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**Economic Crisis and the Logistics Industry:
Financial Insecurity for Warehouse Workers in the Inland Empire**

by

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Contents

Summary and Findings.....1

Introduction.....4

Economic Distress in Riverside and San Bernardino Counties4

Is Goods Movement a Solution to the Region’s Economic Crisis?7

Current Employment Practices Contribute to Economic Insecurity For Working Families ...10

Most Warehouse Workers Don’t Earn a Basic Family Wage13

How the Goods Movement Industry Can Create Economic Security for Blue-Collar
Warehouse Workers16

Conclusion.....19

References20

Summary and Findings

Inland Empire Families More Vulnerable During Economic Crisis

Riverside and San Bernardino counties once led the nation in population growth and economic development; the two-county region¹ is now a leader in financial hardship. Blue-collar warehouse workers are symbols of how the collapse of a once booming local economy has placed thousands of families at risk. Working families who bought homes and found jobs during the region's recent economic boom now face some of the toughest challenges. A combination of staggering foreclosure levels, high unemployment rates, and the proliferation of low-wage jobs has worsened the economic downturn for the region's blue-collar workforce.

- Riverside and San Bernardino counties lead the nation's largest metropolitan areas in unemployment.
- Regional unemployment reached 10.1% in December 2008.
- The Inland Empire has the third highest percentage of housing units in foreclosure among large metropolitan areas.

Is the Goods Movement Industry a Solution to the Region's Economic Crisis?

The region's key economic engines, logistics and housing, have failed to protect working families from economic insecurity. Local business interests and policy makers have

embraced the logistics sector as a solution to the region's need for well-paid blue-collar jobs. Our analysis shows that a majority of blue-collar warehouse occupations fail to provide wages that meet basic family needs. Workers, in the bottom twenty-five percent of the three largest blue-collar warehouse occupational categories, earn an hourly wage of \$8.74 or less.

Retailers, the core of the goods movement industry, have adopted a flexible low-wage labor model that places many blue-collar warehouse workers in financial jeopardy. White-collar logistics jobs provide some local workers with economic advancement opportunities. Yet the industry's reliance on a low-wage blue-collar labor pool fails to provide career ladder opportunities for a large portion of the logistics workforce. Low wages and limited advancement opportunities create significant social and economic disparities.

- The California Budget Project (CBP) has estimated that Inland Empire workers require an hourly wage of \$17.48 to meet basic family needs.
- Only three percent of workers in blue-collar warehouse occupations earn a basic family wage.
- Forty-one percent of blue-collar warehouse occupations pay less than \$10.50 per hour.

Temporary Employment Increases Economic Insecurity

An increasing number of Inland Empire workers are living with the financial instability of temporary employment. More than 53,000 people were hired by the region's temporary employment industry in 2007. Many warehouses use temp agencies as intermediaries to funnel low-wage workers into the logistics sector. The proliferation of temp agencies, which cater to logistics companies, highlights a systemic problem with the goods movement

¹ The region is also referred to as the Inland Empire or the Inland Valley.

industry. Temporary warehouse workers frequently work side by side with direct-hire employees; they are often paid less, work less hours, and suffer the additional economic burden of job insecurity. The lack of full-time permanent employment means that many of these workers are left stranded on the bottom rung of the middle-class career ladder.

- The region's temporary employment sector grew by 575% between 1990 and 2007.
- More than 53,000 people were employed by the temporary employment industry in 2007.
- The Inland Empire has a higher concentration of temporary employment than the rest of Southern California.

Long-Term Regional Development Strategies Need to Address Warehouse Worker Wage Disparities

Inland Empire workers face difficult employment prospects. Substandard education levels lead many of them into low-wage jobs. These workers need the types of employment opportunities that the manufacturing industry once offered to blue-collar workers. Imports through the Southern California ports are expected to continue to grow, requiring increased warehousing. Fifty percent of the needed warehouse space (1.5 billion square feet) is likely to be built in the Inland Empire. More than 1.3 million new jobs are projected for the Southern California logistics sector by 2030; many will be based in Inland Empire warehouses. Will these jobs provide well-paid opportunities for the region's blue-collar workers? Or will they continue to place working families in precarious economic conditions? A growing disparity between white-collar and blue-collar wages will lead to greater social and economic inequalities. Latinos, who represent a majority of the region's blue-collar workforce,

will be especially vulnerable to future development models that rely on a low-wage labor force.

- SCAG estimates that more than one million logistics jobs will be created in Southern California by 2030.
- Fifty percent (1.5 billion square feet) of the warehouse space needed to meet future port capacity will be built in the Inland Empire.
- Future economic growth will have to provide jobs for a workforce where more than 51% of local adults have less than or the equivalent of a high school education.

Recommendations

The Inland Empire's rapid growth and development was spurred by low unemployment rates and easily accessible mortgages; this seemingly widespread prosperity hid the weaknesses of a regional economy whose growth sectors largely depended on low-wage labor. Warehouse jobs have the potential of providing well-paid employment for the region's large blue-collar workforce. Current employment models that rely on low-wage labor have prevented the industry from delivering on the promise of good jobs for thousands of warehouse workers in the Inland Empire. Future expansion of the goods movement industry should ensure that warehouse workers earn wages and benefits that can move their families into long-term economic security.

We are in a period when, faced with a dire economic crisis, there has been a shift in the national ethos. Instead of focusing on transferring more wealth into the hands of the already wealthy and powerful in the hopes that they will engage in productive rather than speculative investment, the new administration in Washington, backed by the majority of the nation, now recognizes the need to put more money in the hands of the average wage and

salary earner, so that they can become more effective consumers, and help to restart the economy.

