue that local politics matter in economic development decisions. Local politicians and officials do influence the investment decision-making of corporate interests through the use of public funds to encourage capital investment. Regalado (1992) discussed how local government actors, acting on behalf of corporate interests, played an important role in securing investment in downtown development.

The efforts of local government officials to assist corporate investment do not go unrewarded. L.A. Mayor Tom Bradley, for example, received \$100,000 in campaign contributions from Shuwa Investment Company, after Shuwa purchased the Arco Plaza in downtown L.A. in 1986. The cozy relationship between corporate interests and local politicians suggests that the city government of L.A. has not been a neutral observer in the process of the internationalization of the hotel-tourism industry. Local political leaders helped shape the flow of public capital. They provided subsidies and tax incentives to entice economic development, particularly international corporate capital, to transform L.A. into a global city (Davis, 1987; 1992).

Besides facilitating urban real estate development, local political leaders have sought to increase the financial resources of the city. Property, sales, and corporate taxes pay for the costs of running the city and by attracting new investments they boost revenue sources. For example, the Los Angeles Community Redevelopment Agency (CRA), using federal money, forced the removal of local residents in downtown L.A. and then provided land at below market prices to developers. Wealthy investors then purchased the land, and built hotels and offices, as well as fancy condominiums for white-collar professionals. The L.A. CRA used tax-increment financing to gain control of property tax revenues that otherwise would be split with other governmental agencies. L.A. became a global city because local governmental officials were active in the growth coalitions’ efforts.

In the 1980s, there was a rapid increase in property values in California. This inflationary trend was spurred on by wildly speculative purchases by domestic and international investment interests. Downtown L.A., designated as a redevelopment area, had overinflated property prices. These properties continue to bring the L.A. CRA hundreds of millions of dollars annually in tax increment revenues that were used to purchase additional land and properties (CRA Annual Report, 1993). In the 1980s, after years of community pressure, some of the tax-increment

revenues began to be used to build low-cost housing in conjunction with nonprofit community organizations or private investors (CRA Annual Report, 1993).

Local Government and Convention Business

An important facet of the tourism and travel business is the revenues generated by convention business and major events (Judd and Swanstrom, 1994). The significance of local context is critical for the tourism industry, which sells images and specific locations as places of consumption. In the 1980s, the city of L.A. embarked on a costly effort to lure large conventions to the city by expanding the L.A. Convention Center. Conventions of large groups of businesses and trade associations produce multibillion dollar business for cities. Cities compete with each other to attract the most lucrative conventions. The biggest conventions and events can generate tens of millions in revenues in a matter of days. For example, the 1993 Super Bowl, held at the Rose Bowl in Pasadena, a suburb of L.A., generated over \$100 million dollars for the region in a matter of days. Also, the World Cup Soccer Finals held in L.A. in 1994 generated one billion dollars in revenues along with one million visitors to the L.A. area. In addition, the City of Los Angeles economically benefits from conventions in that it charges a 14% room tax on each hotel room rented, which generates \$67 million dollars a year in revenues (UCLA Urban Planning Department, 1992).

In 1983, in the midst of a tourism and business traveler boom, L.A. city officials decided to expand the existing convention center. A study, commissioned by the city, anticipated an indefinite increase in hotel occupancy rates of six percent per year. Over the next several years, \$500 million dollars in city bonds were sold to fund construction of the expansion. Between 1987 and 1994, hotel occupancy rates fell 10% (from 71 to 62%) as recession, the L.A. riots, rising crime, and natural disasters combined to push the L.A. hotel industry into a near financial crisis. Due to construction delays, the convention center opening was pushed back to 1994. Major conventions need four to five years lead time to book their conventions. Many of the convention groups chose other locations to hold their events due to the uncertainties of the convention center completion date and L.A.'s image problem. The convention center is now severely underbooked through 1998.

L.A.'s convention center is in stiff competition with Anaheim, San Diego, San Francisco, and Las Vegas for business. All of these cities have invested heavily in their tourist convention facilities. Meanwhile, L.A. taxpayers will spend 47 million dollars per year, for the next 30 years, to pay off the costs of constructing the convention center expansion (UCLA Urban Planning Department, 1992). In summary, the L.A. city government not only financially assisted the efforts of private capital in the economic development of L.A., it was also proactive in generating public capital and in expanding the convention center so that the city could compete as a tourist and business destination.

