The battle ahead
Confronting the public-sector unions
The battle ahead

Look around the world and the forces are massing. On one side are Californian prison guards, British policemen, French railworkers, Greek civil servants, and teachers just about everywhere. On the other stand the cash-strapped governments of the rich world. Even the mere mention of cuts has brought public-sector workers onto the streets across Europe. When those plans are put into action, expect much worse.

"Industrial relations" are back at the heart of politics—not as an old-fashioned clash between capital and labour, fought out so brutally in the Thatcherite 1980s, but as one between taxpayers and what William Cobbett, one of the great British liberals, used to refer to as “tax eaters”. People in the private sector are only just beginning to understand how much of a banquet public-sector unions have been having at everybody else’s expense (see page 2). In many rich countries wages are on average higher in the state sector, pensions hugely better and jobs far more secure. Even if many individual state workers do magnificient jobs, their unions have blocked reform at every turn. In both America and Europe it is almost as hard to reward an outstanding teacher as it is to sack a useless one.

While union membership has collapsed in the private sector over the past 30 years (from 44% of the workforce to 15% in Britain and from 33% to 12% in America), it has remained buoyant in the public sector. In Britain over half the workers are unionised. In America the figure is now 36% (compared with just 11% in 1960). In much of continental Europe most civil servants belong to unions, albeit ones that straddle the private sector as well. And in public services union power is magnified not just by strikers’ ability to shut down monopolies that everyone needs without seeing their employer go bust, but also by their political clout over those employers.

Many Western centre-left parties are union-backed. Britain’s Labour Party gets 80% of its funding from public-sector unions (which also, in effect, chose its new leader). Spain’s sluggish state reform may be partly explained by its prime minister’s union membership. In America teachers alone accounted for a tenth of the delegates to the Democratic convention in 2008. And the unions are more savvy: this time, the defenders of vested interests are not brawny miners spouting Trotsky, but nice middle-class women, often hiding behind useful-sounding groups like the National Education Association (American teachers) or the British Medical Association.

Now stand and fight

Politicians have repeatedly given in, usually sneakily—by swelling pensions, adding yet more holidays or dropping reforms, rather than by increasing pay. This time they have to fight because they are so short of money. But it is crucial that the war with the public-sector unions is won in the right way. For amid all the pain ahead sits a huge opportunity—to redesign government. That means focusing on productivity and improving services, not just cutting costs. (Indeed, in some cases it may entail paying good people more; one reason why Singapore has arguably the best civil service in the world is that it pays some of them more than $2m a year.)

The immediate battle will be over benefits, not pay. Here the issue is parity. Holidays are often absurdly generous, but the real issue is pensions. Too many state workers can retire in their mid-50s on close to full pay. America’s states have as much as $5 trillion in unfunded pension liabilities. Historic liabilities have to be honoured (and properly accounted for, rather than hidden off the government’s balance-sheet). But there is no excuse for continuing them. Sixty-five should be a minimum age for retirement for people who spend their lives in classrooms and offices; and new civil servants should be switched to defined-contribution pensions.

Another battleground will be the unions’ legal privileges. It is not that long since politicians of all persuasions were uncomfortable with the idea of government workers joining unions. (Franklin Roosevelt opposed this on the grounds that public servants had “special relations” and “special obligations” to the government and the rest of the public.) It would be perverser to ban public-sector unions outright at a time when governments are trying to make public services more like private ones. But their right to strike should be more tightly limited; and the rules governing political donations and even unionisation itself should be changed to “opt-in” ones, in which a member decides whether to give or join.

The productivity imperative

Fixing the public sector must not be allowed to degenerate into demonising it. Its health is vital to the health of society as a whole, not least because of its impact on economic growth. Bad teachers mean a lossy talent-pool for employers. Allowing a subway driver to retire at 50 on an artificially inflated pension means less to spend on infrastructure: just look at America’s highways and railways. Even if many public services are monopolies, private capital is mobile: it goes to places where government works. With ageing populations needing ever more state help, the left should have as much interest as the right in an efficient state sector (perhaps more so, as it thinks government is the way to right society’s ills).

