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Labor Watch

Breaking the Bank

Unions fight a civil war over Amalgamated Bank

By David Agnew

Summary: *Amalgamated Bank is a union-controlled enterprise whose assets make it invaluable to a movement that is struggling to maintain money and membership. That explains unions' vicious in-fighting to control it.*

The battle over Amalgamated Bank has been won, and the winner is the Service Employees International Union (SEIU), the vanguard among unions for Obama-style "Progressives." The story of SEIU's victory is one of politics and betrayal and high stakes: control of one of the crown jewels of the labor union movement.

Crony capitalists vs. capitalism: Amalgamated Bank supports the Occupy movement, as well as the United Federation of Teachers

Amalgamated Bank is the nation's only bank owned entirely by unions. It gives left-wingers access to cash, and it also gives them a friendly place to park their accounts (which, critics note, are often questionable). The bank provides "business" support for projects ranging from the Obama inauguration to the Occupy Wall Street movement. Through its management of pension funds, it gives the Left the opportunity to harass businesses that, in their view, support their enemies.

What happened with Amalgamated Bank is a symptom of the dire predicament of unions outside of the government. As unionism in the private sector dies, unions in that sector are becoming increasingly desperate. In the manner of tribal warlords facing each other across a disputed border, unions are feuding, forming temporary alliances, and then stabbing each other in the back over matters big and small. They are turning on each other, raiding each other's territory for members and dues money and fighting over assets such as bank accounts and real estate.

A bad marriage

The conflict that put Amalgamated Bank in the hands of the SEIU began with the 2004 merger of two unions, UNITE and HERE, into a union called, not surprisingly, UNITE HERE.

They were two unions in two very different industries, textiles and hospitality. UNITE (headed by a man named Bruce Raynor) was the Union of Needletrades, Industrial & Textile Employees; HERE was the Hotel Employees & Restaurant Employees union.

In an earlier era, unions tended to merge with unions in the same or related industries, but today, unions in very different industries are combining out of necessity, for survival. The merged union had a reported 440,000 active and 400,000 retired members.

June 2013

The merged UNITE HERE then withdrew from the nation's largest union organization, the AFL-CIO, and joined the Change to Win Federation, a coalition that included the Teamsters, the United Food and Commercial Workers, and the Service Employees International Union (SEIU).

The UNITE HERE merger was part of the trend of inter-industry mergers, but it also had a symbiotic logic of its own. Over the last couple of decades, UNITE saw its membership fall as textile manufacturing companies moved to other countries. HERE fared better, since hotels and restaurants, like most service industries, cannot be outsourced.

What did UNITE have to offer HERE? Quite simply: money, via its control of Amalgamated Bank. The bank was founded in 1923 by the Amalgamated Clothing Workers of America, which (through a series of mergers between textile industry unions) became UNITE. It was one of at least 36 union-backed banks founded in the 1920s. Amalgamated Bank is a national bank, headquartered in New York with branches in California, Nevada, New Jersey, and Washington, D.C.

With UNITE's bank and other resources joined to HERE's organizing prospects, the merged union faced a bright future—or so it seemed, until union politics got in the way. "On paper, the marriage made sense," Steven Greenhouse of the *New York Times* wrote in 2009 after the relationship had gone sour. "UNITE ... had lots of money to organize workers, but few workers left to unionize because so many apparel jobs had moved overseas. At the same time, HERE was starved for cash, but saw an ocean of hotel and restaurant workers to unionize."

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'Rules in a knife fight?'

In 2009, Andrew Stern, then head of the SEIU, wrote a letter to the heads of UNITE HERE: Bruce Raynor, who had been head of UNITE, and John Wilhelm, who had been head of HERE. Stern declared that the merger had failed and suggested UNITE HERE merge with SEIU.

