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Unions Make Strides as They Attack Banks

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When the city of Los Angeles started looking into its complex financial contracts with banks earlier this year, some council members turned to an unusual corner for financial advice: labor unions.

Turns out that union leaders had amassed an armory of research on derivatives, mortgage foreclosures and even Wall Street pay as part of their effort to hold bankers accountable for the economic pain they helped cause in Los Angeles and across the country.

Unions have criticized Wall Street before. But their attacks have taken on a new shape, both in ferocity and style, over the last 18 months, ever since the federal government doled out billions of dollars in bank bailouts.

Why? Labor leaders say the fortunes of banks and unions are linked more than people realize. Wall Street manages union pension portfolios worth hundreds of billions of dollars. Much of that is invested in financial institutions, giving unions a loud voice as shareholders.

Then there are all the unionized workers whose fates are indirectly shaped by the world of high finance. The jobs of hundreds of thousands of union members, like police officers and teachers, have been threatened by municipal budget cuts, made worse in some cases by exotic investments gone bad.

More abstractly, union leaders are framing their fight against Wall Street as a symbolic one, underscoring America's large disparities in wealth and wages.

"Many unions see that they need to be responsible for not just members' needs at the bargaining table, but other hardships in their lives, like foreclosures and high mortgage costs," said Peter Dreier, a political science professor at Occidental College in Los Angeles.

Unions are holding up many of their own members as victims of the banks' bad bets, like subprime mortgages, and are providing a steady stream of research in an effort to demystify the exotic financial products that they say are harming dozens of cities. Unions have also helped underwrite Americans for Financial Reform, a prominent group pushing for further bank regulation.

Labor leaders were among the first to call for the resignation of Bank of America's chief executive, who did retire months later. Unions issued a scathing report on bank bonuses, months before the federal pay czar presented his findings, and they criticized Goldman Sachs's bonus pool just before the bank said its chief would receive only stock.

This month, the A.F.L.-C.I.O., the nation's main labor federation, has organized 200 protests nationwide to publicly shame bankers, calling for new taxes on bankers' bonuses and on speculative short-term financial transactions — in the hope of collecting tens of billions of dollars to finance a job creation program.

"They played Russian roulette with our economy, and while Wall Street cashed in, they left Main Street holding the bag," Richard L. Trumka, the A.F.L.-C.I.O.'s president, said last Friday at a rally in Philadelphia. "They gorge themselves in a trough of taxpayers' dollars, while we struggle to make ends meet."

Labor is directly at odds with Wall Street on unionization drives and many other matters. Banks and private equity firms own stakes in many businesses that unions would like to unionize, like nursing home chains and food service companies. Labor groups like the Service Employees International Union and the A.F.L.-C.I.O. are pressuring financial companies not to oppose union membership drives.

It is hard to know for certain whether the unions' efforts have affected decisions made by Wall Street firms. But for cities like Los Angeles, feeling the squeeze of lower tax receipts, the service employees' pressure campaign seemed to have had an impact.

"They knew more about our own water deal than I knew," said Richard Alarcón, a Los Angeles councilman, referring to an interest-rate swap between the city's water system and the Bank of New York Mellon that converted the system's variable-rate bonds into bonds with a fixed rate. "They also knew the dynamics of swap deals, and they were very helpful."

As the city faces a deficit of nearly $500 million, the council was unhappy that Los Angeles would have to pay Bank of New York millions of dollars a year.

"Our members don't like it any more than other Americans when cities have less firefighters, less teachers or less police officers," said Andy Stern, president of the service employees' union.

The labor protests against the banks sometimes have murky targets. This month, service employees joined community leaders on the City Hall steps in Oakland, Calif., to denounce Goldman Sachs for arranging interest-rate swaps that have the city paying the bank millions a year.

After that rally, union leaders led a march to a local Citigroup branch. Goldman declined to comment, but a Citigroup representative scoffed.

"We weren't even involved in those deals," said Alex Samuelson, a Citigroup spokesman. "We were just a symbolic place to go and rail against Wall Street. You can't go to a Goldman Sachs branch."

Many bankers criticize the protests, saying they make lots of noise but often accomplish little. Steve Bartlett, president of the industry's Financial Services Roundtable, who has been the target of several union-led protests, including one outside his home on a Sunday morning, said, "Protests can be misguided or even damaging to your cause."

While union leaders say they are championing the concerns of Main Street, their antibank campaign has certainly advanced some of labor’s longtime objectives, like unionizing workers.

For instance, the S.E.I.U. has pressed several banks and private equity firms to agree to allow card check — a process that makes unionization easier — at companies in which they own stakes.

Service employees officials say they urged Goldman Sachs, which owns part of the food service company Aramark, to get Aramark to accept card check and not oppose an organizing drive. In December, the union’s president, Mr. Stern, even met with Goldman’s chief executive, Lloyd C. Blankfein, about universal health care and other labor-related issues.

Labor unions are using some of their members’ hard-luck stories to frame their battle as one between the haves and the have-nots, and in some cases that tactic is advancing the unions’ traditional goals in contract talks.

In February, for example, the service employees’ union publicized that one of its members cleaned the office of U.S. Bank’s chief in Minneapolis. That janitor, Rosalina Gomez, was facing foreclosure, and the union publicized that U.S. Bank had purchased her home in the foreclosure.

Steve Dale, a spokesman for the bank, said the union was attacking U.S. Bank even though JPMorgan Chase was the bank servicing Ms. Gomez’s mortgage. U.S. Bank, he said, was just the trustee, holding the loan for a mortgage bond.

“We did not service the loan,” Mr. Dale said. “We did not originate the loan, and we were not the financial entity that placed it into foreclosure. Do you understand what a trustee does?”

That aside, when the union threatened to have Ms. Gomez approach U.S. Bank’s chief, Richard K. Davis, at an awards luncheon, the bank rushed to set up a meeting between Ms. Gomez and JPMorgan. Fifty union supporters were at the site of the luncheon to conduct a silent vigil, with several reporters on hand.

Also at that time, the union was in contract negotiations with Ms. Gomez’s employer, the janitorial company that cleans U.S. Bank’s headquarters. Javier Morillo-Alicea, a leader of the union’s Minneapolis local, said its effort to embarrass the bank helped persuade the cleaning company to reach a contract that raised wages and provided better health insurance for the janitors.

“We put a lot of pressure on the bank,” he said, “and that led to a really good contract settlement in a tough economy.”