

San Jose, California, leads assault on public pensions

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The pension benefits of city workers in San Jose, California will be slashed following the passage of a ballot measure. On June 3, voters in the city passed the latest attack on public pensions in California by a 70% margin. Measure B will limit payment of pensions already earned and will require current employees to pay more of their salary each month toward their pension. This attack is being led by the city's Democratic mayor, Chuck Reed.

Measure B comes on top of previous acts by the city to improve its fiscal position at the expense of city workers, imposing a 10 to 16 percent pay cut in 2011 and increases in benefit premiums. These cuts were approved by the unions representing city workers, including the American Federation of State, County and Municipal Employees (AFSCME).

Mayor Reed and the entire political establishment in California have posed the question of pension reform as essential to balancing the budget and eliminating budget deficits. The entire issue of pension reform though, is a political red herring. The use of buzz words like "fiscal responsibility," "sustainable budgets," etc., attempt to conceal the efforts of California's Democrats and unions to make workers pay for the economic crisis.

Across the nation, public employees have been targeted for pension cuts, because their defined benefit plans provide a secure retirement that has already been denied to private sector employees.

Reed has threatened voters with the specter of no funding for city services if the so-called pension problem is not taken care of. The new plan is estimated to save the city \$10 million a year. This is from a budget deficit that reached \$115 million last year. Although Reed portrays the "extremely generous as well as extremely expensive" employee benefits as the

cause of the deficit, investment losses to the pension plans between 2007 and 2009 totaled almost \$1 billion.

As a charter city, San Jose has extra powers to change not only pension plans for new-hires but also those already in place with city employees. A similar measure passed in San Diego on the same day affects only newly hired workers. San Diego mayor Jerry Sanders plans to sponsor a ballot initiative that will replace all non-safety worker pensions with a 401(k)-like plan.

The unions' "defense" of city employees in San Jose is absolutely cynical. AFSCME postures as an opponent of pension reform but steadfastly supports California's Democrats, including Reed and Jerry Brown. In 2010, AFSCME gave \$87.5 million to Democratic candidates.

The unions have argued, following Mayor Reed's line, that wage concessions to the city were necessary to save jobs and pensions. The unions are complicit in the assault on wages and pensions throughout California. Several unions declared on June 6 that they intend to take the issue to court. This is a patent capitulation and an exercise in political duplicity. Built into Measure B is a provision requiring equal budgetary savings in pay cuts to city workers if the pension cuts are defeated in court.

The attacks on pensions in San Jose and San Diego parallel the developments in Stockton, California, a city of around 300,000. Amid rampant foreclosures and the general impoverishment of the city's working-class population, Stockton is seeking to file for bankruptcy in order to drastically reduce its financial commitments to its employees' pensions and salaries.

As in San Jose, the public employee unions in Stockton have refused to fight against cuts to pensions and social programs. The craven stance of these unions

leaves the door open for the Democrats' and Republicans' campaign of defamation against teachers, civil servants, and other public employees.

As noted by the San Jose *Mercury* in the aftermath of the vote, "The San Jose and San Diego votes drew interest around the country as a gauge of voter support for reforming pensions at the ballot box." The Democratic mayor of Los Angeles, Antonio Villaraigosa, said on June 14 that he is looking to sponsor a pension reform referendum in that city. In this, Villaraigosa is just following the governor's lead.

California's Democratic governor Jerry Brown outlined a 12-point plan in November 2011 to comprehensively reform the state's pension obligations. The plan is estimated to cut the state's pension spending by half through pension caps, increasing the amount paid into pensions by employees and increasing the retirement age for city employees. The plan has received the backing of the Republicans in California's legislature.



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