

# New York's Mayor Bloomberg calls for assault on public worker pensions

Philip Guelpa  
31 December 2013

At the end of his final term as mayor of New York City, multibillionaire Michael Bloomberg delivered a speech to the Economic Club of New York in which he warned that pension and health care costs for municipal workers and retirees constitute the gravest threat to the city's budget.

This farewell address to the city's top corporate and financial executives served as marching orders to the incoming mayor, Democrat Bill de Blasio. The city's wealthy elite will demand that the new mayor follow the precedent set by the recent Detroit bankruptcy and carry out massive attacks on city workers in order to feed their ever-growing demand for austerity to maximize their profits.

In tactics similar to ones now being employed in Detroit, Bloomberg made a naked attempt to pit one section of the city's working class against another, stating that the pension and health care costs were "forcing government into a fiscal straight jacket that severely limits its ability to provide an effective social safety net." With federal, state, and local governments systematically attacking workers and slashing social services, Bloomberg's statement represents the height of hypocrisy. It was made to the assembled representatives of the tiny fraction of the city's population that collectively share the greatest concentration of wealth in the country.

In a preview of the political arguments that will likely be employed by the self-declared "progressive" de Blasio, this divide-and-conquer strategy of the city's ruling elite was quickly endorsed by the pseudo-left *Nation* magazine. In a piece entitled, "Bloomberg Warns de Blasio About 'Labor-Electoral' Complex," Jarrett Murphy echoed Bloomberg's effort to blame city workers for the destruction of social services. Murphy stated, "I don't know if, in a city with 50,000 people in the homeless shelters, stagnant wage growth and nearly half of households at or near poverty, those costs [city worker pensions and health care] are the biggest worry we've got. But you can make the argument that rising benefit expenses could hamstring our ability to respond to those other problems."

The drive to vilify public workers is made in the city

where stock prices and executive compensation are reaching record highs, while at the same time, economic inequality is the most extreme of any place in the country.

The mounting drive to attack public worker benefits has been given a powerful boost by the recent voiding by a federal judge of protections for public employee pensions under Detroit's bankruptcy (see "Detroit bankruptcy ruling paves way for nationwide attack on pensions"). This is being seen by municipal and state governments across the United States as a green light for drastic reductions in public worker benefits.

In New York State, a 1938 law stipulating that public employee pensions "shall not be diminished or impaired" will now come under direct attack. It was similar language in the Michigan state constitution that was nullified by the federal judge in the Detroit case.

Municipalities across the state have been in increasing financial distress for decades, due to deindustrialization and the consequent loss of businesses and jobs. Many were driven to near bankruptcy after the 2008 financial crisis. Now, politicians are seeing the Detroit ruling as an opportunity to cut expenses by gutting public worker pensions and other benefits. Stephanie Miner, the Democratic mayor of Syracuse, the fifth-largest city in New York State, is quoted as proclaiming, "Pensions are not sacred anymore."

While no New York governments have yet gone bankrupt, according to State Comptroller Thomas DiNapoli, at least 23 towns, cities, and counties across the state are suffering from significant or moderate budgetary stress, and another 17 are "susceptible" to such stress.

Though not formally bankrupt, numerous governments within the state, including New York City, Nassau County, the City of Buffalo, and Erie County have, in recent decades, had various forms of emergency financial control boards imposed upon them, dictating budget cuts and attacks on public workers. Thus, despite reassurances from some politicians and public employee unions that "it can't happen here," there is certainly precedent for the imposition of

attacks on public workers by unelected managers, as is now happening in Detroit.

The two state retirement systems, one for public employees and the other for teachers, are reported by the state comptroller to be fully funded. However, independent estimates suggest that they are tens of billions of dollars short of what is needed to meet future obligations. New York City public pension funds are reportedly in worse shape. These alleged shortfalls are being utilized to justify calls for massive attacks on public pensions.

The current condition of city and state pension funds in New York is in large part the result of the development of the capitalist economic crisis. During the 1980s and 1990s, the Wall Street financial bubble provided revenue that allowed governments to minimize their contributions to the public pension funds, dropping in some cases to near zero. With the economic decline that began at the turn of the century and intensified dramatically in 2008, this revenue decreased sharply, putting pressure on governments to compensate for the shortfall by substantially increasing their contributions to the pension funds. Many have not done so.

Despite the recent rebound of the financial industry, fueled by virtually limitless funds from the Federal Reserve, the fundamental weakness of the real economy, combined with massive tax reductions on businesses and the wealthy, has meant that the budgetary situation for county and municipal governments has only gotten worse.

There are approximately 2 million public employees and retirees across the state. Contrary to allegations that public pensions are overly generous, the average annual payment to state employee retirees is \$20,241, which is barely enough to survive.

In New York City, the home of Wall Street, the city government has for years sought to offset its catering to the rich with tax breaks and other benefits by attacking its employees. Contracts for the entire municipal workforce of 300,000 have been expired for up to four years. In 2010, Mayor Bloomberg vowed not to sign any new contracts unless they contained “benefit reforms.” Municipal labor unions refused to fight this attack, promising instead that workers would get a better deal under a new Democratic mayor.

As a result, city workers haven’t had any pay increases in years, after Bloomberg froze wages following the 2008 financial crisis. Living in the country’s most expensive city, according to a recent report by the Economic Policy Institute, workers are anxious to make up for their loss in wages and benefits.

So far, Mayor-Elect de Blasio, who was backed by the municipal unions, has been virtually silent regarding city worker contracts, except to say, “All that we hope to do can

only be achieved if we are fiscally responsible.” This fits easily into Bloomberg’s demand that public worker benefits be cut in order to finance social services.

Attacks against public employee pensions in collaboration with the unions have precedent in New York. The scheme to avert city bankruptcy in 1970s involved the use of teacher pension funds in a deal worked out by the teachers’ union president, Albert Shanker, and city and state officials.

Banks and investment firms see public pension funds as cash cows from which they can extract huge profits. The fees paid to private managers and consultants for “managing” New York City’s five pension funds rose 28 percent over the past year, from \$370 to \$472.5 million. This increase is more than double the rise in income from the investments these entities managed. Thus, the private managers are sucking an increasing proportion of the pension funds’ income into their own pockets while workers are being scapegoated for supposedly receiving overly generous pensions.

In order to feed this ever-growing desire for higher profits, New York City pension fund managers are increasing the proportion of high-risk investments to boost returns. According to financial reports, New York City’s pension funds had 11.6 percent of their assets in such “alternative investments” at the end of fiscal 2013, compared with 4 percent in fiscal 2006.

Wall Street is gambling with workers’ retirement savings in a financial bubble that will inevitably burst, as it did in 2008. Between 2007 and 2009, New York State public employee pension funds lost a collective total of more than \$109 billion, or 29 percent of their combined assets.

After decades of gutting pension programs, along with health care and other social services, for private sector workers, such attacks are now shifting to public workers across the US and around the world. The increasingly frenzied drive to maximize profits and slash public expenditures means that, for the corporate and financial elites, once a worker can no longer be exploited he or she is of no further use and can be discarded, to die in poverty, without a second thought.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**