AFSCME and other city unions sign onto Detroit bankruptcy plan

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After months in which the unions postured as critics of the bankruptcy proceedings in Detroit, the leaders of the American Federation of State, County and Municipal Employees (AFSCME) and 13 other city unions signed a deal over the weekend throwing their full support behind a restructuring plan that will impose savage cuts in city worker jobs, pensions and health benefits.

The Coalition of Detroit Unions, led by AFSCME, agreed to a five-year labor agreement covering 3,500 current municipal employees, according to an announcement by federal mediators Monday. The details of the deal are being withheld from the public while union officials, backed by the bankruptcy court and the media, work to overcome opposition and ram through a ratification vote.

Monday's agreement follows similar deals reached by union-affiliated retiree associations, which sanctions cuts in pensions—whose "impairment" has long been prohibited by the Michigan state constitution—along with deep reductions in health care benefits for 32,000 retirees and dependents.

Non-uniformed retirees will see their pension checks—which average only $19,000 a year—cut by 4.5 percent and will also lose their cost of living adjustments. In an agreement reached last Friday with the General Retirement System, the city will "claw back" another 15.5 percent from retirees who were supposedly paid "excessive interest payments" from an annual annuity savings fund.

The supposed opposition of the unions to the Detroit bankruptcy was never more than a bargaining chip for AFSCME executives who were vying with other creditors for a share of the spoils from the carve up of city assets. The unions accepted a freeze in wages in 2010, a ten percent pay cut in 2012 and the elimination of 25 percent of the workforce the same year. They insisted from the beginning of the bankruptcy process that they were more than willing to impose millions in additional concessions on city workers.

The only complaint of the union executives was that Emergency Manager Kevyn Orr had rebuffed their offers and sought to impose the cuts unilaterally. Well aware of the deep popular hostility to these measures, the bankruptcy judge and federal mediators opted instead to buy the services of the unions to suppress opposition.

The bankruptcy court showered praise on the unions, saying in a statement, "The Mediators particularly acknowledge the very productive and constructive role that AFSCME Council 25 and its International played in the success of the negotiations." The terms of collective bargaining deals, it continued, are "fair and balanced" and "provide an economically feasible agreement for the City as it emerges from bankruptcy."

Announcing the deal, AFSCME official Ed McNeil said, "The unions are critical partners in the effort to bring our city back. We are on the front lines. We know operationally what needs to be done to save money and improve services. This agreement in principle offers an opportunity for the unions to provide regular input and guidance to city management."

Under the terms of the agreement, the unions will drop their lawsuits against the bankruptcy and publicly back the restructuring plan, which in addition to pension and health care cuts, includes the privatization of city services like public lighting, garbage collection and possibly one of the largest municipally owned water and sewerage systems in the US. The unions have joined the lineup of anti-working class forces—from the Democrats and Republicans on the federal, state and local level, to the courts and the media.

"More good news today. I think that we have very much of a consensus," city attorney David Heiman—a former law partner of Kevyn Orr at the Jones Day law firm—told the bankruptcy court Monday morning. "This is a momentous occasion as we embark on what we hope will be a relatively smooth confirmation process." The labor agreements will be included in Orr's plan of adjustment, which US Bankruptcy Judge Steven Rhodes must approve at a bankruptcy confirmation hearing scheduled to begin on July 24.

The deal with unions is part of a "grand bargain" crafted by federal mediators, which includes $815 million in financing from private foundations (predicated on their takeover of the Detroit Institute of Arts), the state government and the DIA itself. As a reward, the unions will receive a payoff, in the form of a half-billion-dollar retiree trust fund—known as a VEBA or Voluntary Employees' Beneficiary Association.

Modeled on a similar deal in the auto industry with the United Auto Workers, AFSCME and other union executives will have a direct financial incentive to reduce benefits and increase out-of-pocket costs for the retirees in order to maintain or increase the value of their VEBA slush fund. In addition, union-affiliated trustees on the multi-billion-dollar retirement investment funds have reportedly retained their seats as part of the grand bargain.

Republican Governor Rick Snyder is currently negotiating with the Republican-controlled state legislature to approve its $350 million part of the bargain. Snyder and other Republican leaders have apparently shot down a proposal by fellow Republican House Speaker Jase Bolger that the unions contribute cash to the grand bargain before the legislature approves Snyder's funding request. "We're seeing very constructive progress on people coming to agreements," the governor said last week, "A settlement would be by far the best answer, so hopefully we can all work towards that."

Orr and the federal mediators have already reached an agreement to pay insurers of unlimited tax general obligation bonds 74 cents on the dollar for the $388 million owed to bondholders. In addition, the court has approved an $85 million payoff to Bank of America and Swiss-based UBS bank to unwind legally dubious interest rate swaps, which had already drained the city of hundreds of millions.

The collusion of AFSCME and the other trade unions has vindicated the warnings of the Socialist Equality Party, which organized the February 15 Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA & Pensions. It also exposes the role of pseudo-left organizations like the Workers World Party, which have insisted that workers place their confidence in and accept the authority of the trade unions and, through them, the Obama administration and the Democratic Party.

All of these forces insist that workers must pay for a financial crisis that the working class did not create. To oppose this, a powerful movement of the working class must be launched independent of the trade unions and the two big business parties and in opposition to the economic and political dictatorship of the Wall Street banks.