- Build long-term economic security by increasing wages and benefits for blue-collar warehouse workers.
- Preliminary analysis reveals that unionized warehouse workers earn higher wages than their non-union counterparts; union workers with 2 years on the job average up to \$9,568 more per year.
- Putting higher wages in the hands of warehouse workers will create a multiplier effect that will benefit the entire region.

Introduction

Riverside and San Bernardino counties once led the nation in population growth and economic development; the two-county region is now a leader in financial hardship. This paper will show how the Inland Empire's current development model has placed working families in economic peril. In particular, data will show that the logistics sector's² reliance on low-wage warehouse labor produces negative social and economic consequences.

Barack Obama's presidency offers hope that a change in leadership and strategy will reinvigorate the nation's economy. How will the Inland Empire recover from the current economic crisis? The region's economic future is closely tied to investment in the goods movement industry. Proposals to stimulate the economy, by investing in transportation infrastructure, will further expand the region's logistics sector. Any investment should include a path to middle-class jobs for working men and women.

Economic hardship and desperation can lead us to believe that any job is a good job; however, long-term solutions require more than the temporary low-wage jobs that drive much of the region's economy. The goods movement industry has an opportunity to fulfill the promise of middle-class jobs for the Inland Empire's working families. Workers, civic leaders, and the private sector can improve the region's long-term economic prospects by creating employment opportunities that reduce inequality and job insecurity.

Economic Distress in Riverside and San Bernardino Counties

Why The Inland Empire Is Ground Zero For The Current Crisis

New home construction and a growing goods movement industry made the Inland Empire into one of the fastest growing metropolitan areas in the country. Thousands of families moved into Riverside and San Bernardino counties in search of new opportunities, but now the area is at the forefront of the current economic meltdown. The combination of low median wages, climbing unemployment, and high home foreclosures has placed the Inland Empire in an economic bind.

Families in the Inland Empire are faced with greater distress than those in the state or the nation. Forbes.com (2008) has named Riverside the toughest place to live during the current recession. High unemployment rates are one way to measure how local hardship compares to other regions. Table 1 shows Inland Empire

² Goods movement, also referred to as the logistics industry, is controlled by the world's largest retailers (Bonacich and Wilson, 2008).

unemployment and foreclosure rates to be significantly higher than statewide figures; local families also earn \$4,500 less than the statewide median income. On a national scale, the Inland Empire has a slightly higher median family income. However, the region's high unemployment rate and foreclosure figures tilt the Inland Empire's economic distress well above the national standard.

Table 1

Economic Distress Scale

	IE	CA	National
Median Family Income	\$62,973	\$67,484	\$61,173
Unemployment	10.1%	9.1%	7.1%
Foreclosure Rate (as % of total housing units)	8.02%	6.80%	1.84%

Source: Median Family Incomes are based on the 2007 American Community Survey. Unemployment figures were compiled from the Bureau of Labor Statistics (When?) and the California Employment Development Department. Foreclosure rates are for 2008 from RealtyTrac.com.

Highest Unemployment In The Country Creates Insecurity And Puts Families At Risk

Riverside and San Bernardino counties lead the nation's largest metropolitan areas³ in unemployment with a jobless rate of 10.1% for December 2008; more than 186,300 Inland Empire residents were out of work during the last month of the year. The Inland Empire's unemployment rate has outpaced the state average (see Figure 1). Year-to-date unemployment figures indicate that the region's economic outlook is unlikely to improve in the immediate future.

Such historically high unemployment levels are sure to have a negative affect on Inland Empire families. The region's relatively high dependency ratio of 62.1% indicates that local families may be more vulnerable to job losses; Los Angeles and California have dependency ratios of 57.6% and 57.8%. Dependency ratios measure the proportion of non-active to active members of the labor force⁴. A higher dependency ratio indicates that local workers support a larger share of dependent children and seniors. The Inland Empire's 62.1% dependency ratio means that there

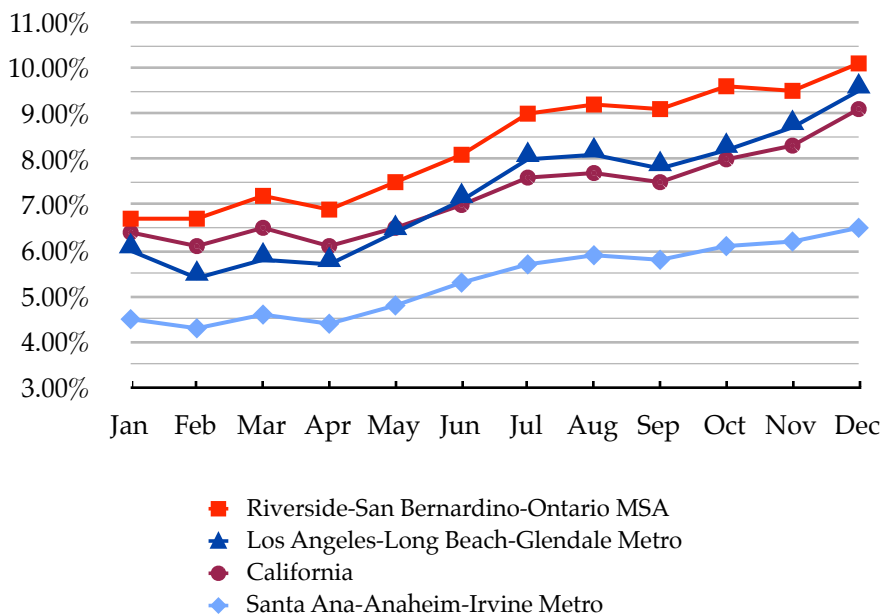
³ The Riverside-San Bernardino metropolitan statistical area had the highest unemployment rate for all MSAs with a population over one million. Based on Bureau of Labor Statistics data for December 2008.

