

South Carolina governor threatens state workers' pensions and health care

Rosa Shahnazarian

9 March 2011

Republican Governor Nikki Haley announced her intention to cut state employee pension and health care benefits in a town hall meeting in Lexington, South Carolina last week. An attack of this nature has been a long time in preparation. Haley's predecessor, Republican Governor Mark Sanford, proposed on multiple occasions the total elimination of the state's pension system.

Haley did not outline a specific proposal, but claimed the \$14 billion in retirement benefits due to state workers is unfunded. She said that under her plan existing retirees will continue to receive their promised benefits, but for new workers, she declared ominously, "We're going to have to make some changes."

"Everybody else is having to sacrifice and cut and, unfortunately, government employees are going to have to be part of that mix," she claimed.

This declaration is a transparent attempt at dividing public and private sector workers to justify placing the burden of the state's budget shortfall of \$829 million on the working class as a whole. It is part of a broader assault on workers taking place in states across the country in the form of drastic cuts to the wages, health benefits and pensions of public employees, on top of devastating reductions in funding for education, health care and other vital social services.

South Carolina state workers have already been under sustained attack since the beginning of the recession in 2008 brought on by reckless Wall Street speculation. State workers have received no pay raises, and many have been laid off or have received pay cuts in the form of furloughs.

Traditionally state workers in South Carolina have received lower pay on average than workers in the private sector, in exchange for job security and superior benefits. For instance, between 2006 and 2008 private sector workers made 9.7 percent more than public sector workers, who were paid an average of \$27,000; college educated state workers earned an average of \$44,652, 18.8 percent less than their private-sector counterparts. However, most private-sector workers do not have pension plans at all, and at least 16.4 percent of state residents have no health insurance.

State workers pay between 29.8 and 33.5 percent of their health insurance costs, depending on whether they select family or individual plans, and 6.5 percent of their pay is automatically deducted and placed in the state pension fund.

The cost of the state health insurance plan is projected to increase by over \$55 million in each of the next three years, and the retirement system has only 69.3 percent of what has been promised to state workers. The question is: who is responsible for these rising costs and who should pay the price?

As a recent perspective on the *World Socialist Web Site* demonstrates (The US states' budget crisis: Where should the money come from?), the wealthy in the United States have more than enough wealth to cover the cost of all of the state budget shortfalls combined.

In South Carolina alone, a vast gulf separates state workers from the wealthy and corporate beneficiaries of state tax incentives. Early last year, the state Budget and Control Board unanimously supported a tax break

and \$270 million loan package for Boeing Inc. to build an aircraft assembly plant in North Charleston. The loan is the largest the state has ever awarded to a private company.

Among the tax breaks awarded to Boeing is a 30-year fixed property tax rate of 4 percent, which is less than half the rate paid by most manufacturers in the state. Half of what the company pays in property taxes, or an estimated \$50 million over the next 15 years alone, will be returned for site improvements.

This is in addition to \$5.1 million in site improvement grants to be administered by Charleston County, and a \$150,000 Charleston County traffic study for the area around Boeing's 400-acre site. Local incentives will allow Boeing to claim a \$2,500-per-employee break on its annual corporate tax bill, amounting to as much as \$9.5 million per year when the plant is fully operational.

The Economic Development Competitiveness Act, a piece of legislation signed into law by Governor Sanford in June 2010, eliminated obstacles in the way of awarding similar windfall tax break packages to other corporations that bring their business to South Carolina.

On taking office, Governor Haley deemed several members of her staff worthy of pay raises. She awarded her chief of staff, Tim Pearson, an annual salary of \$125,000, an increase of \$27,000 compared to what Sanford paid his chief of staff. Swati Patel, Haley's top lawyer, will receive a salary of \$102,000 a year, an increase of 36 percent over the \$75,000 a year that Sanford paid his top lawyer.

Wisconsin's Governor Scott Walker, like South Carolina's governor, is demanding huge cuts in state workers' benefits, as well as the elimination most of their collective bargaining rights as part of his \$3.6 billion deficit reduction program. South Carolina state workers already pay substantially larger portions of their income toward health care and retirement than Wisconsin state workers.

South Carolina has an overall unionization rate of 4.6 percent. Public sector workers are only 7.4 percent unionized and public sector unions do not have

collective bargaining rights. Regardless of these differences, the attacks on state workers' pensions and health care benefits are motivated by the same class interests in both states.

In response to a report on Haley's plan in the online version of *Columbia*, South Carolina's newspaper the *State*, one worker said, "Nikki Haley is a pawn of big business and corporations and will do for South Carolina what Governor Walker is trying to do for Wisconsin."

Another worker said the attacks on state workers were "not working in Wisconsin, [and] won't work in South Carolina."

A third commented, "The pay sucks and the benefits often do too, but when you talk about cutting the benefit that is my own money this is going to be a fight."

A rally in opposition to the attack on state workers' benefits will take place at 1 p.m. this Saturday, March 12, outside the State House in Columbia.



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