US budget deal continues attack on federal worker pensions

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As a part of the budget deal arrived at on Tuesday between congressional Democrats and Republicans, beginning in January new federal employees must begin paying an additional 1.3 percent of yearly income into their pensions while taking no increase in post-retirement benefits.

The move effectively sets up a three-tier wage system for federal workers, with long-time hires contributing 0.8 percent of their income and recent hires giving 3.1 percent, while all future workers will be forced to contribute 4.4 percent. The policy translates into $6 billion savings in US government spending over the next decade.

The intent of the pension policy is ostensibly to offset the potential costs of nearly $110 billion in budget cuts that were to come due in 2014. Prior to Tuesday, congressional Republicans on the Senate Budget Committee had floated the possibility of forcing federal employees to pay an additional 5.5 percent of income toward pensions, cutting $130 billion in wages over a period of 10 years. For their part, Democrats offered only a slightly less harsh deal: an increase of 1.2 percent for workers, translating into a giveback of "only" $20 billion over the same period.

The attack on federal workers' retirement funds comes as municipal and state-level employees are also seeing reductions to their future benefits. Last week, Judge Steven Rhodes ruled that municipal employees' pensions in Detroit, Michigan, were not off limits to any reductions under federal bankruptcy law. Detroit is the largest city to be declared bankrupt in US history (see "The Detroit bankruptcy ruling").

Though the final agreement on US federal employees avoids hitting current workers, this section of the workforce has already been bled dry. In 2010, the federal government adopted a pay freeze for its employees, a move that led to a more than 7 percent decrease in real wages for workers. Since 2012, workers with less than five years of experience have been forced to pay an additional sum equivalent to 2.3 percent into the Federal Employee Retirement System (FERS), up from 0.8 percent for more long-time employees. Finally, the givebacks come alongside dozens of federal agencies furloughing their workforces due to last spring's "sequester" deal between the Democrats and Republicans.

In the lead-up to the decision on pensions, federal workers had been browbeaten with threats that a refusal to accept further concessions would mean increasingly hard times for the federal workforce. Rep. Tom Cole, Republican of Oklahoma, said, "If we don't arrive at some sort of agreement, then we're going to be at $967 [billion] and that's not good news for federal workers. There will be a lot more unpaid furlough days."

The Department of Labor has reported a loss of more than 92,000 employees over the past 12 months. Some 7,000 workers left or retired in November in the aftermath of the government shutdown.

"There were employees who during 16-day shutdown were so discouraged that they went out and found other jobs, they came back from shutdown and left," Colleen M. Kelley, president of the National Treasury Employees Union, told the *Washington Times*. She continued, "Other employees in large numbers are retiring right now. They had no plans to retire, but they're tired. They just told me that they're done, they don't want to do this anymore, and they would not recommend federal employment to anyone they know or care about."

American Federation of Government Employees (AFGE) president J. David Cox Sr. spoke to reporters after the budget deal had been reached, calling it "unacceptable" while blaming the cuts on "the perverted logic of austerity politics." Throughout the discussions, he as well as other union executives touted the concessions they have forced upon their members in recent years as a sign of their willingness to cooperate in deficit reduction.

In the same letter, Cox thanked lawmakers for their "heroic" efforts to "protect current federal employees," singling out for praise various Democratic representatives on the panel who had participated in the current deal. Absent from his letter was any mention of the wider attacks being mounted against the working class, including the cutoff of more than a million people from unemployment benefits.

After the deal had been reached, President Obama reportedly contacted House Budget Committee ranking member Chris Van Hollen (Democrat of Maryland), pledging no further cuts to federal employees in upcoming budget deals. Similarly, the budget committee sought to defuse popular anger by limiting the growth of pay for individual private government contractors, which will reach nearly $1 million as of next year.

However, the pledge to not further harm government employee pay is due largely to future discussion being focused on spending cuts elsewhere, directly harming broader sections of the population. "Federal workers are perennial punching bags," Bob Bixby of the Concord Coalition, a fiscally conservative group targeting Social Security and Medicare for cutbacks, told the *Hill* on Monday.