⁴ Dependency rates measure the ratio of the employed and non-employed population. Child dependency rates indicate how much local children rely on the region's labor force. The child dependency rates are as follows: Riverside and San Bernardino counties = 46.4 , California = 40.5, Los Angeles = 41.2, U.S. = 38.9.

are approximately 1.2 children and seniors for every two employed adults. Rising unemployment rates, when combined with a high dependency rate, may signal greater economic jeopardy for Inland Empire families.

Figure 1.

Unemployment Rate Comparison - 2008



Source: CA Employment Development Department, Not Seasonally Adjusted

Foreclosures Create A Downward Spiral For The Region's Economy

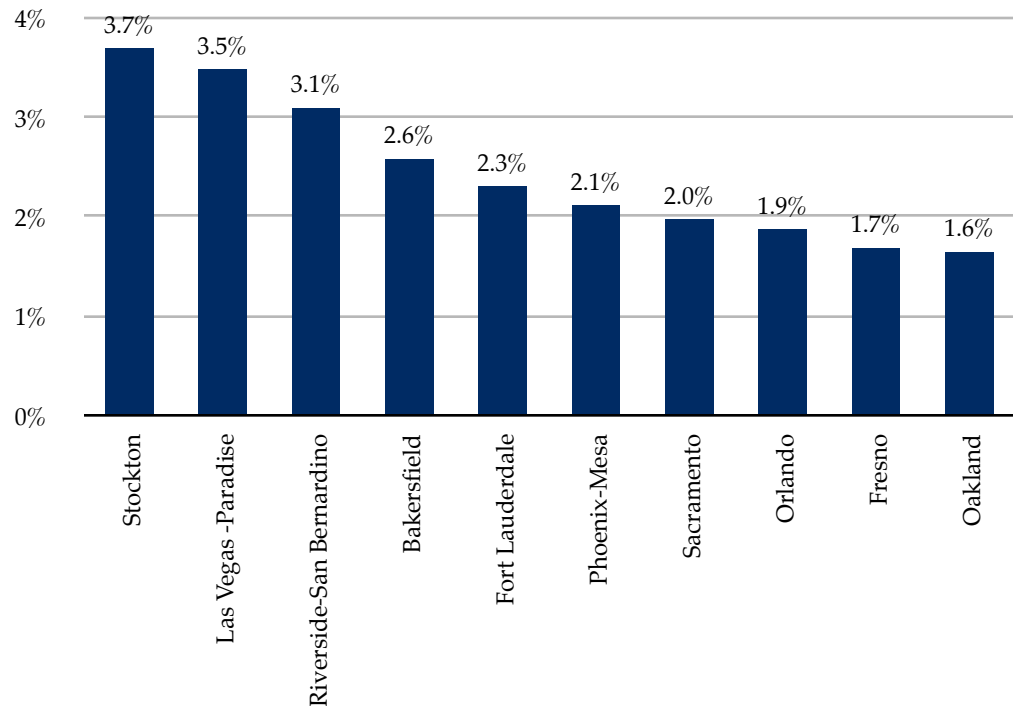
Foreclosures and the subprime real estate crisis have devastated families throughout the region. Increased unemployment will only worsen an already ruinous housing market. Many families, who have struggled to pay their mortgages, must now confront rising payments and growing job insecurity. Mortgage lenders report that many of the new loan default cases are products of increased unemployment and underemployment. According to IndyMac Federal Bank, up to 80% of borrowers who now ask for payment relief list job loss or underemployment as the main reason for default (Heisel, 2009). The relationship between rising foreclosure rates and worsening employment insecurity points to the systemic and widespread nature of the current crisis.

Riverside and San Bernardino counties have the third highest percentage of housing units in foreclosure among large metropolitan areas (see Figure 2). Rising foreclosure rates increase economic insecurity by driving down home prices. Devalued homes prevent owners from lowering their mortgages through debt refinancing. Many families now owe more than the value of their house. Four of the

top 20 cities in the country with high rates of upside-down mortgages are located in Riverside County (Gang, 2008). Homeowners with negative equity are at extreme risk for economic catastrophe if their adjustable rate mortgage (ARM) loans trigger higher monthly payments. High foreclosure rates, coupled with soaring unemployment levels, have created a downward spiral in the region.

Figure 2.

Percentage of Housing Units in Foreclosure - Top 10 Metro Areas (Q3 2008)



Source: RealtyTrac.com

Is Goods Movement a Solution to the Region’s Economic Crisis?

