

California governor threatens to reduce state workers' pay to minimum wage

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California Governor Arnold Schwarzenegger has threatened to sign an executive order next week to slash the salaries of nearly three-quarters of the state's 275,000 employees down to \$6.55 an hour, the federal minimum wage, or \$1.45 below the California minimum of \$8.00 an hour.

Schwarzenegger's draconian threat is aimed at punishing state workers because California has deadlocked over a new budget to resolve the \$15.2 billion deficit.

The 200,000 affected workers include a cross section of professionals and workers, from university faculty and investors for the state retirement fund, to health care and clerical staff. Schwarzenegger claims the cuts would give the state \$1.2 billion per month to use after it runs out of cash in September.

In addition, the order would immediately lay off 21,855 part-time state employees, halt all overtime pay, and cease all hiring, supposedly generating another \$100 million.

According to Schwarzenegger's plan, this would allow the state to defer paying about \$1 billion a month, and workers would be repaid their lost earnings once a budget was passed. Most state employees, who are paid once a month, would probably not see another paycheck until the end of August.

While some have accused the Republican governor of brinkmanship, Schwarzenegger said, "This is not a drill or a chess move. No, not at all. I'm the CEO of the state. I have a certain responsibility, and [I] totally understand it is painful for a lot of people the things that we do, and that it is tough.... We are running out of money."

For the affected state workers, this will mean unheard of hardship paying their mortgages or rent, not to mention the skyrocketing costs of food, gas, education

and healthcare. The *Los Angeles Times* quoted Carolina Castillo, 34, a legal secretary, "I won't be able to survive. I have three kids. I'm a single mom.... There's just no way." She said that she might need welfare and would have no choice but to return to the private sector, which she left a year and a half ago for a steadier schedule and more time with her family.

The Democrats who control the state legislature are proposing a \$10 billion package of tax increases—including some reductions in the massive tax breaks both parties have granted corporations and the wealthy over the past two decades. The proposal, which is clearly inadequate to maintain current levels of essential state services, is little more than populist posturing, which the Democrats know will be defeated.

State Controller John Chiang, a Democrat, whose office handles payroll for government employees, said he would not implement the wage-cutting order, claiming the state has enough money on hand. A court battle could ensue as the administration insists that state law would require the controller to carry out the governor's order.

The origins of this dispute over state employee wages originated in 2003, when the state Supreme Court ruled that state employees who are paid by the hour and do not work overtime in a particular pay period are legally entitled only to the federal minimum wage if the state enters a new fiscal year without a budget.

State revenues have been hammered by the decline in the property market, which has in turn affected property tax collections. This means that the state is now overly dependent on capital gains tax revenues, which have fallen as the economy has slowed.

As exemplified by Countrywide and IndyMac's collapse, California is at the center of the collapsing mortgage and housing bubbles. Some of the nation's

highest foreclosure rates are in the state. According to the RealtyTrac's report issued on July 25, California had the nation's second highest state foreclosure rate, one in every 65 households. The second quarter 2008 U.S. Foreclosure Market Report also ranks the nation's 100 largest metropolitan areas by foreclosure rate. California and Florida metro areas accounted for 16 of the top 20 metro foreclosure rates, with the California cities of Stockton and Riverside-San Bernardino taking the No. 1 and No. 2 spots.

While state resources have been decimated, Schwarzenegger's claim that there is no money in California to pay state workers or for essential services is fraudulent. The polarization between rich and poor is most sharply expressed in the wealthiest state in the country. As of March 2006, it was the home to 91, or nearly 19 percent, of the world's billionaires. This minuscule and parasitic social layer has accumulated vast sums of wealth, easily avoiding taxes, while millions face homelessness, pay cuts, and poverty.

Workers are being forced to pay for a budget crisis directly traceable to the predatory tactics of Wall Street financiers and their co-conspirators like IndyMac Bank.

Given the scale of this attack on the working class, there is widespread and deep anger among the state workers. However, the unions, including Service Employees International Union Local 1000, which represents 95,000 state workers, do not intend to wage any serious political struggle against Schwarzenegger. Instead, tied unalterably to the Democratic Party, the unions have published denunciations, held toothless protests at the Capitol Building featuring various Democratic politicians and indicated they would oppose the measure through the courts.



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