Private-sector productivity has soared in the West over the past quarter-century, even in old industries such as steel and carmaking. Companies have achieved this because they have the freedom to manage—to experiment, to expand successful innovations, to close down bad ones, to promote talented people (see page 68). Across the public sector, unions have fought all this, most cruelly in education (see page 26). It can be harder to restructure government than business, but even small productivity gains can bring big savings.

The coming battle should be about delivering better services, not about cutting resources. Focusing on productivity should help politicians redefine the debate. The imminent retirement of the baby-boomers is a chance to hire a new generation of workers with different contracts. Politicians face a choice: push ahead, reform and create jobs in the long term; or give in again, and cut more services and raise more taxes.
(Government) workers of the world unite!

Public-sector unions have had a good few decades. Has their luck run out?

The past 30 years have been dismal ones for the labour movement. In the American private sector, trade-union density (i.e., the proportion of workers who belong to unions) has fallen from a third in 1979 to just 7% today. In Britain it has dropped from 44% to 35%. Nor is this just an Anglo-Saxon oddity: less than a fifth of workers in the OECD belong to unions.

There is one big exception to this story of decline, however: the public sector. In the Canadian public sector, union density has increased from 12% in 1960 to more than 70% today. In America, it has increased over the same period from 11% to 36% (see chart on next page). There are now more American workers in unions in the public sector (76m) than in the private sector (73m), though the private sector employs five times as many people. Union density is now higher in the public sector than it was in the private sector in its glory days, in the 1950s.

Even countries that have seen a dilution of union density in the public sector have seen it stabilise at a much higher level than in the private sector. In Britain, density has fallen dramatically from 82% in 1979, but has stabilised at about 56%. Reliable global statistics are hard to come by; but evidence from many countries (including Germany and Japan) suggests that the gap between the public and private sectors is both substantial and growing.

This private-public shift has transformed the trade union movement. In the 1950s unions were solidly working class, dominated by men who had left school at 16 and learnt left on economics but right on social issues. Today they are much more middle-class: more than a quarter of American unionists have college degrees, and even more have liberal views on social and environmental issues.

The shift has also created tension between the public and private sectors. The private sector is dominated by competition and turbulence. Performance-related pay is the norm, and redundancy commonplace. The public sector, by contrast, is a haven of security and stability. Many people have jobs for life and performance measures are rare. The result is a paradox: the typical public worker is better off than the people he is supposed to serve, and the gap has widened significantly over the past decade. In America, pay and benefits have grown twice as fast in the public sector as they have in the private sector.

Now that the sovereign-debt crisis is forcing governments to put their houses in order, the growing discrepancy between conditions in the public and private sectors has eroded much of the sympathy public-sector workers might once have enjoyed. This briefing will look at what the future holds for them. But first it will try to answer two questions: how did public-sector unions become so powerful? And what impact has their power had on the way the public sector works?

I'm all right, Jack

Public-sector unions are some of the world's most powerful interest groups. Many of them have large memberships and comparably large wallets: the American National Education Association, the main teachers' union, has 3.5m members, an annual budget of over $300m and a vibrant tradition of political activism. But their influence goes much deeper. In many countries unions prop up the left. In Britain Ed Milliband, the leader of the Labour Party, owes his job to trade-union votes. In America Andy Stern, the head of the Service Employees International Union, was the most frequent guest at the White House in the first six months of Barack Obama's presidency.

Public-sector unions enjoy advantages that their private-sector rivals only dream of. As providers of vital monopoly services, they can close down entire cities. And as powerful political machines, they can help to pick the people who sit on the other side of the bargaining table. Daniel DiSalvo, the author of an excellent essay on America's public-sector unions in Na-
ional Affairs, points out that the American Federation of State, County and Municipal Employees was the biggest contributor to political campaigns in 1989-2004. He also notes that such influence is more decisive in local campaigns, where turnout is low, than in national ones.