Recent Importance Of The Logistics Sector

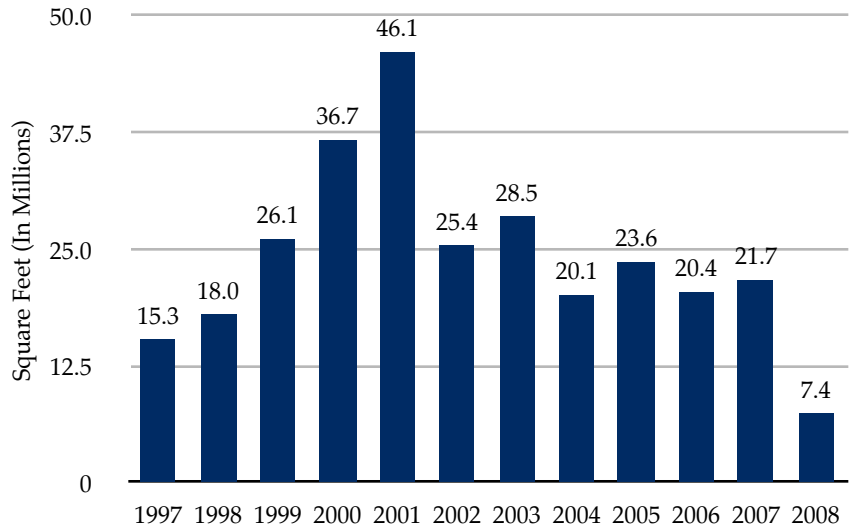
Until the recent economic downturn, the Inland Empire has been a vital part of Southern California’s regional economic strategy. As the major point of entry for the importing of consumer goods from Asia, especially China, to the entire United States, the twin ports of Los Angeles and Long Beach have served as the engine for a booming logistics (or goods movement) industry throughout Southern California; approximately 43% of all U.S. imports enter through the local ports. Because of its proximity to the ports, the Inland Empire has become a prime location for

warehouses and distribution centers, especially for the giant corporations that serve national markets. The Inland Empire also offered available land, coupled with low-wage labor, but its geographic location, perched on the eastern border of Los Angeles County, with abundant rail and highway transportation up and down the coast and inland to the rest of the country, makes it the inevitable warehousing capital of the region. Hauling ocean containers anywhere else adds substantially to the cost of imports.

Optimistic predictions of continued growth, for example, that freight volume will triple by 2030, and that 50% (1.5 billion square feet) of the space needed to meet future port capacity will be built in the Inland Empire (Multi-County Goods Movement Action Plan), must be tempered in light of the current economic downturn. The vacancy rate for warehouses has climbed from 6.2% in the fourth quarter of 2007, to 12.4% by the end of 2008⁵, and the eastern part of the two-county region has been especially hard-hit, with a vacancy rate of over 22% (Vincent, 2009). Many of today’s empty warehouses were built as part of a speculative development trend that, when combined with lower imports, has led to a dramatic decline in real estate absorption⁶ (see Figure 3).

Figure 3

Inland Empire Industrial Space Absorption



Source: Grubb & Ellis

⁵ These vacancy rates, from Cushman & Wakefield, differ from other real estate market reports. According to Grubb & Ellis, the Inland Empire’s industrial real estate vacancy rate was 9.9% for the fourth quarter of 2008.

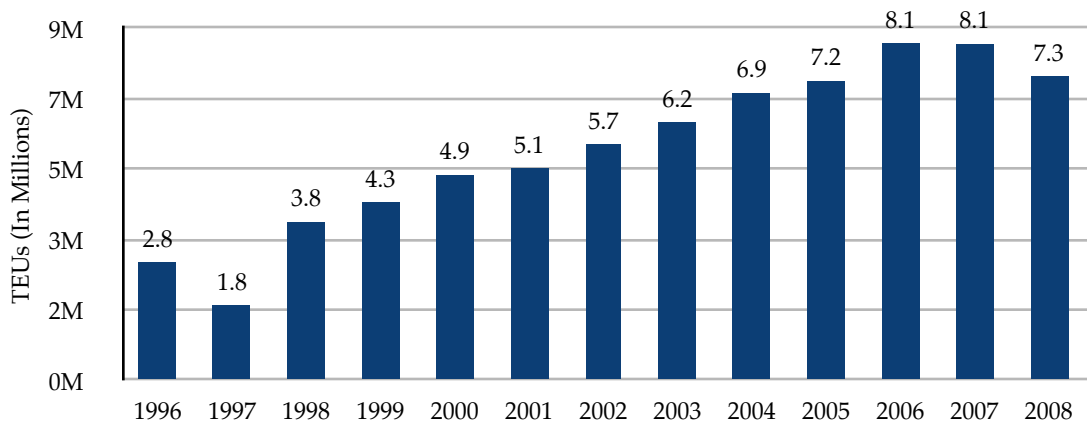
⁶ Absorption refers to the rate at which space is filled.

Will Logistics Continue To Be A Key Economic Sector?

We see no feasible alternative to the continued growth of the Inland Empire as a warehousing center. When the economy recovers, the warehouses and distribution centers will once again fill up, and additional construction is likely to follow. Trade patterns indicate that, while growth may be down, import volume remains at historically high levels. A 9.9% decline in loaded import containers for 2008 did not completely wipe out the dramatic volume growth that occurred between 1996 and 2007 (see Figure 4).

Figure 4

Growth of Imported (Loaded) Containers in TEUs⁷ - Los Angeles & Long Beach Ports



Source: Data gathered from the Port of Los Angeles and the Port of Long Beach monthly volume reports.

The reality is that there is no good alternative to the Inland Empire as a center of distribution for imports. Indeed, even with a severe recession, the gigantic warehouses of most of the country's major corporations, including retailers, continue to remain active. A vigorous effort by local city, county, state and federal agencies to expand transportation infrastructure will likely strengthen the region's warehousing prospects. Recent announcements by the local port authorities signal that officials are using the economic crisis as an opportunity to build long-term capacity. More than \$2.3 billion in funding has been approved for major new port expansion projects scheduled to begin in 2009 (Hanson, 2009).

⁷ Twenty-foot equivalent is an industry measurement that is based on the volume of a twenty foot shipping container.