In early 2009, in the weeks leading up to the power struggle between Raynor's faction and Wilhelm's faction, Raynor had ordered the transfer of more than $12 million from UNITE HERE's national headquarters to locals loyal to him, according to the *New York Daily News*. The newspaper obtained documents that showed other money transfers undertaken by Raynor without Wilhelm's approval, including $458,000 to the Organizing Group, which *Daily News* reporter Juan Gonzalez described as "a political consulting firm with close ties to SEIU."

The Organizing Group, led by former AFL-CIO political director Steve Rosenthal, organized mailings and robocalls to sell the secession plan to union members, and set up a website for Raynor's new union, Workers United. On March 6, 2009, Raynor ordered several wire transfers, totaling around half a million dollars and supposedly for "reimbursement of expenses," to several locals loyal to him. The next day, those locals voted to secede from UNITE HERE.

Nasty words flew. Wilhelm said, "The merger has not worked for Bruce Raynor because he believes that the Union is his personal property and wants to rule it as an absolute dictatorship."

Raynor responded: "We're not going to allow them to hijack the resources that were put aside by generations of ladies' and men's garment workers." That was a reference mainly to Amalgamated Bank. He added, "We'll do whatever we have to do to show that we can't be held captive by a bunch of thugs."

Raynor's breakaway faction (roughly, but not exactly, the former UNITE) became Workers United, with an estimated 105,000 to 150,000 members.

The remaining faction continued on, keeping the name UNITE HERE even though most of UNITE was gone. UNITE HERE then re-joined the AFL-CIO.

UNITE HERE's board sought to recover assets claimed by Raynor's faction, and Raynor retorted with his own statement, saying, "Today, we saw the board as a shell of its former self, with nearly half of its membership comprised of union professional staff who represent no workers." He added, "That is Wilhelm Soviet-style democracy in action."

A few weeks later, UNITE HERE held a protest outside SEIU's Washington, D.C., headquarters, at which it claimed it had 300 people. SEIU accused UNITE HERE of suppressing dissent and of trying "to raid Workers United and SEIU" for new members.

Wilhelm accused Raynor of "an absolute violation of federal labor law" that involved "us[ing] members' own money to foster a secession." He hired private security guards to break into Raynor's office, allegedly fearing that the latter and his allies might destroy or abscond with documents. According to the pro-union newsletter *Labor Notes*, "They uncovered memos, dated as early as October 2008, detailing plans to 'take turf from HERE' and 'control all resources' in a 'high road campaign' that still manages to "highlight their dirt."

As union activist Steve Early wrote at the time in the left-wing magazine *Counterpunch*: "With family jewels up for grabs (in the form of UNITE HERE's $4.5 billion Amalgamated Bank), guess which

Continued on page 4

Raynor, *Norma Rae*, and the "corporate campaign"

Bruce Raynor, former chairman of Amalgamated Bank, got his baptism-by-fire as a union organizer with the textile workers in a Saul Alinsky-style "corporate campaign" that became one of the most famous in the history of business and labor. Hollywood paid tribute to the campaign with the film *Norma Rae*.

A "corporate campaign," also known as a "comprehensive campaign," is a union organizing or bargaining effort that, in the current cliché, goes outside the box. It doesn't direct its efforts solely at persuading workers to join a union or at persuading employers by threatening to strike. This type of campaign uses a variety of techniques to demonize a business and force it to capitulate. It focuses on such tactics as—

►Investigating and researching a targeted business to turn up anecdotes that make the business look bad

►Engaging in publicity and public relations efforts to get unfavorable stories in the news media and even in the entertainment media (such as a TV show in which a fictionalized version of the business is the bad guy)

►Building coalitions with community groups, churches, and local and national political groups, and getting the support of community leaders, clergy members, political activists, and elected and appointed public officials

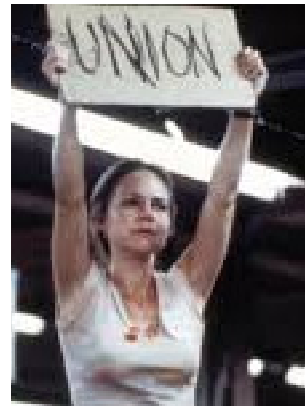
►Using lawyers in a sort of legal warfare called "lawfare," such as by filing lawsuit after lawsuit to wear down the business's opposition