Even if they fail to elect “their” candidates, public-sector unions have a relatively easy time negotiating with politicians. Private-sector bosses are accustomed to playing hardball with unions because they know they can go bankrupt if they don’t. Politicians have no such discipline: they can always raise taxes or borrow from future generations. Those who have challenged the unions have often regretted it. California’s former governor, Arnold Schwarzenegger, tried to fight the unions in the court of public opinion, only to be outgunned. Others have attempted a more stopgap approach, only to get the blame when services are disrupted.

Economists still debate, exactly what impact public-sector unions have on pay. Evidence from the American Bureau of Labor Statistics supports the conservative argument that they have used their power to extract a wage premium: public-sector workers earn, on average, a third more than their private-sector counterparts. Left-leaning economists reply that public-sector workers are on average, better educated. Whatever the merits of this argument, three things seem clear. Unions have suppressed wage differentials in the public sector. They have extracted excellent benefits for their members. And they have protected underperforming workers from being sacked.

Wage differentials are relatively small in the public sector. Lower-level workers, such as secretaries, are usually better paid than their private-sector equivalents, whereas higher-level workers are worse paid. This not only makes it difficult to attract high-flyers into the public sector, but also makes it hard to raise standards by, for instance, putting the best head teachers in charge of groups of schools.

At the same time, benefits are generous in the public sector. Governments tend to give their workers light workloads and generous pensions in lieu of higher wages (which have to come out of the current budget). In America teachers teach for a mere 180 days a year. In Brazil they have the right to take 40 days off a year—out of 200 working days—without giving an explanation or losing a centavo of pay. The defined-benefits revolution that has swept through the private sector has hardly touched the public one: 90% of American state and local government workers have defined-benefit plans, compared with 20% of private-sector workers.

Generous pensions have produced an epidemic of early retirement. In Brazil civil servants can retire on full pay after 35 years on the job (30 for women) and teachers can retire after 30 years (25 for women). The result is that Brazil spends as high a proportion of its GDP on pensions (9%) as Britain does, even though the population is much younger. In Poland soldiers and policemen can retire after just 15 years, so it is possible to come across 33-year-old retirees. Add to this the fact that any public-sector worker can hide behind union power to game the system—82% of senior California Highway Patrol officers discover a disabling injury about a year before they retire—and you have a dysfunctional mess.

Unions have also made it almost impossible to sack incompetent workers. In Greece there is a law against sacking government workers solely on grounds of poor performance. In other countries there might as well be. Mary Jo McGrath, a Californian lawyer, says that “getting rid of a problem teacher can make the O.J. Simpson trial look like a cakewalk.” In 2000-01 the Los Angeles school district spent $1.5m trying to get rid of seven of its 13,000 teachers, and succeeded with only five. The problem extends across the country (see page 26).

Incompetence is so endemic that several countries have invented phrases to deal with it. Brazilians joke that public-sector workers turn up on the first day, hang their jackets on the back of the chair, and are never seen again. The Greeks talk about putting incompetents “in the fridge”—giving them pretend jobs. In France it is the “cupboard. Americans refer to “the dance of the lemons”—the practice of reassigning bad teachers to new schools rather than getting rid of them. They also refer to the “rubber room” where incompetent or criminal teachers bounce around, often for years, while administrators and unions haggle over what is to be done with them.

**Fattening Leviathan**

The unions’ influence extends to the size and nature of the public sector. Private-sector unions have learned to exercise self-restraint when it comes to pushing for more manpower: they realise that more workers may reduce the wages of their members and that a higher wage bill may drive their employers out of business. But public-sector unions are relentless in demanding more resources and more personnel, which conveniently translates into more members and more dues.

Their most dramatic success has been in Britain. When Britain’s union-backed New Labour government came to power in 1997, public spending accounted for almost 40% of GDP. When it left power in 2010 public spending was nearly 50% of GDP (partly, to be fair, as a result of recession), and 3m workers had been added to the public-sector payroll. In California, as Mr DiSalvo points out, the prison guards’ union has been one of the leading advocates of getting tough on crime. The result of this policy has been a dramatic increase in both the size of the state’s prison-industrial complex (from 12 prisons in 1985 to 35 in 2000) and the pay of the people who run it. (Pay rises in 2006 made $70,000 a year in base salary and $100,000 with overtime). But public-sector unions can prosper simply by opposing rationalisation: Buffalo, in New York state, has as many public workers in 2006 as it did in 1950, despite the fact that the city has lost half its population.

