

## The Unions' Own '1%'

*The Laborers and other unions pay big, while feds look the other way*

By Luke Rosiak

**Summary:** Union leaders are increasingly distant from the everyday workers they claim to represent, with faster-growing pay and an entrenched ruling class, data show. Nepotism is in full force, union members complain, and the closest some second- or third-generation officials have been to a day on a job site is a class on labor relations at Harvard. With a small handful of persons controlling a multitude of related trusts, sometimes for decades, it should be no surprise the Department of Labor has found at least 89 cases where union members had funds embezzled by their own officials in the first half of 2013.



Unions ridicule “fat cats” except when the fat cats are their own.

The Laborers' International Union of North America says it fights for equality, for lowering the gap between the highest- and lowest-paid, and against the corrupt practices of corporate fat-cats who have politicians in their pockets and avoid paying their fair share in taxes. That's the image the union wants to project.

The reality is different. The LIUNA presents a case study in the hypocrisy, self-dealing, and good-old-boy networking that now characterizes many if not most unions. Entrenchment is common, with the same people holding office for year after year. Nepotism is rampant; privilege afforded by birth is the norm in much of the labor movement.

At marble palaces throughout Washington, union leaders who are often the sons and grandsons of organizers and who have just as often had virtually no experience toiling on job sites, have come to view themselves as untouchable. Indeed, that sense of invulnerability is rooted in reality, given the record of Obama administration officials in charge of enforcing labor laws. The Department of Labor's enforcement office since the 2008 election has been stacked with former union officials who have ceased audits of international unions, even those that had long lists of unresolved problems in previous audits.

### Privilege at “the Laborers”

At LIUNA, pay for a tight network of top union officials has risen faster than for the rank and file, even as membership has declined, according to a computer analysis of federal disclosure documents. Eight of the Laborers ex-

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ecutive board's 13 members have been in their posts more than a decade.

At the Laborers, a combination of political influence and brazenness is on full display. On top of the \$1 million the international union spends yearly on K Street lobbyists and \$1 million in campaign contributions and political ads in the last election, its legislative affairs office includes a well-connected lobbyist, Leo J. Gannon.

Gannon is a former Rhode Island state legislator who made \$217,000 in 2012 as head of legislative affairs for the union-affiliated Laborers-Employers Cooperation and Education Trust. In 2003, he pled guilty to making false statements to federal investigators in connection with a \$750,000 Labor Department grant involving partnerships for matching unemployed workers with jobs; prosecutors alleged no such partnerships were executed. After politicians urged leniency, Gannon got off with probation and a fine. Yet he continues to hold a position with the union despite the fact that the law bans people convicted of certain crimes, including lying to or stealing from the federal government, from holding positions of power within unions and related organizations. It is a criminal offense for the prohibited individual to take such a job or for a union to hire him. Neither Gannon nor the Laborers responded to requests for comment.

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Gannon is not the first Laborers hire to have had a run-in with the government. Gordon Green, director of the Laborers' Service Contract Education and Training Trust Fund, was sentenced to prison after being charged in 2007 with bribery relating to an employee benefit fund and with the theft of employee benefit plan property.

Green sold union information to a contractor managing government buildings' maintenance for a suitcase containing \$150,000 in cash; the government contractor alerted authorities.

"Gordon Green's criminal actions demonstrate both an astonishing breach of the trust placed in him by the Laborers' International Union of North America and an intolerable example of corruption and greed," prosecutors said.

Green received six months in prison after getting credit for "substantial assistance in the investigation or prosecution of other persons who have committed criminal offenses."

#### **Little scrutiny**

Critics say that the Laborers and other unions are less likely to face scrutiny because President Obama has stacked the Office of Labor-Management Standards with former union officials. (OLMS is the federal office charged with rooting out misconduct among unions.) Notably, OLMS has stopped auditing the international unions that control the majority of union money and slashed the number of local union audits in half.

In 2008, the OLMS audited 791 unions, but in 2011, under new director John Lund, it looked at only 461. The change is largely because officials no longer conduct the most complex audits, those of international headquarters.

"They control something like 90 percent of the funds. They've got their hands in everything, so they're the ones you should be looking at the most," said Don Loos, Lund's predecessor, who served in the George W. Bush administration. Loos, who is now an advisor at the National Right to Work Committee, has

complained that the OLMS is toothless, with no ability under the law to levy fines or other sanctions. "They say 'look, you're doing this wrong, but we can't fine you.' Which is unlike any business reporting. The problem is there's no penalty for being dishonest," he said.