IV. A Case Study of HERE Local 11

The next section will critically examine the strategic thinking and actions of HERE Local 11 to affect the globalization of the hotel-tourism industry. The history and background of HERE Local 11 are analyzed and then a theory of social movement unionism will be applied to the practice of Local 11 to observe the applicability of this theory to a contemporary U.S.-based union.

HERE Local 11 is a local of the International HERE Union. The 100-year-old international union has numerous locals throughout the U.S., Puerto Rico, and Canada. Local 11 was formed after a merger of several craft locals following World War II. During L.A.'s rise into a financial and global headquarters city, Local 11 was run for 23 years (1964 to 1987) by officials unwilling to confront the rapid changes in the hotel-tourism industry and organize the membership to win the best possible contracts. Instead, a handful of white males controlled the local. As the demographics of the work force changed to predominantly Latino workers, they demanded bilingual materials and translation. The local leaders prevented meetings from being translated into Spanish and other languages necessary for the full participation of workers. The workers ultimately sued their own union for discrimination for refusing to translate meetings into Spanish (interviews with Local 11 leaders).

As new hotels were built in downtown L.A., the union assumed that the new hotels would automatically sign up with the union. Before 1970, all the major hotels in L.A. were union houses. The New Otani Hotel was the first luxury hotel to resist efforts at unionization in downtown L.A. and, in the 1980s, the Sheraton Grande also opened nonunion. In both cases, HERE failed to mount an effective response to the growth of nonunion hotel construction. Without a strong union presence, hotel owners felt little pressure to negotiate for improved wages and benefits during the economic uncertainties of the 1970s and 1980s.

As noted earlier, a key aspect of the local context is that L.A. has become a "Third World city" with an almost unlimited immigrant labor supply of Latino and Asian workers. Hotel management used the threat of firing workers and replacing them overnight with others to keep immigrant workers from organizing their hotels. Furthermore, management employed sophisticated union-busting tactics to further intimidate and fire union activists. Hotel owners also took advantage of a situation where the union was weak and did not organize its membership. The union relied on collaboration with owners rather than on militant confrontation in their approach to negotiations. Since hotel contracts are negotiated at the local level, not at the national level, the ability to achieve a good contract is based on the local conditions. The local conditions are determined primarily by the strength of the local union's power *vis-à-vis* the hotel industry. By the late 1980s, less than 50% of the hotel industry was organized. HERE Local 11 was lagging far behind the wages and benefits of hotel workers in other cities.

The combination of a long history of anti-union efforts by private companies (Regalado, 1992), the internationalization of the tourism industry, and the lack of local union strength has resulted in the L.A. area in the lowest wages paid to hotel-tourism workers relative to tourism workers in other large urban and tourist centers on the West Coast. For example, L.A. housekeepers averaged \$4.87 per hour in 1990 and \$7.27 in 1996, whereas unionized San Francisco housekeepers were paid \$8.02 in 1990 per hour, and \$12 in 1996. The key to understanding these large wage differentials in cities similar in other respects is the beneficial effects of unionization on the labor markets. Many of the same management companies who operate hotels in L.A. also operate hotels in other cities. What is different about San Francisco, Las Vegas, New York, and Hawaii is that the majority of major hotels in those cities are unionized. Militant strikes by various locals of HERE have beaten back efforts to force their salaries downward. HERE conducted strikes in San Francisco in 1981, Las Vegas in 1987, and Hawaii in 1992. Although the union did not win all its demands, they did effectively disrupt business during their strikes and won many of their demands (*HERE Magazine*, 1991).

