

# **New York state government uses budget crisis to attack pensions**

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New York Governor David Paterson announced last weekend that the two largest New York state employee unions approved a plan that would drastically cut pensions for newly hired state workers and eliminate 7,000 state jobs. The proposal, which Paterson called “the most significant reform of the state and local pension system in 25 years,” would raise the retirement age to 62, from its current level of 55.

The New York State government is using its budget shortfall as a pretense for slashing social spending and wiping out thousands of workers’ jobs. The state’s budget deficit, estimated at \$17.7 billion, is the third largest in the country and amounts to 32.3 percent of the annual budget.

Paterson’s plan requires state workers to continue paying 3 percent of their salaries toward pensions for their entire careers, as opposed to their first 10 years of employment under the current plan. To draw a pension, newly hired workers would have to have served for a minimum of 10 years instead of the current 5. The plan also imposes a 38 percent benefit decrease for any worker who leaves without having reached retirement age and introduces other adjustments designed to reduce pension payouts.

Officials from the Civil Service Employees Association (CSEA) and the Public Employees Federation (PEF) justified their support for the cuts with the claim that they would prevent more job losses in the future. CSEA president Danny Donohue said that his organization “recognizes these are extraordinary times with unprecedented challenges, and we have tried to find ways to help.” There is not even a pretense at fighting here.

These concessions will be used as a benchmark for other workers. Morgan Hook, a spokesman for

Governor Paterson said, “Other unions whose members are subject to the state layoffs will be offered the same deal as CSEA and PEF.”

New York City’s Mayor Michael Bloomberg said the new pension plan would save the city \$200 million a year, and \$7 billion over the next 20 years. He noted that the takeaway deal would help with “reining in out-of-control pension costs in New York State and city.” Bloomberg—whose personal fortune was estimated last year at \$20 billion—could pay the 20-year savings out his pocket and still remain among the richest people in the world. In fact, he could cover the entire state budget gap with his own cash.

The scheme entails eliminating 7,000 jobs, down slightly from the 8,600 layoffs proposed by Paterson last month. While the new plan does not affect current workers and retirees, all new hires will be brought in with sharply reduced retirement plans.

Firefighters and police officers are facing similar pension cuts. Earlier this month, Governor Paterson vetoed a provision that guarantees that newly hired cops and firefighters would not receive worse benefits than those are currently employed. The provision, first originated in 1976, has been repeatedly passed by the state legislature.

Mayor Bloomberg lauded Paterson’s decision, saying: “The city and state have been buried by exponential growth in pension costs and we need reform now, before those costs bankrupt the city and the state.” In his veto, Paterson wrote: “This bill has been extended routinely since its initial enactment. But these are not routine times....”

These comments are telling: The current crisis is being used to push through cuts and concessions that have been on the agenda for decades, but could not be

implemented due to mass opposition. The economic crisis, the result of financial fraud and criminality by the super-rich, has spawned a budget crisis in the majority of states. The states, in turn, are using the budget crisis to push through policies demanded by Wall Street: the lowering of wages and the destruction of workers' benefits.

The Metropolitan Transportation Authority (MTA), the agency that provides transit services in metropolitan New York City, raised its fares in late June, citing its \$1.8 billion deficit. Rates for New York City subway rides have gone up 25 cents to \$2.25 in the second rate increase in two years. The price of a single ride on an express bus hit \$5.50, compared to \$1.25 in Los Angeles and \$2.25 in Chicago.

These layoffs, concessions and cutbacks will only exacerbate the brewing social crisis in New York State. The state's unemployment rate has risen by 3 percent in the year to May. In Albany, the state capital, unemployment reached 8.0 percent in May, up from 4.9 percent a year earlier. New York City has an unemployment rate of 8.7 percent, with 187,000 unemployed people. The state has suffered 294 mass layoff events between April and May of this year.

New York City, the epicenter of the financial crisis, is emerging as a central front in the nationwide assault on the working class, carried on under the auspices of the economic and budget crisis. These cuts are part of a deliberate policy, perpetrated under the lash of the Obama administration's policies and at the bidding of Wall Street, to drive up profits by reducing workers' living standards. The fact that one of the chief architects of the cuts, New York's Mayor Bloomberg, is himself a former Wall Street speculator and the eighth-richest person in the country, only makes the process that much more stark.



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