Critics say the organization has been lenient in requiring unions to report on their financials, including overlooking teachers' unions that represent private charter-school teachers. Unions solely representing local government employees are exempt from most disclosure.

"It is time that the U.S. Department of Labor requires all state teacher unions and government employee unions that have failed for decades to comply with the [Labor-Management Reporting and Disclosure Act] be forced to comply with the Act or be criminally prosecuted for willful failure to file these reports," Concerned Educators Against Forced Unionism wrote to the Labor Department this year.

#### **All in the family**

If connections and privilege afforded by birth are responsible for the positions of some of the "one percent" of Wall Street that unions have decried, they are at least as common in their own leadership posts.

For the Laborers Local 1015 in Canton, Ohio, 14 staffers and officers oversee \$1.7 million in assets for 685 members, but five of them, including the treasurer, auditor, and business manager, belong to the Mayle clan.

At Kentucky's Laborers 1445, five of 17 officials are named Oney. They are business manager Johnny W., who makes \$80,000; Johnny N., who makes \$61,000; auditor Roger, treasurer Mitchell, and secretary Rhonda.

"Johnny N. is the field rep, he's my son. When it comes to hiring him, I make my recommendations and the executive board does what they want to do," the business manager said. His brother Roger is auditor, and Mitchell, until two years ago, sat on the executive board

as treasurer. Rhonda, who “sleeps with my brother,” Johnny W. joked, answers phones.

These cozy relationships are even worse among elites in the union’s monumental national headquarters—and they have actively separated unions from their most basic historical missions, one of the Laborers’ own officials said. “It’s becoming impossible to find anyone at the Laborers’ International Union who has ever actually worked the trade beyond a summer or two while they attended the Harvard Labor College,” said a longtime national official of the Laborers’ International Union of North America who spoke on the condition of anonymity because he feared retaliation.

“How can you represent working men and women when you’ve never had to really work a day in your life as a construction laborer? These sons and grandsons of laborers have never suffered through a long layoff, or seared in the heat of the day, or frozen in the cold of a winter outside on a job site.”

At the Laborers’ international headquarters, the double-speak and misplaced financial priorities are perhaps nowhere more evident than in the fact that even as the Laborers’ payroll has swelled, it has failed to pay taxes on its flagship office space for the last eight years, according to a half-million-dollar lien filed by the District of Columbia this year—the third such lien filed against it since the 1990s. “Prevent seizure action by sending full payment today!” the letter says.

The union’s headquarters previously had federal tax liens issued against it in 1991 and 1992 for \$70,000 and in 1993 for \$25,000, records show. They were settled in 1995 and 1996.

Of course, even as it neglected its own obligations, the union was quick to criticize others for not paying taxes, telling members last year that Republican presidential nominee Mitt Romney “opposes legislation that would ensure corporations pay their fair share of taxes.”

### **Tangled web**

Armand E. Sabitoni is treasurer of the Laborers national union, making \$436,000 a year, with at least two relatives on staff. Five members of the Sabitoni family are officers at Laborers locals. A tangled web of pension and other funds weaves the family’s tentacles through every branch of the union and provides ample opportunity to boost salaries far beyond what is evident in the payrolls of the union’s main offices.

Michael A. Sabitoni Jr., for example, is president of the Rhode Island Building and Construction Trades Council and is also chairman of the Rhode Island Laborers’ Pension Fund, the Rhode Island Laborers’ Health and Welfare

Fund, and the Rhode Island Laborers’ Annuity Fund.

He is also trustee of the New England Laborers’ Training Trust Fund, the New England Laborers’ Labor-Management Cooperation Trust and the New England Laborers’ Health and Safety Fund.

“There’s a whole host of trusts,” said Nathan Mehrens, a top Department of Labor attorney under President George W. Bush. “Interconnected entities that are technically distinct from the union itself, but provide ample compensation.” So even if no one salary may be egregiously high, all those posts add up.