New Leadership in HERE Local 11

Rank-and-file workers, outraged at the weak contracts and poor wages, forced the removal of the HERE Local 11 leadership in 1987. In the past eight years, the local has been revitalized under a new local leadership composed of veteran rank-and-file leaders, primarily Latino immigrants. The local is led by President Maria Elena Durazo, the first Chicana to lead a HERE local. The HERE international union has also provided strong support to help rebuild the local. They have provided experienced organizers to assist staff members. The local has consciously promoted shop floor leaders to rebuild the local. This is critical since Local 11 saw its membership plummet from over 20,000 in the 1970s to 8,000 by 1995. The combination of a unified membership, a strong, empowering local leadership, and a supportive international union is viewed as an antidote to stop the union's decline and to rebuild it into a strong union.

For the union, it has successfully evolved from a typical "business union" that maintained a cozy relationship with hotel and tourist attraction operators to a union that has successfully challenged major international tourist corporations. This transformation on the part of HERE is a multifaceted process brought about by international economic restructuring and rapid labor migration that required a change in the organizing philosophy by the union.

HERE envisions itself as a movement for economic and social justice. This perspective is radically different from traditional unions that bargain solely for the economic benefits of their members. Local 11's vision expands the definition of a union to what Lambert and Webster (1988) call social movement unionism. This form of unionism "attempts to link production to wider political issues. It is a form of union organization that facilitates an active engagement in factory-based,

production politics and in community and state power issues.” This approach is similar to some autonomous trade unions in the developing world that are radical agents for social change (Scipes, 1993; Seidman, 1994). HERE is at the leading edge of U.S.-based unions that are attempting to organize entire industries of workers by building movements for justice that combine sophisticated corporate research, militant confrontational tactics, and the building of solidarity with other social movements.

An example of the union’s approach of building local community support as a key component of their organizing efforts was a 10-month boycott campaign against the Koreana Hotel. This hotel was purchased by a wealthy family from Korea in late 1991 and the 180 union workers were fired on New Year’s Eve. The hotel then reopened after hiring an almost completely new work force at reduced wages and benefits (Cho, 1992).

The union launched a community campaign to boycott the hotel. The union was able to build support among a diverse cross-section of Angelenos, including several L.A. city council members, who actively supported the boycott and demanded that foreign companies conducting business in L.A. respect the rights of workers. Many Korean community members and the Asian Pacific Islander community in Southern California also pledged not to use the hotel for events and meetings. Community support was backed by a daily picket and boycott of the hotel by the fired workers. Numerous demonstrations culminated in a militant sit-in at the Korean Consulate. Finally, after 10 months the new owners were forced to sign a contract with HERE (*Los Angeles Times*, October 23, 1992). Following in the wake of the 1992 civil unrest in Los Angeles, Korean capital was particularly vulnerable to negative publicity regarding their labor practices toward primarily low-wage Latino immigrants (*Los Angeles Times*, August 12, 1992). Faced with a determined union conducting daily picketing outside the hotel, the hotel’s owners finally agreed to hire back the fired workers and sign a union contract.

Local 11 has also utilized corporate campaigns and boycotts to pressure international corporations to negotiate with the union. Currently, Local 11 is supporting the three-year effort of workers to unionize at the New Otani Hotel. New Otani is owned by the Kajima Corporation, the second-largest construction company in the world. Given the importance of building support among the large Asian Pacific communities in Los Angeles and in the host countries of corporations, HERE and Asian community activists have jointly formed the New Otani Hotel Workers Support Committee. Through this support committee, the large Japanese community in Los Angeles, along with other Asian Pacific communities, has become directly involved in the unionization campaign. Local Asian Pacific American community organizations are actively encouraging their respective ethnic constituencies to boycott the hotel for refusing to recognize Local 11 (HERE Flyer, 1996).

Local 11 has also made international contacts with minority-group rights activists in Japan. These Japanese activists are attempting to force Kajima to pay claims made by elderly Chinese workers who were brought against their will to Japan during World War II as slave laborers. Many of these workers were tortured and murdered. The issue of Kajima's war crimes and its contemporary anti-worker policies in United States has generated media attention in Japan. Kajima has also been charged with bribing Japanese government officials to secure contracts. Worker and union-based labor internationalism across national boundaries will bring more pressure on the hotel ownership to negotiate with Local 11. Also, international labor solidarity has been a critical component of other social movement unions (Waterman, 1993).

