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Author

Milkman, Ruth

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CALIFORNIA ENTERED THE NEW CENTURY WITH CHARACTERISTIC optimism. The state was on the leading edge of the national economic boom, with a burgeoning high-tech sector that had created unprecedented prosperity, centered in the Silicon Valley. Even Southern California was booming, seemingly fully recovered from the devastating impact of the end of the Cold War on the aerospace sector in the early 1990s. North and south alike, wealthy Californians were riding the wave of the surging stock prices on Wall Street, and the state coffers bulged with large revenue surpluses. Although there were longstanding concerns about growing income inequality and about ensuring access to opportunity for the state's less educated workers, and especially for the vast population of recent immigrants, some progress was evident on these fronts too. In the late 1990s workers at the bottom of the labor market finally gained a share in the bounty of the "new economy," with real wages creeping upward after decades of stagnation. The California labor movement began to assume a leadership role in these years, with major union organizing successes among low-wage homecare workers, janitors, and others, as well as growing political influence that helped generate new policymaking and legislative initiatives designed to benefit the state's working people. Numerous localities around the state passed living-wage ordinances, and the movement for immigration reform was gaining momentum, with California labor taking a leading role.

By the end of 2001, however, the once-sparkling vision of the new economy and its promise of renewed prosperity looked seriously tarnished. The state budget had been hit with a triple whammy. First, as the law of gravity belatedly made its mark on the national stock market, the huge capital gains tax revenues that had helped fuel the surpluses of the late 1990s suddenly evaporated. The spectacular energy crisis of the spring and summer further depleted the state's resources, exposing the downside of electricity deregulation for all to see. The third blow came on September 11, 2001, when the attacks on the World Trade Center and Pentagon devastated the state's transportation and tourism industries, with a corresponding impact on the revenue stream. Even before that, the dot.com boom centered in Northern California had unceremoniously collapsed, intensifying the economic recession that had begun earlier in the year. In an extraordinarily brief period the state's budget went from large

surpluses to massive deficits. Policy initiatives designed to benefit the least privileged citizens of the state now faced formidable financial obstacles, and in the aftermath of 9/11, immigration reform was also in the deep freeze. No segment of the state's population was left untouched by these events and the deep sense of uncertainty and insecurity they engendered—a sense intensified in 2002 with the spectacular wave of corporate scandals that were played out on the national stage.

It is much too early to assess the enduring effects of these rapidly moving developments, but we can begin to take stock of the longer term economic and social trends that have been unfolding in recent years and that shape the context in which the state must forge ahead. This volume, one in a series published by the University of California's new statewide Institute for Labor and Employment (ILE), is designed to help illuminate the dynamics shaping twenty-first century California. It includes both careful analyses of recent employment trends and presentations of new data collected by the ILE on the state's working people. Its overarching purpose is to inform public debate about critical issues facing the state in the labor and employment domain.

A central theme of this volume—and a major challenge for the state—is the growing polarization between rich and poor. Economic inequality has been expanding over the past few decades, and its effects are now felt in every sphere of society. This is a national phenomenon, but it takes a particularly extreme form in California, as the first chapter of this volume demonstrates. Emerging on the horizon are two Californias. One is made up of prosperous, well-educated, hard-working citizens who populate the ranks of executives, professionals, and upper level managers. They may complain of overwork, as the chapter by Fligstein and Sharone notes, but otherwise they enjoy the good life for which the state has long been famous. Socially, however, this privileged group is increasingly isolated from the larger population. At the extreme, many of its members live in exclusive, gated residential communities, send their children to private schools, and systematically avoid the public spaces where democratic participation has historically thrived.

The other California is comprised of low-wage workers, many of them foreign-born and/or people of color, who subsist on minimal incomes and are employed in menial blue-collar and service jobs. They care for the children of the wealthy, clean their homes and offices, serve their food, park their cars, and harvest their fruits and vegetables. Others do manual labor in factories or in the construction industry, increasingly without the benefits tied to unionization that in former times had lifted the occupants of such jobs into the middle class. In this other California children often attend substandard schools, live in dangerous neighborhoods, and are deprived of access to health care and other basic social services. Their opportunities for upward mobility are increasingly compromised, both by lack of access to high-quality schooling and by the ongoing polarization of the employment structure.