At the 57,000-member International Brotherhood of Boilermakers national

### **Broken trust: The largest of the 89 thefts by union officials uncovered by the Department of Labor in the first half of 2013**

- Hector Lopez, former president of the Metal Polishers Local 8A-28A in Long Island City, N.Y., pleaded guilty in April to conspiracy to commit mail fraud and wire fraud and to tax evasion. He schemed to embezzle from the union’s Welfare Fund, of which he was also president, and the plea agreement requires him to make restitution totaling over \$1.1 million.
- Cora Carper, former Political Action Committee manager for the Insulators International Union in Lanham, Md., pleaded guilty after being charged with embezzling \$502,586. “Carper prepared over 300 checks, payable to cash or ‘Cash Reimbursement,’ which she cashed at a local bank,” union officials told the Federal Election Commission.
- Ava Ramey, former trustee of the United Government Security Officers of America Local 21 in Bowie, Md., was sentenced to two years in prison followed by three years of probation and ordered to forfeit \$379,000 that she embezzled.
- Caleb Gray-Burriss, president of the National Association of Special Police and Security Officers in Washington, D.C., was sentenced to 76 months in prison and ordered to pay \$252,376 in restitution to his union. A jury found Gray-Burriss guilty of theft from the union’s pension plan, embezzlement, criminal contempt, tampering with a witness, failure to file LM reports (disclosures required under federal law), and filing false LM reports.
- Oscar Berry, former president of the Glass, Molders, Pottery, Plastics, and Allied Workers Union Local 284 in Longview, Tex., pleaded guilty to embezzling \$124,181 in union funds.
- Robert L. Carr, former Financial Secretary-Treasurer and Business Manager of the Plumbers Local 228 in Yuba City, Calif., was sentenced to 30 months in prison, and his wife, Theresa A. Carr, was sentenced to 3 months for conspiracy to misappropriate labor union funds. They were ordered to pay \$120,000 in restitution. —LR

headquarters, four members of the Creeden family received a combined \$836,000 a year, with Secretary-Treasurer William making \$300,000 and directors Kyle and Ryan making more than \$143,000 each.

At the 250-member United Industrial & Service Employees Union, four of the seven officials in 2011, including the president, vice president, and trustee, were named Romero. At the International Union of Painters and Allied Trades Local 1970, the president, treasurer and secretary were all named Lipscomb.

About 1 in 5 unions had multiple officials with the same last name in 2011,

according to an analysis of federal union disclosures. Unions had a median roster of eight officials, making it easy for one family to have significant control.

While the Laborers represent a high-profile case study, self-dealing is commonplace at the full spectrum of unions. Teamsters 710 of Mokena, Ill., pays its treasurer, Patrick W. Flynn, \$435,000 a year, but apparently that wasn't enough; both his son and daughter took jobs at the union. President Michael Sweeney brought on his sister Maureen at a \$60,000 salary, while trustee James Dawes, who received a \$215,000 bonus, brought on his daughter for \$45,000, tax records show.

The average union member has no idea how much the leaders make, said Stanley Oubre, a retired Boilermaker in Louisiana. Few union members can relate to people making such huge salaries.

"It sounds like we're getting robbed," Oubre said of the money earned by International Brotherhood of Boilermakers President Newton B. Jones. "I was a boilermaker for 35 years, and oh my goodness, what we made was pennies" compared with that.

### Job security

When officers aren't already related, they often become a sort of family, re-elected time after time, or shuffling

## Top paid union officials 2012

Reflects only compensation for the officer's main job function, not secondary income sources for roles in related trusts and nonprofits.

Union	Salary	Total Compensation	Name	Title
AFSCME	\$1,020,751	\$1,121,988	Gerald McEntee	International President
Boilermakers	\$334,501	\$729,630	Newton Jones	International President
National Production Workers	\$698,406	\$698,406	Joseph V. Senese	Executive Director
Transportation Communications Union	\$300,798	\$630,053	Robert A. Scardelletti	National President
Laborers	\$454,225	\$621,388	Terence M. O'Sullivan	General President
Airline Pilots Association	\$360,647	\$576,968	Donald L. Moak	President
American Federation of Teachers	\$396,304	\$556,981	Rhonda Weingarten	President
Masters Mates & Pilots	\$536,325	\$550,782	Timothy A. Brown	President
UFCW Local 464	\$542,746	\$549,497	John T. Niccollai	President
Longshoremen	\$484,508	\$541,103	Harold Daggett	President
Laborers	\$436,497	\$531,604	Armand E. Sabitoni	Secretary-Treasurer
Boilermakers	\$300,708	\$530,053	Warren T. Fairley	International V.P.
Boilermakers	\$304,160	\$506,677	Joseph Maloney	International V.P.
Plumbers	\$326,392	\$501,203	William P. Hite	General President
Laborers	\$339,838	\$500,902	Michael Bearse	General Counsel
Independent Pilot Association	\$492,910	\$493,523	Robert Travis	Vice President
UFCW Local 464	\$480,058	\$486,035	Ramon Rando	Secretary-Treasurer
Transportation Communications Union	\$190,142	\$476,869	Russell C. Oathout	Secretary-Treasurer
Boilermakers	\$303,124	\$469,438	Ed Power	Vice President
United Service Workers Union	\$453,365	\$462,923	Edward Byrne Sr.	Secretary-Treasurer
Sheet Metal Workers	\$307,443	\$459,643	Joseph Nigro	General President
Boilermakers	\$300,708	\$456,439	Tom J. Baca	Vice President