►Pressuring investors and potential investors through "disinvestment" efforts, and pressuring banks not to provide support to the business

►Turning government bureaucrats loose onto a business with regulatory rulings that restrict its ability to function, that cost the business huge sums in lawyers' fees, and that provide fodder for the public relations campaign by making the business look like a "scofflaw" that doesn't care about workers, consumers, or the general public

The strategy and tactics behind "corporate campaigns" are often said to be Alinskyite, a reference to *Rules for Radicals* author Saul Alinsky, the godfather of the "community organizer" movement from which President Obama arose. Among Alinsky's rules: "Keep the pressure on. Never let up." "The major premise for tactics is the development of operations that will maintain a constant pressure upon the opposition." And "Pick the target, freeze it, personalize it, and polarize it."

Beginning in 1963, the Amalgamated Clothing Workers of America attempted, with little success, to organize a company known as J.P. Stevens. Then, in 1976, ACWA merged with the Textile Workers Union, and the newly created ACTWU launched its corporate campaign against the company.



Today part of WestPoint Home, a supplier of bedding, linen, and other textiles, J.P. Stevens was a textile company that employed many workers in the Deep South. ACTWU promptly launched a campaign of harassment against J.P. Stevens, pressuring financial institutions to deny funding to the company and enlisting prominent clergymen, politicians, and civil rights leaders (including Coretta Scott King) to denounce the company. At shareholder meetings, church groups introduced resolutions to change the company's labor practices. In 1977, 4,000 protesters marched outside the annual shareholders meeting, forcing the company to move such meetings from New York to South Carolina. Boycotts, including sit-ins, were organized at major retailers such as Woolworth's.

In 1978, unions threatened to withdraw more than $1 billion in pension funds from Manufacturers Hanover Inc. (now part of JPMorgan Chase, the country's largest bank) unless it removed two directors who served on the J.P. Stevens boards. The directors complied, one noting that "you don't go where you don't belong."

Later that year, the ACTWU focused on Metropolitan Life Insurance Co, which held $97 million in Stevens company debts. The union's implicit threat was that, unless Metro Life pressured Stevens to capitulate, it would run two dissidents for the company board, which would force Metro Life to spend hundreds of millions of dollars to arrange an election and defeat the union candidates.

In 1980, Stevens caved, signing a contract with ACTWU. It was a watershed for efforts to unionize the textile industry in the South, at least until much of it packed up and moved to Asia.

The 1979 movie *Norma Rae*, starring Sally Field in an Oscar-winning role, is Hollywood's version of what happened. (Field's infamous "You like me!" Oscar acceptance speech was a reference to dialogue in *Norma Rae*.)

In 1981, ACTWU staffer Ray Rogers founded Corporate Campaigns, a strategy consulting firm for unions and leftist activist groups. Rogers laid out the J.P. Stevens "corporate campaign" strategy on his firm's website: "The Stevens Corporate Campaign exposed, attacked and broke up the network of power supporting the company and eventually forced the big money interests behind J. P. Stevens, led by Metropolitan Life Insurance Co., to give Stevens an ultimatum—settle or else.*"*

Today, the ultimate objective of a corporate campaign is less about improving plant conditions or improving workers' wages than about forcing the employer to bend to its will. —DA & SJA

Continued from page 2

Purple Knight stood ready to unite with either or both of the estranged partners, as long as the bank was part of the deal."

That Purple Knight: Andy Stern and the SEIU.

Under a July 2010 "divorce" agreement, UNITE HERE got the union's New York headquarters, while Raynor's Workers United—by then part of SEIU—retained control of what really mattered: Amalgamated Bank.

Raynor vs. SEIU

Raynor's victory was short-lived. In March 2011, SEIU's leadership filed internal charges against Bruce Raynor, for allegedly misreporting approximately $2,300 in meal expenses. Subsequently, Raynor announced that he would resign the presidency of Workers United and reimburse the money. After leading one of the biggest fights over union assets in recent years, Bruce Raynor, in a denouement befitting a Greek tragedy, ended up seeing his tenure undone over $2,300.