Current Employment Practices Contribute to Economic Insecurity For Working Families

Blue-collar warehouse workers, who scrape by on low-wage jobs, face greater insecurity in today’s economic crisis. A large part of this insecurity is a product of the goods movement industry’s flexible low-wage labor model. Retail and shipping companies, with warehouses in the Inland Empire, rely on a low-wage, largely Latino, labor force. Policy makers have used the Inland Empire’s low-wage blue collar workforce as an enticement to lure employers into the region. Inland Empire workers earn less than their Los Angeles and Orange County counterparts.

For example, local workers in logistics-related industries earn an average of \$8,000 less than their counterparts in the Los Angeles metropolitan area (see Table 2)⁸. Regional cost-of-living differences do not fully account for these wage differentials. Higher industry wages for Los Angeles logistics workers can, in part, be explained by the ability of union workers to negotiate for higher wages. Workers in the Inland Empire have been unable to build the kind of industrial and political power needed to increase their wages.

Table 2

Annual Pay (Full-Time Workers) for Logistics Related Industries (2007)

Metropolitan Area	Wholesale Trade	Transportation & Warehousing	Employment Services	Average
Inland Empire	\$46,779	\$39,886	\$22,237	\$36,301
Los Angeles	\$58,747	\$47,539	\$27,100	\$44,462

Source: Bureau of Labor Statistics, QCEW

Industry wage figures, as presented in Table 2, can misrepresent what most warehouse workers earn. The Southern California Association of Governments (SCAG) claims that logistics workers earn an average of \$45,314 per year. Various policy-making organizations have used this figure to justify public support for the logistics industry. In reality, most warehouse workers earn much less. SCAG’s broad definition of the logistics industry includes a wide range of high-paying subsectors. Pilots, logisticians, and other white-collar occupations skew the average industry wage to well above what most warehouse workers earn (O’Connell, 2007). SCAG’s industry-based average wage statistics for the logistics sector omit a central group of warehouse workers, namely those who are employed by temporary employment agencies. In fact, the Inland Empire warehousing industry employs temp workers

⁸ We use the U.S. Office of Management and Budget’s definition of metropolitan statistical areas (MSA). The Los Angeles MSA includes Los Angeles and Orange counties.

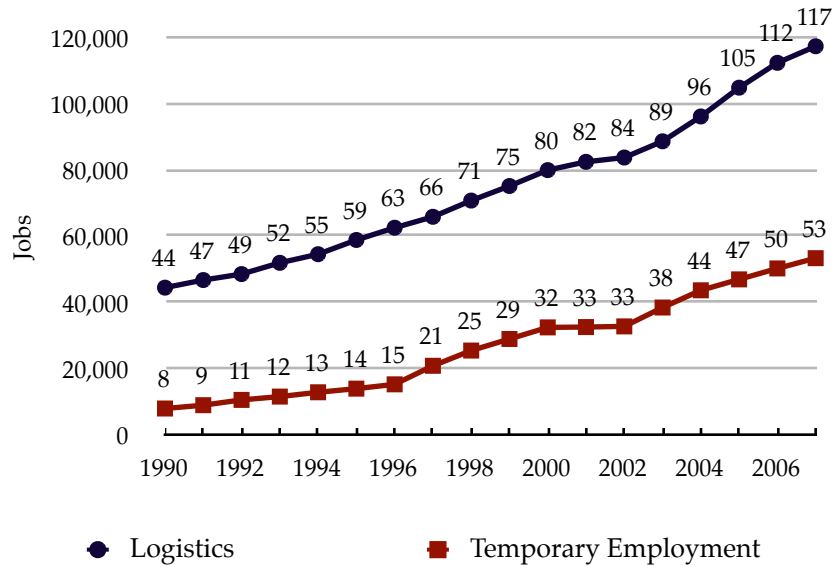
extensively, and the use of temp workers is a critical part of the industry’s business model.

The Use Of Temporary Warehouse Employment Creates Bad Jobs

An increasing number of Inland Empire workers are living with the financial instability of temporary employment. More than 53,000 people were hired by the temporary employment industry during 2007. Many warehouses use temp agencies to hire a pool of flexible low-wage workers. Temporary warehouse workers frequently work side by side with direct-hire employees; they are often paid less and must suffer the additional economic burden of job insecurity. The use of temp workers exploded during the region’s rapid growth; temporary employment increased by 575% between 1990 and 2007 (see Figure 6). There were approximately 424 temporary employment establishments during the second quarter of 2008; this was up from 119 in 1990⁹. Not all temp workers are employed by warehouses and available data does not adequately allow us to measure temporary employment by sector. Nevertheless, we suspect that a significant amount of the growth in temporary employment is connected to the goods movement industry.

Figure 6

Logistics and Temporary Employment Growth in the Inland Empire, 1990-2007



Source: CA Employment Development Department

The employment of temp workers fulfills at least two purposes for the warehousing industry and the corporations that it serves. On the one hand, it can be

⁹ Based on authors’ analysis of data from the Quarterly Census of Employment and Wages.

a perfectly legitimate way of dealing with seasonal variations in the flow of goods. But it can also be used as a way of cutting labor costs and avoiding or denying responsibility for the pay and working conditions of one's work force.

The practice of contracting out labor to cut labor costs, and avoid responsibility for one's employees, is certainly not limited to the warehousing industry. The garment industry was one of the first to develop this practice, and as a result is notorious for the resulting sweatshops, both here and abroad. Many other industries have learned from this example, and the warehousing industry has learned the lesson well. Not only does the use of temp workers help warehouse operators avoid paying a living wage and providing basic benefits (such as paid sick leave, vacation pay, healthcare coverage, and a retirement plan), but it is also a way to externalize responsibility for Workers' Compensation coverage in a dangerous and injury-prone industry (Bonacich and Wilson, 2008).

