Los Angeles City Council approves 3,000 city worker layoffs

Dan Conway
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In a two-hour, closed-door session on Thursday, the Los Angeles City Council voted to cut 3,000 jobs from the city's payroll. The measure passed by a 9-3 vote.

The move by the council came immediately after Moody's Investment Services, one of the three largest credit rating agencies in the country, lowered its outlook for the city's debt from stable to negative. Moody's threatened that without significant actions by the city to curb spending, the agency would follow up with an actual credit downgrade.

Moody's actions express the demand by Wall Street and wealthy bondholders that cities and states throughout the country resolve their budget deficits through austerity measures and cuts in social services. Moody's told the city that it will not be able to maintain its credit by resorting to "one-time measures" and should instead make "fundamental changes that will produce ongoing savings in the years ahead."

The entire political establishment has demonstrated its determination to snap into line and implement the necessary cuts. Los Angeles, the second largest city in the nation, is currently experiencing a budget shortfall of $212 million, which is projected to grow to $415 million in fiscal year 2010-2011.

The council's decision instructed city agencies to eliminate the 3,000 jobs by no later than July 1 of this year. In making the decision, the council reneged on a promise it had made on February 4 to postpone any layoff decisions for at least 30 days.

In a press release announcing its fiscal outlook change, Moody's indicated that the city "underestimated the full effect of the recession on its revenues and was slow in implementing and planning cost savings for the current fiscal year."

The mayor, for his part, delivered a groveling response to the agency's threat. "The Moody's letter speaks for itself," said Antonio Villaraigosa. "It is not a downgrade, but it is very clear that if we don't work quickly and decisively to make the tough decisions to reduce our payroll, we will be downgraded."

Speaking on the mayor's behalf, Deputy Chief of Staff Mike Szabo added, "I think it was a wake-up call. It validated the warnings that we've been sending for weeks."

The Fitch rating agency downgraded the city's credit last November and promised a further downgrade, prompting a private meeting between the mayor and agency representatives on February 12. Earlier that week, Villaraigosa was booed and hissed by city workers while speaking at a city council meeting. The mayor demanded that the council immediately vote to cut 1,000 workers from the city's payroll.

The city is also hoping to bring its deficit into balance by raiding $1.6 million from neighborhood council funds, leasing parking meters and garages to private companies and seizing unused funds from various city departments.

Including 2,400 workers who agreed to take an early retirement package, the total number of job reductions could reach 6,400. However, the mayor has also pledged not to lay off police personnel. At present, the city employs about 25,000 workers.

The city has told the public sector unions that some layoffs might be avoided if they agree to a pay cut of at least 5 percent. The unions have worked consistently to force concessions on their membership, while refusing to carry out a struggle to defend jobs.

Speaking on behalf of the Los Angeles Coalition of City Unions—which includes representatives from the AFL-CIO, the American Federation of State, County and Municipal Employees (AFSCME), the Laborers' International Union of North America (LIUNA), the Teamsters and other unions—Victor Gordo, the Secretary Treasurer of LIUNA Local 777, said the coalition was "surprised" by the size of the layoffs.

Gordo offered an extremely conciliatory response, however. "I would remind them that our workers gave up two raises, and they just came up with this new number, without any analysis. Before we agree to anything, we would like to see a study of the impact of this."

Late last October, the coalition passed a contract agreement with the city that included $78 million in savings through a variety of cost-cutting mechanisms—the postponement of annual cost-of-living increases for city workers, a 4.5 percent pay cut, and an increase in workers' contributions to their pension funds.

In response to the city's plan, the coalition has asked that it figure out ways to cut administrative costs and streamline municipal services in the hopes that this might reduce layoffs and also help the coalition sell more concessions to its membership.