In September 2011, two private equity firms—W.L. Ross, controlled by renowned investor Wilbur Ross, and the Yucaipa Companies, controlled by Rob Burkle, a major Democratic Party donor with close ties to former President Bill Clinton—each paid $50 million for a 20% stake in Amalgamated Bank's privately controlled stock. The bank needed this infusion of cash to boost its capital, after both the Federal Deposit Insurance Corporation (FDIC) and New York State Banking Department had cited it as being dangerously undercapitalized.

How did Amalgamated get so undercapitalized? One possible explanation is investment losses in previous years. Amalgamated lost about $56 million after investing in shares of the liberal media conglomerate AOL Time Warner. (That company was the result of a poorly designed merger between the Internet service provider AOL [America Online] and Time Warner, a company that included *Time* magazine, CNN, and HBO. The AOL Time Warner merger is now widely considered one of the biggest blunders in U.S. corporate history.)

Another likely reason for Amalgamated's plight is the flight of deposits from unions loyal to the AFL-CIO to protest UNITE HERE's secession from the labor federation. As of January 2013, Amalgamated reportedly had $7 billion less in assets than when it came under SEIU's wing.

What did SEIU get out of its machinations? The bank's assets, of course—but also control over SEIU's second largest creditor, which happened to be Amalgamated Bank. (SEIU's biggest creditor is Bank of America, to which it owes a reported $80 million, in large part for the purchase of its headquarters building in Washington, D.C.) There's nothing like controlling the bank to which you owe money.

In September 2012, Amalgamated Bank approved a $15 million loan to SEIU. That was money that SEIU needed. SEIU's net assets fell by more than half, from $76 million down to $34 million between 2004 and 2008, according to David Moberg of the leftist magazine *In These Times*. As the *New York Daily News*' Juan Gonzalez noted in April 2009, SEIU "has been burning through cash," including spending $67 million during the 2008 election cycle to help elect Barack Obama to the presidency.

At the time, reported Gonzalez, SEIU had only $33 million in net assets. "That's an average of just $18 for each of its 1.8 million members," he noted. "UNITE HERE, on the other hand, has more than $200 million—an average of about $568 per member."

Harassing corporations

Also worth noting is the practice by Amalgamated Bank, which manages union pension funds, of introducing shareholder resolutions at public company shareholder meetings. Political activists often use shareholders meetings to promote their causes—for example, on benefits for same-sex domestic partners, on "green" policies, or on support for union organizing in other countries. A 2013 study of union-backed resolutions commissioned by the U.S. Chamber Commerce and conducted by Navigant Economics found "no conclusive or pervasive evidence that the shareholder pro-

Pink sheeting, cult-like behavior

In November 2009, the *New York Times* reported that several UNITE HERE organizers had complained about a practice known as "pink sheeting," in which union members are pressured to reveal private and potentially embarrassing personal information about themselves. Union organizers then allegedly use those workers' stories to present as testimonials that illustrate the kind of hardships that the union has helped its members overcome. According to the *Times*:

> More than a dozen organizers said in interviews that they had often been pressured to detail such personal anguish—sometimes under the threat of dismissal from their union positions—and that their supervisors later used the information to press them to comply with their orders.
>
> "It's extremely cultlike and extremely manipulative," said Amelia Frank-Vitale, a Yale graduate and former hotel union organizer who said these practices drove her to see a therapist.
>
> Several organizers grew incensed when they discovered that details of their history had been put into the union's database so that supervisors could use that information to manipulate them.

UNITE HERE President John Wilhelm denied that pink sheeting was common, and denounced "the organized campaign to condemn it" (as *Times* reporter Steven Greenhouse described it) as an effort by SEIU to discredit UNITE HERE.

posals assessed in this study improve firm value or result in an economic benefit to pension plans and plan participants."

