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## Unions battle for public job benefits

*States, cities demand cuts*

By [Sean Lenggell](#)

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Major clashes are breaking out between public-sector unions and state and local governments seeking to steady their wobbly books by scaling back employee benefits, pitting labor's political clout against lawmakers eager to avoid raising taxes or cutting programs.



From New York to California, state capitals and city halls facing huge budget deficits are fighting with unions to slash costs through pension cuts or freezes and worker furloughs and by renegotiating contracts with unions that represent civil servants, teachers, police, firefighters and other public servants.

"A lot of state and city governments' backs are against the wall; they can't go on borrowing forever like the federal government," said Chris Edwards, the director of tax-policy studies at the Cato Institute, a free-market think tank.

"It's a giant battle, and these are only the opening salvos."

Putting more pressure on historically sticky relationships, government officials say that public employee unions for decades have pushed labor costs above acceptable levels by demanding exorbitant benefits packages.

The unions, in turn, say it's not their fault that governments have mismanaged pensions funds and that workers unfairly have been cast as scapegoats for budget deficits.

"They're looking to balance their books on the backs of the workers, and at some point some politicians are going to have own up to the fact that they're going to have to fix things on the revenue side," said Gordon Pavy, director of collective bargaining for the AFL-CIO labor federation.

As the economy soured and budget deficits soared, mayors and governors have been confronting unions more frequently and aggressively, particularly when faced with the politically dangerous alternative of raising taxes on an already cash-strapped electorate.

"The political pressure on mayors [from unions] is less, and that's why the mayors are able to get away with it," said University of Chicago public policy professor Robert J. LaLonde. "Raising taxes now is worse than taking on the unions."

Union leaders say the tension has led to the unfair denunciation of public workers, with politicians portraying them as overpaid, underworked and ungrateful bureaucrats.

"The vilification of teachers and librarians and firefighters, it's pretty unseemly," said Steven Kreisberg, director of collective bargaining for the American Federation of State, County and Municipal Employees, which represents more than 1.5 million workers.

"When you have difficult times like this, many politicians are going to resort to demagoguery; they are going to create an 'other' to be the enemy and will try to rally folks around [using] the 'other.' ... I think we're seeing some of that play out."

Mr. Kreisberg added that public-sector workers nationwide have been subjected to pay and benefit cuts at far greater rates than in the private sector.

"The idea that somehow public workers are immune to the cyclical economic turmoil is a myth," he said. "To a certain degree sometimes some mayors take advantage of these economic times to inflict more pain than is necessary."

Among the biggest money drains for many local and state governments are underfunded pensions, a figure estimated at \$3 trillion nationally.

Many pension funds were expanded significantly during the economic boom of the 1990s and early 2000s. Politicians often were willing to balloon pension packages because the payout was years down the road - and possibly after they left office.

But pension values plummeted when the economy nose-dived a couple years ago, putting counties and states in a precarious financial situation.

And with state and local work forces filled with baby boomers on the brink of retirement, the problem may escalate in the coming years.

Governments and unions alike must share responsibility for the pension crisis, Mr. Edwards said.

"It's [labor's] fault for pushing for endless increases in wages and benefits, but it's true that it's the politicians' fault for using dishonest budget practices," he said. "It's really unknown how this will be resolved."

California Gov. Arnold Schwarzenegger in June won a major but hard-fought victory when he reached tentative contract agreements with four powerful public-sector unions. It was the first time in years that the unions agreed to cuts in their retirement benefits.

The concessions call for an increase in the retirement age by five years for new hires, while current workers must contribute more to their pension packages. The pending deals now face votes by union members and the state Legislature.

"I am absolutely committed to getting pension reform done, because we cannot continue down this unsustainable path that has taxpayers on the hook for \$500 billion in debt," said Mr. Schwarzenegger, a Republican. "I encourage other public-employee unions to negotiate on behalf of their members and California taxpayers."

In San Francisco, voters this month overwhelmingly approved a ballot measure to curb escalating pension costs for city workers. The measure, which was approved by 78 percent of those casting ballots, calls on employees to increase their pension contributions from 7.5 percent to 9 percent.

Labor groups in San Francisco unenthusiastically backed the plan.

"It is not something the unions wanted to do very heartily," said Tim Paulson, executive director of the San Francisco Labor Council, in a San Francisco Chronicle report. "But we really feel that right now is the time to put this money the bank and get pension reform put together ... in order to balance the budget."

In Illinois, state pension plans are in such a shambles that the General Assembly, in a rare show of bipartisanship, overwhelming voted this year to reform the system. The move was supported by Democratic Gov. Pat Quinn, but strongly opposed by unions.

The measure calls for future state employees to work until age 67 to get full retirement benefits, and sets a maximum salary on which pensions may be calculated and limits annual increases in payments.

Another cost-cutting technique used by governments is unpaid worker furloughs.

California, hit harder than most other states by the recession and facing a massive budget deficit, last year began forcing state employees to take unpaid days off. The furloughs translated into a pay cut of about 14 percent for workers and saved about \$1 billion in general funds and \$2.2 billion in overall savings, the state says.

While the furloughs officially ended in June, Mr. Schwarzenegger has indicated he may consider more, and possible layoffs, in the future.

"The longer we go without a budget, the more likely it is that the governor will be forced to look at furloughs and layoffs to achieve savings," said Schwarzenegger spokesman Aaron McLear.

Several unions have filed lawsuits challenging the constitutionality of the furloughs. Labor groups also say that cutting state and local public services through furloughs, layoffs and other means is shortsighted, because it offsets federal economic stimulus aid, thus prolonging the recession.

Unions add that the hundreds of billions of taxpayer dollars used to bail out Wall Street would have been better spent paying off state government deficits.

"The total cost of the AIG bailout is equal to the sum of all the state budget deficits throughout the nation," said Pet Feng, a spokesman with AFSCME in California. "Anyone who has to work for a living should, and rightly so, be very concerned with how taxpayer dollars are spent."

New York Gov. David A. Paterson, struggling to pull his state out of \$9.2 billion deficit, had threatened this year to place 100,000 state employees on mandatory unpaid furloughs until state lawmakers passed his delayed budget.

"I think the collective sacrifice is preferable to individual layoffs at this time," the Democratic governor said.

Union locals in New York, like those in California, called the furloughs illegal and took their case to court. A court injunction has blocked the furloughs, but not before Mr. Paterson's threat bruised his already touchy relationship with labor unions.

"Ultimately, people think of public-sector unions as invincible, but I always say there are 20 million state and local workers in the nation, but there's over 200 million more of us," said Mr. Edwards, the Cato Institute economist.

"This is just the start of a long battle between local taxpayers and state and local unions."

*c This article is based in part on wire service reports.*

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