Source: 2012 Office of Management Labor Standards LM-2 disclosures

top positions among themselves each election. Three-quarters of unions that had elections in 2010 re-elected most of their officers, an analysis of DOL data shows. Ten percent of unions re-elected 9 of 10 officers.

“When an outgoing boss leaves, they make an interim appointment of their own successors. After that, they have a re-election rate that would make an incumbent congressman blush. Nobody is ever stupid enough to run against them,” the Laborers official said. A recent American Postal Workers Union national president, for example, was elected seven times to three-year terms. Across the U.S., 27 percent of officers in 2003 were still in office in 2011. In 1 in 5 unions, at least half of elected officers remained the same over the course of those eight years. But imperial tenure is more common, and has a greater impact, at the national headquarters that control the bulk of union finances.

Two-thirds of national headquarters retained at least half of their officers in the most recent election, a *Washington Times* analysis shows. For example, the United Union of Roofers, Waterproofers and Allied Workers returned 11 of 12 officers in 2008, and the American Federation of Teachers re-elected 35 of its 45 officers in 2010.

At the Laborers’ International Union of North America national headquarters, 11 of 16 current officers have been running the union since at least 2003. At the United Brotherhood of Carpenters, it’s six of eight, with only two district vice presidents departing. At the Bakery, Confectionery, Tobacco Workers and Grain Millers Union, only six board members and one vice president among the union’s 24 officials left over the eight years.

Union posts increasingly have become long-term gigs over the years, with the average union re-electing 56 percent of its officers in elections held in 2010, up from 49 percent in elections in 2001. And the longer they stay on the job, the more they make.

### High pay

Over the past decade, top union officials’ compensation has risen even though membership has fallen, and the unions have added significantly more employees to their offices. Joseph V. Senese was paid a salary of \$698,406 last year for his role in running the National Production Workers Union, based in the golf course-lined Chicago suburbs, which reported 600 members in 2006 and none in 2007, according to union disclosures.

Tax records confirm a pattern of high salaries, with base compensation of \$583,000 in 2008, and show that Senese, in turn, issued hundreds of thousands of dollars in cash loans back to the union. For decades, the union spent “large sums of money” to provide Senese with around-the-clock security after his brother and father, also union honchos, survived assassination attempts and federal authorities barred his father from union activity for life, alleging mob ties, according to a 1993 *Chicago Tribune* article. “We don’t talk to newspaper reporters. Don’t call back here,” a staffer at the union’s full-time office said this year before hanging up the phone.

John M. Lazzaretto, business manager of LIUNA Local 152 in Highland Park, Ill., was paid \$419,543 in 2011. The 1,000-member union local counted Lazzaretto’s son, Michael, as an organizer, and his cousin, Vallie, as secretary, and a Brennan Lazzaretto as janitor.

“A big portion of that final salary was a retirement package. My salary probably averaged about \$250,000, which for a business manager, I was probably top three or four. There’s probably three or four people in the Chicago area making more than \$300,000. Of course, times have changed; people get rid of the heavy earners,” Lazzaretto said.

“I was the only trustee left after the feds came in, when the government put a consent decree over the whole international union alleging there was ties to organized crime,” he said. “I came out with a clean bill of health.”

Despite unions’ focus on income equality, the inequality between the highest-paid and lowest-paid union employees has grown over time, and the rank-and-file workers toiling in factories and construction sites that the union officers represent especially pale in comparison with the top officials who represent them. In 2000, the bottom quarter of full-time employees at union offices, such as administrative assistants at headquarters, had salaries of less than \$33,900, while the top quarter had salaries of more than \$65,400. In 2012, the bottom quarter salary was \$43,000 compared with \$94,800 for the top quarter.

Unions argue that even huge salaries for officers, such as the \$1 million that Gerald McEntee made last year as president of the American Federation of State, County and Municipal Employees (AFSCME), are far below the pay of business CEOs. But critics point out that as representatives of the working man—and increasingly, the working man whose paycheck comes from the taxpayer—labor leaders should be held to a different standard.