One might add that the use of temp workers is also a "union avoidance" strategy on the part of warehouse operators. Employing temp workers alongside direct-hire workers creates a two-tier, divided workforce, who may have trouble finding common cause, and can easily be pitted against each other. Moreover, if temp workers should try to organize or join a union, they can easily be fired. Having a substantial temporary labor force provides the warehouse with "anti-union insurance."

In sum, the primary purpose of the employment of temp workers appears to be to exploit labor more thoroughly. This is shown in wage statistics. A generous reading of the data suggests that temp workers earned an average of \$22,237 per year in 2007; more realistic analysis reveals that most temp workers earned less. The U.S. Bureau of Labor Statistics (BLS) uses a forty hour work week to calculate average annual pay. This assumes that temporary workers have year-round full-time employment. Most temporary workers are not fully employed on a year-round basis. Such precarious employment results in even less income than the already low average.

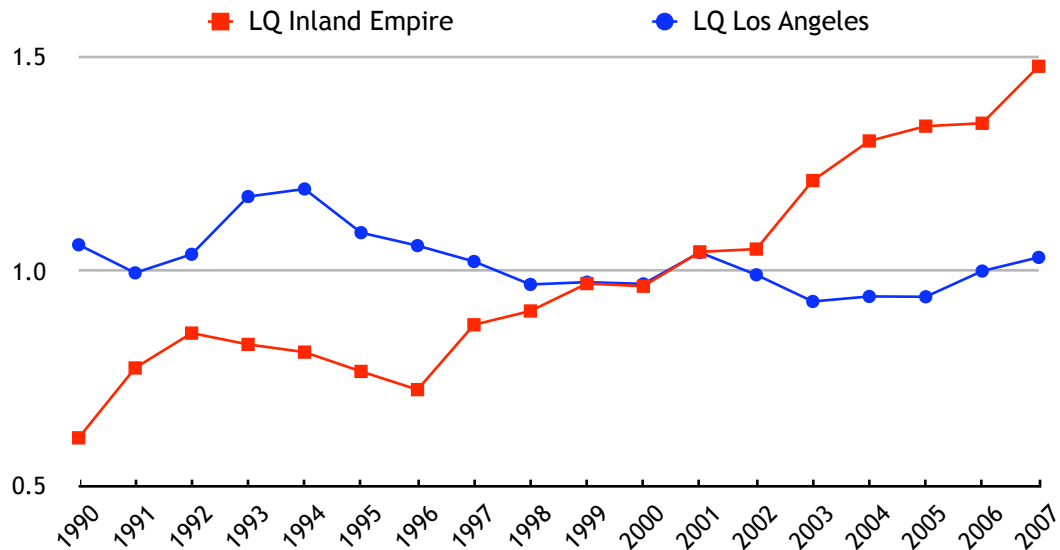
Retailers and shippers are responsible for adopting a business model that capitalizes on a local low-wage labor market. Employment agencies have met this demand by serving as labor market intermediaries that funnel workers into the region's warehouses. The proliferation of temp agencies, that cater to logistics companies, highlights a systemic problem with the goods movement industry. Logistics may offer a number of good paying white-collar jobs, but the industry also relies on a large pool of low-wage workers. Corporate practices, that exploit the region's labor pool, create significant wage and quality of life disparities.

A heavy concentration of temporary employment can signal job insecurity and low wages for a region's workers (Theodore and Peck, 2002). We can measure industry concentration by using location quotients to compare Inland Empire temporary employment levels to other regions. Our data analysis indicates that the temporary employment industry is disproportionately concentrated in the Inland

Empire. The region’s temporary employment location quotient of 1.48 means that temp workers are nearly 1.5 times more concentrated in the Inland Empire than they are in the rest of the state. The region also has a higher relative concentration than the Los Angeles metro area. This was not always the case. The trend lines for the Los Angeles metro area and the Inland Empire show that Riverside and San Bernardino counties dramatically increased their concentration of temporary employment between 1990 and 2007 (see Figure 7).

Figure 7

Temporary Employment Concentration, Location Quotient Comparison



Source: Author’s analysis of employment data from the CA EDD

Such a high concentration of temporary employment, when combined with low average wages, casts doubt on the argument that the logistics industry provides good jobs for warehouse workers. Temporary warehouse workers are often trapped in jobs that offer no opportunities for upward mobility. Most never get an opportunity to secure full-time direct-hire jobs. Research has shown that temporary employment offers low-wage workers little opportunity for advancement; many of these workers would prefer a well-paid direct-hire job (Kallerberg, 2000).

Most Warehouse Workers Don’t Earn a Basic Family Wage

Many direct-hire blue-collar warehouse workers haven’t escaped the economic insecurity that comes with a low-wage job. Occupational wage data, from the California Employment Development Department, reveals how industry wage averages can mask the low-wage reality of Inland Empire warehouse workers. Table

3 contains wage rates for common blue-collar warehouse occupations¹⁰. According to this data, full-time warehouse jobs pay an average of \$26,081¹¹ per year. Even this figure may be an overestimation of actual warehouse worker wages. Average annual wage estimates assume that workers are permanent full-time employees. Temporary, part-time, and underemployed warehouse workers will earn less than the average annual wage.

Median wages may offer more insight into the economic situation of most Inland Empire warehouse workers. The median hourly wage for a majority of blue-collar warehouse occupations ranges from a low of \$9.11 to a high of \$13.94. Workers in the largest two warehouse occupations earn a median wage of \$10.19 and \$10.45 respectively. Our analysis also reveals that forty-one percent of all warehouse occupational categories pay less than \$10.50 per hour. Workers, in the bottom twenty-five percent of the three largest occupational categories, earn an hourly wage of \$8.74 or less.

