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‘Fiscal cliff’ would cost hundreds of thousands of federal jobs

By Franco Ordonez – 12/6/12

WASHINGTON -- Along with lawmakers and policy wonks, the unions that represent federal employees foresee worse consequences from the “fiscal cliff” than merely hundreds of thousands of workers losing their jobs.

The magnitude of losses to the labor force if Congress and the White House can’t reach a deal to avert \$1.2 trillion in automatic spending cuts would undermine the nation’s economy by crippling airports, federal courts and food processing plants and would jeopardize safety at federal prisons, lawmakers and policy experts say.

“I’m astounded that people haven’t estimated this and thought through the consequences more clearly,” said Scott Lilly, a senior fellow at the Center for American Progress, a liberal research center, who formerly served as clerk and staff director of the House of Representatives Appropriations Committee.

Hitting the so-called fiscal cliff would send the economy back into recession and cause unemployment to surge to 9.1 percent by the end of next year, according to a report Nov. 8 from the Congressional Budget Office, the independent budget arm of Congress. The CBO estimates that the economy would shrink by 0.5 percent next year if all the tax increases and spending cuts are enacted.

The budget cuts, known formally as sequestration, would be felt across the country. An estimated 85 percent of the federal workforce lives and works outside the Washington beltway, according to William Dougan, the chairman of the Federal Workers Alliance, a collective effort of 22 unions that represent more than 300,000 federal employees.

“If sequestration kicks in, that will be the biggest threat to the federal workforce,” Dougan said.

An estimated 277,000 federal workers and 470,000 federal contractors might lose their jobs in the next 12 months, according to a study by George Mason University, as part of cuts stipulated in the Budget Control Act of 2011, which was signed to raise the federal borrowing limit.

The District of Columbia and nine states – including California, Texas, Florida and Pennsylvania – are particularly vulnerable to federal spending cuts, as they

account for more than half the expected job losses, the report found. The other states are Virginia, Maryland, New York, Massachusetts and Georgia.

Facing huge federal deficits for years to come, however, policymakers need to look more closely at trimming some of \$200 billion annually spent in federal pay, according to Chris Edwards, the director of tax policy studies at the Cato Institute, a libertarian policy group. He said excessive growth of the federal workforce, combined with overly generous benefits, kept its employees on "an elite island of secure and high-paid workers." It's time for some restraint, he said.

"We got a trillion-dollar deficit," Edwards said. "We have to cut every area of the budget. So we ought to cut federal pay. Or we ought to at least freeze federal pay."

The Department of Labor and other agencies have referred questions about department impacts to the White House's Office of Management and Budget. Calls to the OMB weren't returned, but an agency report says there's "no question that the sequestration would be deeply destructive to national security, domestic investments and core government functions."

For months, some lawmakers have discounted the possibility that Congress wouldn't reach a deal. But concern is growing as President Barack Obama and Republican congressional leaders continue to jockey for the upper hand with four weeks left until massive tax hikes and spending cuts are to take effect.

A worst-case scenario includes as many as 100 airports shutting down because of a lack of air traffic controllers, meat processing plants closing because of lost food inspectors and unsafe prisons because of lost guards, Lilly said.

The Federal Bureau of Prisons might be forced to eliminate thousands of correctional officer positions, at least 10 percent of its correctional officer workforce, according to a report by Rep. Norm Dicks of Washington state, the ranking Democratic member on the House Appropriations Committee.

The Federal Aviation Administration might have to cut more than \$800 million from its air traffic-control system budget and lay off more than 2,200 employees, including air traffic controllers, technicians and support staff, the congressional report found.

More than 3,000 FBI, Drug Enforcement Administration and Bureau of Alcohol, Tobacco, Firearms and Explosives agents and U.S. marshals and nearly 1,000 lawyers might lose their jobs to make up for \$2.5 billion in cuts to the Department of Justice, the report said. As many as 5,400 people who work for the federal courts might be let go.

Federal workers already are under a two-year wage freeze. According to the Federal Workers Alliance, they already have contributed \$103 billion in budget savings through pay freezes, delayed raises and increased benefit contributions.

Some lawmakers have proposed extending the pay freezes as part of efforts to reduce the size of the federal government after several years of explosive growth during the George W. Bush presidency and the early part of the first Obama term.

The expectation is that federal workers will continue to share in the sacrifices. New attention has been placed on a bipartisan plan led by Erskine Bowles and Alan Simpson, former co-chairmen of Obama's fiscal commission of 2010.

The White House and Republicans are reportedly open to the idea of increasing pension contributions from federal employees, and there's sentiment for curbing cost-of-living adjustments. Simpson-Bowles suggested a task force to review military, federal health and retirement programs, with a goal of cutting \$70 billion over 10 years.

Dougan said federal workers already had contributed more than their fair share. It's time for leaders to find other ways to reduce the deficits, he said, instead of always looking to those who've dedicated their lives to public service.

Agency heads are reluctant to tell their workers to plan for pink slips, but union bosses are encouraging members to dust off their resumes, put away some cash and hold off on any big purchases until at least after negotiations conclude.

"We're encouraging people to save as much money as you can," Dougan said. "Don't go crazy, and maybe think whether you need to buy that car right now or maybe you can wait until after this passes and see if you still have a job."