In other words, shareholder resolutions that do not improve investment performance represent a waste of time and a violation of a pension manager's duty to protect the pension assets of ordinary workers. Yet Amalgamated has never shied away from introducing such politics-focused measures.

The Navigant study lists 12 resolutions introduced by Amalgamated between 2009 and 2012. Two are worth highlighting. One is a June 2010 resolution at WellCare Health Plans, a Tampa-based company that provides Medicare and Medicaid managed healthcare plans. The resolution called for disclosure of the company's political contributions, which go mostly to Republicans.

The other notable shareholders resolution mentioned in the study involved Whole Foods, a supermarket chain that famously touts "natural and organic products." The chain is particularly vulnerable to political pressure because its customer base is, for the most part, relatively wealthy and left-wing, while the company's CEO, John Mackey, promotes free-market beliefs. In March 2010, Amalgamated introduced a non-binding resolution at Whole Foods asking the company to make it easier to remove directors from its board, "with or without cause."

Specifically, Amalgamated sought to reverse a change in company policy whereby shareholders must show "cause" to remove directors. What makes this resolution interesting is the timing, as it came at the first Whole Foods shareholder meeting following the publication of a *Wall Street Journal* op-ed by Mackey. Mackey's piece, which promoted a free-market approach to healthcare and opposed Obamacare healthcare rationing, led to attempts by people on the Left to organize a boycott of Whole Foods. The resolution was seen as an attempt to intimidate Mackey—and any other corporate official who might warn Americans about the effects of Obama administration policies.

The Progressives' own bank

In August 2012, some prominent Democratic and Progressive groups—including the Democratic National Committee, Democratic Governors Association, and America Votes—began shifting accounts, or at least parts of them, from Bank of America to Amalgamated Bank. By the time that the Occupy Wall Street movement moved its assets to Amalgamated, it had become something of a cause for people on the Left to use Amalgamated.

President Barack Obama's second inauguration in 2013 featured a new, important sponsor: Amalgamated. With $3.8 billion in assets, the bank helped the Presidential Inauguration Committee manage its cash flow. Committee chief executive Steve Kerrigan said in a release, "We are proud to partner with Amalgamated Bank, an organization that shares our commitment to supporting America's working families and small businesses." For Amalgamated, securing the business of Obama's inauguration committee could be seen as a culmination of a trend that saw it established as the preferred bank of the American Left.

Conclusion

Shifting deposits to the union-owned Amalgamated Bank has become a leftist *cause célèbre*. However, Amalgamated's recent history, including the bitter struggle over its control, runs counter to the Left's portrayal of Amalgamated as an oasis of virtue in the otherwise corrupt world of finance. Today, Amalgamated Bank is controlled by the powerful Service Employees International Union, which gained control over the bank as a result of a protracted union civil war. SEIU's head at the time, Andy Stern, is a political heavy hitter who visited the White House more than anyone else in the first year of the Obama presidency.

The struggle over the control of Amalgamated illustrates the degree to which unions are willing to go to preserve their influence. UNITE HERE was the result of the 2004 merger of two unions representing workers in two unrelated industries. Such cross-industry mergers are a sign of union weakness. They have become more common in recent years, as private sector unions seek to reverse—or at least slow—their decline in membership.

Why did the merger between UNITE and HERE fail? Different organizational cultures may have had something to do with it. Chief among their differences may be organizing strategy. Raynor cited a failure to organize new members as a reason for his frustration with the merged UNITE HERE. Wilhelm, on the other hand, claimed that Raynor sought membership at any cost, and would willingly give away a lot in negotiations as long as that resulted in new members' paying dues. SEIU's ambitious former chief, Andy Stern, saw in Amalgamated Bank a lucrative new addition to his growing labor empire. This ultimately raises the question: How far will the SEIU go in its quest for power and influence?

