

Detroit union leaders given their marching orders over pension cuts

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With a possible bankruptcy filing looming, advisors to Detroit's unelected Emergency manager Kevyn Orr outlined plans to union officials Thursday for unprecedented cuts to pensions and retiree health care benefits.

Orr himself did not attend the meeting, which included some 200 union and pension officials. Instead the emergency manager provocatively called for a "corruption and fraud" investigation of pension funds and all employee benefits. No doubt corruption exists in the administration of the pension funds but there is a long history of big-business politicians exploiting this issue to justify savage cuts to workers' benefits.

The fact that Orr absented himself from the meeting shows his contempt for the unions, which have prostrated themselves before the emergency manager. Officials of the American Federation of State, County and Municipal Employees and other city worker unions do not plan to fight the attacks on workers and retirees. Instead they are proposing to leave the fate of workers' pensions and benefits in the hands of a bankruptcy judge.

In the meeting, Orr's aides outlined proposals for the gutting of pensions and retiree health benefits. These included moving workers to Obama's health care exchanges, freezing employee pensions for current workers and moving new workers and some who are not vested into defined contribution plans such as a 401k.

The changes would affect some 10,000 current workers and 20,000 retirees. Orr is claiming that the city has unfunded health care liabilities of about \$5.8 billion and unfunded pension liabilities of \$3.5 billion.

Orr is calling for the elimination of existing retiree health benefits and life insurance plans, forcing workers to rely on Medicare or the health exchanges. He is

considering supplementing this coverage with a city-paid prescription drug benefit or a cut-rate medical and prescription plan.

Employees not eligible for Medicare would receive a monthly stipend of \$100 to \$130 if they are age 55 to 64. Those not eligible for Medicare would receive \$200 to \$250 a month after age 65.

Needless to say this amount is totally inadequate to purchase health insurance. The result would likely be the elimination of health care coverage for thousands of retirees and their families.

Orr's diktat to the unions comes just one day after Detroit's Downtown Development Authority announced plans to build a \$650 million stadium and entertainment complex north of downtown Detroit. Nearly half the cost will be funded by public money.

Nothing illustrates more clearly the class character of the attack on city workers. While Orr is claiming there is no money for city services or worker health benefits and pensions the city is handing over hundreds of millions to help Detroit billionaire Mike Ilitch build a new arena for his hockey team.

The development is part of a plan for the so-called revitalization of Detroit. What this means in practice is clearing out poorer residents from the downtown area to make way for upscale development. At the same time Orr and city officials plan to shut down whole areas of the city deemed unviable, cutting off basic services in order to drive residents out.

A piece in *Crain's Detroit Business* exposed the cynical calculations of union officials who are calling for a bankruptcy filing as an alternative to negotiating cuts. *Crain's* quotes Ken Schneider, a Detroit bankruptcy attorney who declared, "It's one thing for union leaders to say, 'This was forced on us by a court,' and something else to say, 'We agreed to

this.”

While Michigan’s constitution protects the pensions of government employees, Orr claims that a bankruptcy judge will not be bound by that document, since the case will be heard in federal court. In any event Orr is correctly calculating that the unions, despite whatever bluff and bluster they may engage in to deceive their membership, will do nothing to resist his plans.

“This is reality, we’re trying to find the best way, if possible, to work together and come to a solution for the city,” said Dan McNamara, president of the Detroit Firefighters Association, expressing the servility of the union apparatus.

Under terms of Michigan’s emergency manager law, Orr has the power to impose contract terms on city worker unions without negotiations. Orr has indicated he plans to implement major changes in work rules including gutting seniority provisions. He also plans to eliminate \$100 million owed to city workers in accrued compensated expenses, which include employee vacation and sick days.

Orr has said the city will stop making payments on its unsecured obligations in order to conserve cash, another major step toward bankruptcy. In the first such move, Orr cancelled payment of \$39.7 million due on the city’s pension obligation certificates of participation due June 14. Fitch credit rating agency said that failure to make the payment would cause the city’s credit rating to be lowered from “CC” to “D” for default.

In addition, the water and sewerage department is to be placed under a regional authority and all current employees laid off and replaced by workers making far lower wages. Trash collection and public transportation are to be privatized and the city’s lighting department handed over to utility monopoly DTE Energy.

All the city’s assets, including priceless masterpieces at the Detroit Institute of Art, are subject to seizure by creditors to pay off Detroit’s debts if the city goes into bankruptcy.

While Orr is cynically calling for shared sacrifice, the full brunt of the crisis is being placed on the shoulders of the working class. While investments of the city’s largest creditors are insured, workers and retirees will see their jobs, wages, pensions and health benefits gutted. City residents will see the already abysmal services further gutted.

The unions are full partners in this assault on the working class. In exchange for smothering any resistance by the working class to the attacks by the banks and bondholders they are merely asking to be allowed to continue collecting union dues.



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