Loos, the former Department of Labor official, said labor leaders with compensation that is worlds apart from those they represent make it difficult for them to empathize with life in the trenches. “Look at SEIU [the Service Employees International Union]. That’s a union of janitors, and you’ve got people at the top making \$500,000 a year, plus a lot of them have their hands in more than one till—they’re making additional money from the pension funds.

“A lot of these groups were a part of the Occupy Wall Street movement, and they really pushed the notion of ‘fat cats.’ But,” he said, “union bosses have always been fat cats.”

*Luke Rosiak is a journalist specializing in data analysis who has written for the Washington Post and the Center for Responsive Politics. Some reporting in this article originally appeared in the Washington Times.*

**GW**

# LaborNotes

At press time, it appears the Senate will confirm **Thomas Perez**, the **Justice Department** civil-rights chief, as the new Secretary of Labor. Perez's background includes a record of opposing educational opportunities for gifted students (because too many of them are of Asian or so-called Caucasian ancestry) and of blocking voter ID laws (which are supported by all ethnic groups and prevent criminals from canceling out the votes of actual voters). In a quid pro quo, Perez withdrew an anti-discrimination case involving the city of **St. Paul, Minn.**, in order to protect the legal concept of "disparate impact," which allows government officials to pursue false charges of discrimination. As the *Wall Street Journal* noted, "Mr. Perez has used the legal theory to extort multimillion dollar settlements from banks."

The *Journal* added, "House investigators also discovered that Mr. Perez had misled the committee about the use of his personal e-mail account to conduct official business and had violated the Federal Records Act on multiple occasions. On April 10, the House issued a subpoena to Mr. Perez to compel production of some 1,200 personal e-mails. He still hasn't complied." As reported in the *May Green Watch*, government officials sometimes use such e-mail accounts to communicate with special-interest groups.

But at least Perez has support from business leaders in his home state—right? Yes, if they know what's good for 'em. A March letter by the **Maryland Chamber of Commerce** that endorsed Perez "was secretly written by a top official at the **Maryland Department of Labor, Licensing and Regulation**," according to the *Washington Examiner*. Perez used to run the powerful state agency, which the business community defies at its peril. The chamber's endorsement was reportedly written by **Scott Jensen**, the department's deputy secretary. "Maryland Chamber President and CEO **Kathleen Snyder** made only two minor changes to Jensen's draft endorsement letter, including correcting Jensen's misspelling of her name before publishing it with her signature."

**Twinkies** are back on the shelves, without the union contracts that helped put the brand's old owner out of business. The old company had route drivers delivering directly to stores (to pad the number of union jobs), rather than to customers' warehouses. And instead of 11 factories operating at 50% capacity, four factories now operate at 85-90% capacity. The old company was 79% unionized; the new company, 0%.

The **Davis-Bacon Act**, which requires the payment of the "prevailing wage" (i.e., the highest local union wage) on government projects, covers "laborers and mechanics." The **Labor Department** has chosen to include surveyors in that category, reversing 50 years of precedent. According to the head of the **National Society of Professional Surveyors**, the ruling was made with "no request for public input or comments, no notification seeking advice, comment or input from the surveying profession ... and, in fact, no public announcement of the new policy." He said it would be "an administrative nightmare" to implement. The decision was prompted by the **International Union of Operating Engineers**, in order to eliminate competition from non-union surveyors.

**Karen Lewis**, head of the **Chicago** teachers' union, recently spoke at the upscale **City Club** about the financial crisis facing the city's public schools. "Members of the status quo—the people who are running the schools and advising the mayor on how to best run our district—know what good education looks like because they have secured it for their own children in well-resourced public and private institutions" she said. "Rich, white people think they know what's in the best interest of children of African Americans and Latinos." So does Lewis advocate school choice, so all ethnicities could choose which public and private institutions their children attend? No. To solve the schools' problems, she wants "progressive taxation" and new taxes on commuters and financial transfers.

As for failing schools, Lewis noted: "When the [Chicago] **Cubs** lose a game they don't call for Wrigley Field to close down. They don't want the entire team dismantled. Despite empty seats, the stadium isn't accused of being underutilized." She said "no one questions" the salaries of the players. "Year after year ... we keep cheering for our Cubbies. We know they are winners. ... Do the same for our children. ... Support their teachers. Support their schools." The Cubs last won a **World Series** in 1908.