Table 3

Blue-Collar Warehouse Occupational Wages - 2008, 1st Qtr.

Occupational Title	Number Of Employees (All Industries)	Mean Annual Wage	25th Percentile Hourly Wage	Median Hourly Wage
Shipping, Receiving, and Traffic Clerks	9,330	\$28,304	\$10.46	\$13.08
Stock Clerks and Order Fillers	23,520	\$24,422	\$8.74	\$10.45
Industrial Truck and Tractor Operators	11,190	\$30,743	\$11.54	\$13.94
Laborers and Freight, Stock, and Material Movers, Hand	33,320	\$25,402	\$8.74	\$10.19
Packers and Packagers, Hand	12,270	\$21,535	\$8.30	\$9.11

¹⁰ We used Occupational Employment Statistics (OES) from the California Employment Development Department (CA EDD) to construct a more accurate wage scale for warehouse workers. CA EDD has identified a list of logistics-related occupations. We excluded administrative, management, and highly skilled occupations (like pilots and rail engineers). Other occupations with job descriptions that did not match our target constituency (sales representatives, etc...) were also excluded. We then cross-checked the remaining occupations with OES data to verify that logistics industries were the major employers of these occupations. Other industries may be included in the employee pool. Please note that these occupational categories do include temporary workers.

¹¹ This is an average of the five largest target occupational categories.

Source: CA EDD, Occupational Employment Statistics. Employment numbers based on May 2007 estimates.

Our data suggest that most blue-collar warehouse workers do not earn enough to meet the cost of living in Riverside and San Bernardino counties. The California Budget Project (2007) has estimated that Inland Empire families require an hourly wage of \$17.48 to meet basic needs. Only three percent of workers, in the blue-collar warehouse occupations that we have identified, earn a basic family wage¹².

Many families survive by cutting costs and living in substandard conditions. Interviews with warehouse workers reveal a pattern of economic hardship. One of these workers, Maria, is an example of how low wages and precarious employment force warehouse workers to live in poor conditions. Maria has worked in the warehouse industry for almost 4 years. She has worked in warehouses that are operated by some of the largest companies in the world, but Maria has never been employed as a direct-hire worker. The temp agency that places her in warehouse jobs pays \$8 per hour. Her husband is also employed as a temporary worker. Their monthly income varies with the number of hours they work. Maria, her husband, and their two children struggle to meet basic needs. The family has reduced their living costs by sharing a trailer with 2 other families. According to Maria:

Life as a temporary warehouse worker is very stressful, what am I supposed to do when they tell me that there's no work? What am I supposed to do? How am I going to buy my medicine? May God bless us, because I don't know what we are going to do. We just have to get out there and make ends meet however we can, see what we can find. I call the temp agency everyday, but nothing has come up yet.

Maria's temporary warehouse jobs do not provide affordable medical insurance benefits. As a result, the family's health needs often go unmet. Maria is a diabetic and has to pay for her medication out-of-pocket. One of her children was born with a health issue that requires regular medical attention. Maria often sacrifices her own health for the sake of the family. She regularly cuts her medicine dosage in half. According to Maria, "I know that I should take more medicine, but I look at my wallet and I can't pay for it, so I just have to tough it out. It causes me to feel sick."

¹² Calculated by taking 25% of all Industrial Truck and Tractor Operators, then dividing this by total blue-collar target occupations.

How the Goods Movement Industry Can Create Economic Security for Blue-Collar Warehouse Workers

Good Blue-Collar Jobs Can Help Bridge The Region's Inequality Gap

A recent report by the Public Policy Institute of California (Johnson et al., 2008) outlined the difficult issues that policy makers must consider when it comes to regional economic and workforce development decisions. More than 51% of local adults have less than or the equivalent of a high school education (see Table 4). Inland Empire workers are less educated when compared to the rest of the state. In fact, 22.6% of the local adult population never completed high school.

Table 4
Education Level for Inland Empire Adults Over 25

Level of Schooling	Percent of Population
Less than high school graduate	22.60%
High school graduate (includes equivalency)	28.90%
Some college or associate's degree	30.40%
Bachelor's degree	12.10%
Graduate or professional degree	6.10%

Source: Authors' analysis of data from the 2007 American Community Survey

Inland Empire workers are faced with difficult employment prospects. Their low education level ensures that many of them will end up in low-wage jobs (see Table 5). Gender-based wage disparities place women with low education levels in even worse financial stress. These workers need the types of employment opportunities that manufacturing once offered to blue-collar workers. The decline of Southern California's manufacturing sector has led policy makers to search for industries that can replace the thousands of jobs that have left the region. New, high-road regional development strategies should take into account that manufacturing jobs did not always provide good wages and working conditions. The manufacturing sector did not become a ladder into middle class living until workers formed unions that negotiated for better wages and benefits. The logistics industry has the opportunity to fulfill the region's future employment needs but only if warehouse workers can earn a basic family wage.

Table 5

Annual Median Earnings by Education Level (2006 Inflation-Adjusted Dollars)

	Total	Male	Female
Less than high school graduate	\$20,063	\$23,843	\$13,750
High school graduate (includes equivalency)	\$29,587	\$35,762	\$22,219
Some college or associate's degree	\$36,860	\$45,864	\$29,350
Bachelor's degree	\$49,611	\$58,697	\$41,017
Graduate or professional degree	\$63,715	\$74,453	\$54,475

Source: Authors' analysis of data from the 2007 American Community Survey

A High Road Strategy For Regional Development

The Inland Empire is at an economic crossroads. Thousands of families, most of them Latino, moved into the region to pursue their vision of the American Dream. Unscrupulous lending practices¹³ and precarious employment opportunities have shattered many of those dreams. Future economic growth can offer an opportunity for the region's working families to rebuild their hopes for a better life. More than 1.3 million new jobs are projected for the Southern California logistics sector by 2030¹⁴; many will be based in Inland Empire warehouses. Will these jobs provide well-paid opportunities for the region's blue-collar workers? Or will they continue to place working families in precarious economic conditions? The hope for a middle-class logistics career ladder largely depends on the ability of workers to negotiate for better wages and benefits.

