California governor seeks reductions in state worker pay

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The California state legislature failed to meet its deadline to pass a budget last Thursday, prompting Governor Arnold Schwarzenegger to call for the reduction in state worker pay to federal minimum wage, a mere $7.25 per hour. Salaried managers and non-hourly workers will see their pay drop to $455 per week.

The wage order would affect approximately 200,000 state workers and will have a devastating effect on the state's faltering economy, particularly in the capital region where approximately 1 out of every 10 workers is employed by the state.

The order has thus far been resisted by the state controller's office on the grounds that the state's antiquated payroll system—presently in the midst of an overhaul not projected to be completed until 2012—cannot handle such large and sudden modifications without doing irreparable harm to the integrity of the system. According to State Controller John Chiang, "Because of the limits of the state's payroll system, there is no way that his order can be accomplished without violating the state Constitution and the Fair Labor Standards Act. In short, this demand will do nothing to solve the budget deficit, but will hurt taxpayers by exposing the state to billions of dollars in penalties for those violations."

Despite these warnings however, the Schwarzenegger administration has asked the Sacramento County Superior Court to issue an injunction against the state controller's office to force the wage reductions. The administration also won a July 2 decision by the Sacramento state appellate court to reduce the workers' pay.

The administration is pushing for the court to reach its decision no later than July 22. This is the last day that state workers' pay can be affected for the July period, as state workers are paid at the end of the month for the previous month. According to Debbie Endsley, director of the state's Department of Personnel Administration, "Unless restrained prior to this cut-off date, [the state controller's office] will unlawfully issue full salaries to state employees."

Banks, including Bank of America and local Golden 1 Credit Union, have decided to take full advantage of the state workers' predicament by offering what are being called "Budget-Impasse Loans." The loans act as typical payday cash advances, with the direct deposit enrollment of state employee account holders' existing checking accounts used as collateral.

State employees who receive the loans will be obligated to pay them off after the state legislature signs the next budget and wages are restored. The governor, however, has already proposed a 15 percent reduction in state worker pay, all or part of which will most likely be contained within the next budget agreement, compounding the immense hardship many workers will face in meeting their loan obligations.

Workers in six of the state employee unions will not be affected by the minimum wage order, however, as the unions had previously caved in to the governor's demands for pension reform (See "California: Unions work with governor to cut state worker retirement benefits"). The minimum wage order will doubtless be used as a cudgel to get more state worker unions to agree to pension reform.

In response to the latest budget crisis, the two largest state employee organizations—the California State Employee Association, which includes the SEIU; California State University Education Union; and the Association of California State Supervisors; along with the California Labor Federation, which includes local affiliates of the AFL-CIO and Change to Win

Federation—have met the minimum wage order with the meekest of complaints.

SEIU president Yvonne Walker, for example, recently made the following statement, which reveals the union's role in pushing through austerity on workers, "For two years we have been working to do our part to help the state get through this economic crisis. Last year our union negotiated an agreement that would have saved the state $350 million and $1 billion if applied to all unions. We need the state to adopt a budget that balances cuts and new revenues."

What increasingly angers the union leaders is not the governor's minimum wage order itself, but the fact that they've been excluded from the bargaining table in imposing cuts on membership.

The minimum wage order itself arrives after state workers had to bear a 14 percent reduction in wages as a result of the imposition of mandatory unpaid furlough days. To add further insult to injury, the administration insists upon reducing workers' pay during the impasse to the federal minimum wage of $7.25 per hour instead of the state minimum wage of $8.00. In either case, state employees will be compensated at a level that will put themselves and their families well below the official poverty line, with many put at the risk of incurring severe debt and loss of property in California, a state among those with the nation's highest cost of living.

The recent attack on state workers is part of an ongoing process, one that has had lasting effects on the financial, not to mention psychological and physical, health of hundreds of thousands of state workers and their families. Robert Blanche, an employee in the state's Employment Development Department told the Associated Press, "I feel like we always have a target on our backs."