These trends are emergent, not yet fully formed. The middle class that was once the bulwark of the state's population has not yet disappeared. But as the research pre-

sented here suggests, it is an increasingly endangered species. In the first chapter of this volume, Rachel Dwyer and I show that relatively few of the new jobs generated during the 1990s boom were in the middle ranges of the earnings distribution. And in the next chapter, Manuel Pastor and Carol Zabin demonstrate that the traumatic economic events of 2001 largely reversed the modest gains that workers at the bottom of the distribution had made during the last few years of the boom. These developments suggest an urgent need for serious public policy interventions to address the state's growing labor market polarization.

Polarization is also a theme in part two of this volume, which includes two chapters that draw on the ILE-sponsored California Workforce Survey conducted in 2001–02. As Neil Fligstein and Ofer Sharone document, the state's postindustrial workforce is bifurcated into two largely distinct groups, with professionals and managers at one pole, and blue-collar and service workers along with lower level white-collar workers, at the other. Their analysis shows that the two groups have markedly different relationships to work. In another chapter drawing on the survey data, Margaret Weir analyzes the attitudes of Californians toward a range of public policy issues related to employment. She demonstrates that the state's population is seriously concerned about the growth of economic inequality and its consequences, and that most Californians are willing to pay higher taxes to help ameliorate the situation. At the same time Weir shows that public attitudes vary with education and income levels, once again reinforcing the portrait of two Californias that other chapters in this volume present.

Another key theme in these chapters is the growth of regional disparities within the state. California's two largest metropolitan areas, Los Angeles and the San Francisco Bay Area (including San Jose and the Silicon Valley), have moved onto divergent paths in recent years. As Milkman and Dwyer show in the opening chapter, socio-economic polarization in the 1990s was far more extreme in Southern California than in the north. Whether this trend will continue may depend on the degree to which the high-tech sector is able to revive in the aftermath of the dot.com collapse and the recession. As Pastor and Zabin document, the recession affected the high-tech Silicon Valley area more than Southern California, again suggesting that the state has developed distinctive, if interdependent, regional economies. Weir's analysis of public attitudes uncovers another type of contrast between north and south in the state; the new survey data she analyzes suggest that today, egalitarian sentiments are more prevalent in the more polarized south than in the traditionally liberal north.

Along with economic restructuring, extensive deregulation has transformed the United States as a whole, and California in particular, in recent decades. In their chapter, Limor Bar-Cohen and Deana Milam Carrillo examine the changing role of government in one critical arena for the state's workforce, namely labor law enforcement. Through an analysis of two key divisions of California's Department of Industrial Relations, they document a long-term decline in funding for labor law en-

forcement over the 1980s and 1990s, and go on to discuss the effects of that funding decline on the agencies' staffing and enforcement efforts.

One of the few organized groupings that stand as a countervailing force to the trends perpetuating growing inequality is the labor movement. As Fligstein and Sharone note in their chapter, the state's union members have been insulated from some of the worst effects of labor market polarization. Not only do union members enjoy higher wages than others with comparable jobs, but they are also much more likely than their nonunion counterparts to have health insurance, pensions, and other fringe benefits, as well as greater job security. The unionized sector of the workforce therefore demands attention, notwithstanding the sharp decline in union density over recent decades. In the final chapter of this volume Daniel J.B. Mitchell reviews recent developments in labor relations in the state, providing both a portrait of union coverage and an analysis of significant trends in those sectors and industries governed by collective bargaining.

This volume, then, ranges over a variety of critical developments affecting labor and employment in California, highlighting the increasing polarization of the state between wealth and poverty, as well as the growth of regional differences and the current state of labor law enforcement and labor relations. We hope that the research presented here will inform policy debates and advance public awareness and discussion of these issues, both in California and elsewhere in the nation. Future editions of *The State of California Labor* will not only build on the research and analysis presented here but also explore additional topics not covered in this year's volume.

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Ruth Milkman
For the Editors