

# California: Unions work with governor to cut state worker retirement benefits

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Last Wednesday, California Governor Arnold Schwarzenegger reached deals with four key public sector labor unions that drastically reduce the state's pension obligations and rollback retirement benefits for state workers.

The terms agreed to include a five-year increase in the minimum retirement age and a 10 percent hike in employee pension contributions. In some cases, these changes accompanied a 5 percent pay cut, as part of an overall contract negotiation with the union.

The proposed agreements, which must still be ratified by state lawmakers and union memberships, will also base pension payouts on the average salary of the last three years of employment, rather than on a worker's highest paid single-year employment, as currently calculated. This would mean that any current or future wage cuts imposed on employees would also reduce their retirement benefits.

The four unions, which represent some 23,000 state workers, include the California Association of Highway Patrolmen (CAHP), the California Department of Forestry Firefighters (CDFF), the California Association of Psychiatric Technicians (CAPT) and the American Federation of State, County and Municipal Employees (AFSCME). If the remaining public sector unions pass the measures, some 170,000 workers would be affected.

The governor offered his praise to the unions after the initial agreement was signed. "I applaud these four unions for stepping up and taking these first steps in helping to reform our state's out-of-balance pensions."

The effect on these workers will be devastating while the state itself will only achieve \$72 million a year in savings, less than a third of one percent of California's entire \$19 billion budgetary shortfall. If the remaining unions pass the measure, the state would save

approximately \$1.2 billion, still less than the combined personal fortunes of the two individuals currently running for governor.

The financial elite, who themselves presided over the financial crisis of 2008 which saw the wholesale depletion of billions of dollars in pension funds, have nonetheless eagerly awaited the opening of a frontal assault against public sector retirement benefits. The agreement reached between Schwarzenegger has been widely applauded in mainstream media editorials as a positive step in reigning-in "out-of-control" spending on the working class.

The *San Francisco Chronicle*, for example, released an editorial on Friday entitled, "California Labor enters real world," which began with the following observation: "Score one for reality, Four state unions are giving major ground on their rich pension plans." One is compelled to ask: By what twisted logic can a 70-year-old retired worker living on \$25,000 per year be considered "rich."

The *Santa Cruz Sentinel* called the agreement "One small, but important, step forward to fiscal responsibility," and urged further attacks on retirement benefits. "If state and local governments are going to make further inroads on unsustainable pension benefits, the time is now," opined the paper.

State and local governments, which are planning similar measures for other sections of public employees, will proceed with the full assurance that their assault on the working class will be applauded in the media.

Just a few weeks ago, another bill attacking workers' retirement benefits was voted down in the Senate along party lines. SB 919 would have increased the minimum age to receive full retirement benefits to 65 from a current 55, with public safety employees allowed to

retire at age 57 up from their current 52. It would also have decreased the multiplier for calculating pensions from 3 percent to 2.7 percent per year of service.

The Democrats opposed the bill not because of its content, but because they insisted that changes to pension agreements could only occur through collective bargaining with state worker unions. In short, the Democratic Party was adamant that their allies in the trade unions bureaucracy be brought into the process of undermining the living standards of public employees in an effort to provide some sort of political cover for their actions.

After cynically using the failure of SB 919 to posture as advocates for public sector workers, several leading Democratic Party members in Sacramento quickly reversed themselves and lent effusive praise to the latest agreement.

Senate President and leader of the Democratic majority Darrell Steinberg congratulated the governor and the unions saying that the measures prove that “collective bargaining works.”

The four public sector unions, for their part, have indicated their desire to fully collaborate with the bipartisan assault on their membership.

Terry McHale, policy director for the firefighters’ union, said, “People in the union will be upset that we’ve taken a step back. But this shows that we want to be part of the solution.”

While posturing as critics of the cost-cutting budget proposals advocated in Sacramento, the opposition of the unions in California has largely consisted of demands that they be consulted in the process of determining how workers’ wages and benefits will be reduced. Afraid of being cut out of the process, they come up with “alternatives” to bills debated in the State Legislature that provide politicians with more inventive means by which they can attack employees living standards.

The agreement reached between Schwarzenegger and the CAHP, CADF, CAPT, and AFSCME, is only the latest incarnation of this process. It underscores the urgent necessity of workers in California to build rank-and-file committees, independent of the unions, to defend their jobs and salaries.

The claim that there is not enough money to provide state workers with a decent standard of living must be rejected. There are more billionaires in that state than in

any other in the US. Only on the basis of a socialist program, which places human need before profit, can the most elementary rights of workers be defended.



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