Obama cuts pay raise for federal workers

Tom Eley
3 September 2009

Invoking the state of "national emergency" declared soon after the September 11, 2001, terrorist attacks, President Barack Obama on Monday issued a letter to congress reducing statutory 2010 pay increases for 1.3 million workers employed by the federal government.

Obama reduced scheduled pay increases to 2 percent across-the-board from a contractually-required minimum increase of 2.4 percent. It will be the lowest cost of living adjustment for federal workers in two decades, and with inflation will mean a significant cut in real income.

By law, pay increases for federal workers are determined by subtracting .5 percent from annual wage inflation in the private workforce, as determined by the Labor Department's Employment Cost Index.

In addition, federal employees are owed increases depending upon a "comparability formula" with local pay conditions called "locality pay," based on a statute passed by congress in 1990. Since 1990, presidents George H.W. Bush, Bill Clinton, George W. Bush, and now Barack Obama have repeatedly invoked the statute's emergency clause to block increases in locality pay.

The increases have been blocked so many times that this year federal employees would be owed an average 16.5 percent increase in comparability pay in addition to the 2.4 percent cost of living hike.

Obama also cited the current economic crisis as a reason to cut pay for federal workers. "With unemployment at 9.5 percent in June, to cite just one economic indicator, few would disagree that our country is facing serious economic conditions affecting the general welfare," Obama wrote in the letter, which was addressed to House Speaker Nancy Pelosi. "The growth in Federal requirements is straining the Federal budget. Full statutory civilian pay increases costing $22.6 billion in 2010 alone would put even more stress on our budget."

Once again, the economic crisis is being used to carry out a far-reaching attack on the working class. The Obama and Bush administrations have handed trillions to Wall Street within the last year. The cost of carrying on the wars in Iraq and Afghanistan for one year are about five times as much.

When it comes to the taxpayer-subsidized, multi-million dollar salaries and bonuses doled out to the top bankers, Obama has repeatedly said he does not "disparage wealth" or "begrudge anybody for achieving success." The administration has repeatedly opposed any caps on executive pay and bonuses. The president's magnanimity over pay evidently does not extend to his own employees.

It is also noteworthy that Obama did not block much higher scheduled pay hikes for military employees, who will see increases of either 3.4 percent or 2.9 percent in 2010.

Max Stier, president of the nonprofit Partnership for Public Service, criticized Obama's decision. "We're operating under a fiction where every year, every president cites a national emergency to avoid a pay raise the law otherwise requires for the federal workforce," Stier said.

However, unions supposedly representing government employees, like their counterparts in the private sector, are collaborating in the attack on their membership—in spite of the fact that Obama's pay increase for federal workers is lower than any year during the Bush administration.

Colleen Kelley, president of the National Treasury Employees Union (NTEU) said that “NTEU recognizes that it has been a very difficult year for the economy.”

The president of the American Federation of Government Employees (AFGE) endorsed the pay cut when Obama first mooted it in his proposed budget in February. “Although federal employees would prefer to have seen an increase in pay, the equivalent to the military, we recognize the severity of our nation’s economic situation, including the crisis for public workers at the state and local level, and understand that only modest steps can be taken this year to close the remaining pay gap between the federal and non-federal salaries,” said AFGE executive John Gage.

No comment on Obama’s order could be found on the website of the nation’s largest government employee union, the American Federation of State, County, and Municipal Employees (AFSCME), even though the attack on the wages of federal workers will be seized upon by state and local governments in order to enact deeper cuts in the wages and conditions of state workers.

Executives of the government unions campaigned feverishly to elect Obama, turning over millions of dollars of employee dues in the process.

Obama’s manipulation of the 9/11 terrorist attacks in order to cut the pay of federal employees is particularly cynical. But it in fact expresses the essence of the “war on terror,” which has never been about defending the American people. The attack on the wages and conditions of American workers is the flip side of Washington’s efforts to subjugate the Middle East and Central Asia.

Adding gratuitous insult to injury, Obama copied, virtually verbatim, an order issued in the name of George W. Bush in 2007 blocking pay increases for federal workers in 2008.

Obama’s pay reduction for federal workers is only the latest attack on the income of the working class:

*Obama’s forced reorganization of the auto industry was predicated on layoffs and massive wage and benefit cuts for current auto workers, and pension and health care cuts for retirees.

*The attack on auto workers signaled a far-ranging attack on workers in the private sector. For the year ending in June, private sector wages increased by only 1.5 percent, the lowest increase since at least 1980. Millions have been laid off, while worker productivity has increased sharply.

*By refusing federal assistance to California, Obama manipulated the near-bankruptcy of the nation’s largest state to force major layoffs and cuts to social spending. California’s layoffs, pay cuts, and furloughs for state workers have been emulated across the nation at the state and local level.

*Social Security recipients will witness an effective pay cut next year as well, as cost of living adjustments will be frozen for the first time since 1975.