A preliminary analysis reveals that unionized warehouse workers earn substantially higher wages than the average pay rates for all blue-collar warehouse occupations. An average blue-collar warehouse worker earns \$13.43 per hour. Unionized warehouse workers earn an average of \$16.63 per hour after one year of employment (see Table 6). Warehouse workers with two years of employment earn an average union wage of \$18.03 per hour. This wage differential can amount to an

¹³ Studies by the Center for Responsible Lending show that Latinos and African Americans were disproportionately targeted by predatory lenders.

¹⁴ SCAG (2005) claims that, "by building the infrastructure to accommodate the growth of international trade and clean up its worst environmental side-effects, some 1,381,000 jobs can be created in Southern California." Many of these new jobs would be driven by public investment. Only twenty-three percent of these jobs would come from the industry's natural growth. The rest of the jobs would be products of state investment in infrastructure, increased efficiency, and multiplier effects.

extra \$6,656 or \$9,568 dollars per year. Union workers also gain access to more affordable health care coverage. From a regional policy perspective, the extension of higher wages to more blue-collar warehouse workers would inject millions of dollars into the local economy.

Table 6

Unionized Warehouse Worker Wages - Inland Empire

	Entry	After 6 Months	1 Yr.	2 Yrs.
Average Wage	\$14.13	\$15.41	\$16.63	\$18.03

Source: Based on authors’ preliminary analysis of union contracts. Includes wages for employment classifications that fit our blue-collar warehouse worker profile.

The Opportunity

We are in a period when, faced with a dire economic crisis, there has been a shift in the national ethos. Instead of focusing on shifting more wealth into the hands of the already wealthy and powerful in the hopes that they will engage in productive rather than speculative investment, the new administration in Washington, backed by the majority of the nation, now recognizes the need to put more money in the hands of the average wage and salary earner, so that they can become more effective consumers, and help to restart the economy. Raising wages, and supporting unionization as a method of achieving wage increases, has once again become popular. Inland Empire policy makers, and giant retailers who have set up warehouses and distribution centers in the region, need to adopt this program and turn it to the advantage not only of the region, but also to the workers and their families.

In fact, the Inland Empire deserves better pay for its workers. They are performing a service for the nation as a whole by storing, sorting, and moving imported goods to the entire country, and they bear special costs in doing so. In particular, they suffer from severe traffic congestion, and the unhealthy air connected with diesel emissions from trucks¹⁵. These costs are uncompensated, and they should be. Local government officials recognize the fact of regional costs for a national benefit, and have tried to acquire “compensation” from the federal government in

¹⁵ Further expansion of the region’s goods movement industry poses formidable challenges to local communities. The diesel trucks, trains, and ships that move the goods through the region disproportionately expose local residents to cancer-causing toxins. Communities and environmental groups have argued that future goods movement expansion must mitigate negative diesel-related health affects. Diesel exposure causes more than 2,339 new cancer cases a year in the Inland Empire (see SCAQMD).

the form of funding for projects. But the federal government, given its high level of debt, has been reluctant to invest in the region, though they may now, as part of the stimulus package. However, the direct beneficiaries, the retailers and other importing corporations, can and should be made to foot part of the bill. They play a critical role in the goods movement process, and it is their warehouses whose shameful employment practices we have been examining. Putting higher wages in the hands of warehouse workers will be of benefit to the entire region as these better-off consumers create spinoff effects in the form of heightened demand for local goods and services.

Higher wages for working people also have a huge social advantage. They will increase social equality in a region known for its stark inequalities. Increased equality is usually accompanied by a heightened awareness of the responsibilities of citizenship, and increased civic participation. Social (including inter-ethnic) tensions will be reduced as families develop a stake in a system that provides them with the hope of real opportunities for their children. Greater social equality is associated with greater commitment to the general welfare, and to social peace.

The Inland Empire has a big advantage in making this shift from Low Road to High Road development happen, and that lies in its strategic location. The imported goods coming through the ports of Los Angeles and Long Beach must pass through Riverside and San Bernardino Counties. The warehouses and DCs are placed in their most efficient location, and there is no good alternative. This “natural advantage” provides the Inland Empire with some bargaining power in relation to the national corporations that warehouse in this area. They can be made to pay their fair share, if workers insist upon it and receive the backing of their local government. The time for such a shift is now, when the ethos of the country is in support of it.

Conclusion

The Inland Empire’s labor and real estate markets have attracted massive investment into the region. Companies in the goods movement sector have capitalized on this nexus of cheap land and labor to turn the Inland Empire into a major distribution hub. Working families have paid a steep price for delivering the goods to our nation’s retail shelves. They have been unduly burdened by a goods movement industry that contributes to economic insecurity and poor environmental health. Goods movement jobs have the potential of providing well paid employment for the region’s large blue-collar workforce. Yet current employment models, that rely on low-wage labor, have prevented the industry from delivering on the promise of good jobs for thousands of warehouse workers in the Inland Empire. Future expansion of the goods movement industry should ensure that warehouse workers earn wages and benefits that can move their families into economic security.

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