David Agnew is the pseudonym of a writer/analyst in Washington, D.C. ***LW***

LaborNotes

At press time, the **Los Angeles** mayor's race is headed for a run-off between **City Councilman Eric Garcetti** and **City Controller Wendy Greuel**. In that liberal city, each candidate is attacking the other as too pro-union. Garcetti is knocking Greuel, who's endorsed by the **L.A. Council of Labor**, for "currying favor to the unions and relying heavily on labor contributions," as the ***Wall Street Journal*** put it. Garcetti has called for a "ratepayer advocate" for the city's power and water department, which is a slap at the unions who represent 90% of the department. But Greuel's camp replies that Garcetti has the support of the teachers' union, while Greuel supports the city's school superintendent, who is pro-education reform and thus opposed by the union. Each candidate has higher poll ratings on issues in which he or she is seen as anti-union. From **Michigan** and **Wisconsin** to L.A., union political support isn't quite the advantage it once was.

When it comes to promoting unionization, no issue is too big or too small for the **Obama** administration. One example: the **National Labor Relations Board**'s attempt to require employers to put up pro-union posters. (The required posters would promote joining a union as a way to improve wages and working conditions and would not mention workers' rights to decertify a union or refuse to pay for its political activities.) Now the **U.S. Court of Appeals** has declared that the rule unconstitutionally violates employers' First Amendment rights, because it would compel speech dictated by the government.

Union political extortion takes many forms. **New York**'s state government is blocking the **Ultimate Fighting Championship** organization from staging events that could add $100 million a year or more to the state's economy. Why? Because UFC's CEO, **Lorenzo Fertitta**, and his brother **Frank** refuse to let the **Culinary Workers Union** represent employees at their hotels and casinos in Las Vegas. The Speaker of the New York assembly, **Sheldon Silver** (D-Manhattan), won't allow a vote on a measure to allow UFC events until the union says it's OK. The union doesn't want an election; it wants to force the Fertittas to stand by and do nothing while the union organizes their businesses via "card check," without a secret ballot. The union intimidation campaign has included anti-UFC websites, picketing of UFC sponsors, a complaint to the **Federal Trade Commission**, and even letters to teachers at the school attended by the brothers' children.

As the unions' base in the private sector shrinks—over 90 percent of private-sector workers aren't in a union—fighting between unions intensifies. Recently, the **Service Employees International Union** competed against the **National Union of Healthcare Workers** to represent 45,000 janitors, pharmacy technicians, and nursing aides at the health care giant **Kaiser Permanente**. Fighting for an estimated $40 million in annual dues, NUHW paid for its campaign with loans from other unions such as the **California Nurses Association**. SEIU won, 58% to 41%. The contest was a re-run of a 2010 election that SEIU appeared to have won, only to have the National Labor Relations Board throw out the election because SEIU had threatened NUHW supporters.

In **Maryland**, the former treasurer of the **Worcester County Teachers Association** was found guilty of embezzling more than $430,000. She was said to have a gambling problem. The union first tried to keep the matter quiet by characterizing discrepancies as clerical errors, according to ***Union Corruption Update***. "Rather than notify the authorities, the WCTA simply passed along the information to the bonding company." Police investigated only after news accounts alerted them to the problem.

In **Michigan**, **Gov. Rick Synder** signed legislation to take away the union's stealth representation of home health care workers. Under former **Gov. Jennifer Granholm** (D), SEIU hatched a scheme in which it would be recognized by the state as the union for all home health care workers, many of whom are simply people who receive Medicaid assistance while caring for family members at home and thus never think of themselves as state employees. (See *Labor Watch* Nov. 2012.) Most of the 59,000 workers involved never knew they were being inducted into the union until dues began to be deducted from their checks. Overall, SEIU "took $34.4 million from the elderly and disabled in Michigan," according to ***Michigan Capitol Confidential***.

In **Minnesota**, legislation has been introduced to allow this kind of stealth unionization. Home health care workers would be railroaded into SEIU membership, and home child care workers would become members of the **American Federation of State, County and Municipal Employees** (AFSCME). At presstime, the Minnesota measure barely made it out of a Senate committee, without a favorable recommendation. Prospects for final passage look uncertain.