New Vision of Organizing

In contrast to a traditional union that presents itself as a business with a product to sell (Markowitz, 1995), HERE Local 11 has a different vision of how it presents itself in organizing workers. The union's message to workers is to join a movement to organize the entire hotel-tourism industry. The goal is to make the city a place where workers are empowered in all facets of their lives on the job and in the community. In the aftermath of the L.A. uprisings in 1992, Local 11 believes there is one way to prevent future disturbances: to improve the lives of the working poor and unemployed youth in the city. To make L.A. a place where tourists and business travelers will want to come will require developing livable wages and benefits for the workers who make the economy run. HERE thus views their current campaign as closely tied to rebuilding L.A. into a multicultural center for commerce and cultural exchange (Local 11 flyer, May 1995).

Local 11's vision is that given the right set of circumstances, working people will act to improve their conditions of racial and class inequality. Using a combination of shared Latino consciousness arising out of a common mistreatment as Latino immigrants (Padilla, 1985) and a class inequality paradigm, the union is training a generation of experienced rank-and-file leaders in the hotel and tourism industry to fight for their rights. As a solid majority of hotels citywide become union, the HERE union can demand that the hotel owners citywide increase wages and benefits to levels similar to other unionized cities on the West Coast.

Conclusion

The dynamic growth of tourism has become a new form of capital accumulation and exploitation in L.A.'s restructured economy. In the 1960s and 1970s, as heavy manufacturing closed down or fled the area in pursuit of greater profits elsewhere, an economy of light manufacturing and service industries emerged in the L.A. region. During the same time, a massive migration of workers, drawn

from Asia and Latin America, filled the new jobs created in L.A.'s growing service economy.

Collaborative efforts by private and public interests were employed to transform L.A. into an international business/tourist destination and to generate new sources of revenues. A critical part of this joint process was the construction, by civic leaders and the hotel-tourism industry, of a sanitized image of L.A. of movie stars, amusement parks, and sunny beaches. However, this imagery is only a partial cultural and social interpretation of L.A. In reality, there is a stark duality of immense poverty in the midst of great wealth in L.A., which is also reflected in the hotel-tourism industry. Beyond the manufactured "fantasyland" image of L.A., there is the actuality of hundreds of thousands of new immigrant workers in the tourism industry who labor for subsistence wages and face extreme economic hardships.

These two faces of tourism pose a paradox. Tourism is needed to generate revenues for the tourism industry and local government, yet the growth of tourism has not substantively benefited the workers whose labor creates the wealth in the industry. Instead, a widening gap of poverty has been created between the international corporate ownership and the new immigrant work force in the tourism industry. To reduce the growing inequality, unions such as HERE Local 11 are striving to build social movement unionism. They are demanding that the tourism industry, politicians, and local government institutions contribute to resolving the basic problems facing L.A.'s working poor. They are dedicated to transforming not only the conditions of the tourism industry, but also their own identity from individual immigrants into a social movement of workers of color with the power and organization to make dramatic social and structural change at the local level (Anner, 1996).

Table 1:
Ownership of Buildings in Downtown L.A. by Nationality

Nationality	Distribution
United States	48.3%
Japan	27.0%
United Kingdom	6.2 %
Germany	4.7%
Canada	2.2%

Source: Aoyama (1990).

**Table 2:
Ownership of L.A. Hotels by Nationality in 1996**

Ownership by Country	# of Properties	% of Local Hotel Market
Brunei	2	8%
France	1	4%
Hong Kong	1	4%
Japan	10	42%
Korea	2	8%
Taiwan	2	8%
United States	6	25%
Total of	24 Properties	Total does not equal 100% due to rounding off.

Source: Author's information.

NOTES

1. Social movement unionism is a perspective of unions as agents for both economic and social justice for working people. Generally, there are elements of autonomy and locally based decision-making by workers. Waterman (1993) describes SMUs as "taking up the new social issues within society at large, as they arise for workers specifically and as they express themselves within the union itself."
2. In Honolulu, Hawaii, in 1987, 15 of the 20 luxury hotels were owned by Japanese investors (Aoyama, 1990).

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