Public-sector unions combine support for higher spending with vigorous opposition to more accountability. Almost everywhere they have demonised competition, transparency and flexible pay. Teachers’ unions have often acted as the Praetorian Guard in this fight. In Poland they are up in arms against attempts to increase the number of hours a week (a mere 16) they have to spend teaching. In São Paulo state, in Brazil, teachers have organised huge marches against government attempts to link promotion to performance and to reduce the number of days they can take off without notice. In Greece they have fought off four consecutive education ministers from different parties over performance reviews. In Britain they are trying to kill “free” schools, which can be set up outside local-authority control. In America they have fought relentlessly against charter schools (which escape union rules about pay and promotion) and scholarship schemes (which give choice to parents).

The teachers’ unions have an impressive record of terminating reformers. When Marietta Giannakou, the education minister in the last New Democracy government in Greece, insisted on teacher accountability, she lost her seat at the next election. Michelle Rhee, the chancellor of the awful school system in Washington DC, closed failing schools, fired more than 200 ineffective teachers and principals, and advocated merit pay. But the union fought her every step of the way, using their muscle first to get rid of her patron, the city’s mayor, and then to bring about her own resignation.
It is impossible to calculate the cost of the unions' inflexibility. But several recent studies provide some indications. Policy Exchange, a conservative think-tank, calculates that people in the British private sector work 23% more hours than their public-sector counterparts over their lifetimes, thanks to public-sector strikes, sick days and early retirement. Barry Bluestone, a left-wing economist, calculates that the price of America’s public services increased by 45% in 2000-08, while that of private services rose by 27%. Eric Hanushek, an economist at Stanford University, argues that replacing the bottom 5-8% of American teachers with merely average performers could move the United States from near the bottom to near the top of the international maths and science rankings.

The rigidity of the public sector does not merely reduce the quality of services. It also discourages innovation. In the private sector innovative firms routinely experiment with new business models, measure the success of these models and then expand successful ones. But whenever public-sector managers have tried to do the same—by establishing magnet schools that focus on certain subjects, or charter schools with longer teaching days, for example—the unions have opposed them. In France they have blocked any attempt to introduce more flexibility into the country’s highly centralised education system, or indeed to change it at all.

Only Germany provides a sliver of light. There, although around 65% of public-sector workers are unionised, wage increases in the public sector have lagged behind those in the private sector. And though civil servants, who make up nearly half the public-sector workforce, enjoy both special pension schemes and job security, they are not allowed to strike. Indeed, the idea of going on strike for political reasons is unthinkable among all public-sector workers in Germany.

The battle ahead
Public sector unions now face the biggest challenge in their history. Governments almost everywhere—particularly in the rich world—are being forced to cut back public spending. Many governments (for example in Ireland, Greece and Spain) are cutting public-sector pay. Others (for example in Japan and America) are freezing it. Greece is increasing the retirement age from 58 to 63 and making it possible to fire public servants. Britain is cutting government departments by as much as a quarter, and is reviewing pensions.

In the United States several rising Republican governors are keen to turn the short-term struggle over pay and benefits into a bigger battle about trade-union power. New Jersey’s Chris Christie (see page 28) and Minnesota’s Tim Pawlenty have both eagerly taken on the new “privileged class” of public-sector workers. Do the public exist to serve public-sector workers with their high pay and inflated benefits, they ask, or do public-sector workers exist to serve the public?

Even people on the left are beginning to echo these complaints. Andrew Cuomo, the incoming Democratic governor of New York, is looming his sabre against public-sector unions despite the fact that they make up an important part of his base. David Guggenheim, an impeccably liberal film director whose credits include Al Gore’s “An Inconvenient Truth”, subjected the teachers’ unions to a merciless critique in “Waiting for Superman”, flagellating them for perpetuating a broken system and presenting Randi Weingarten, the head of the American Federation of Teachers, as “something of a foaming satanic beast”, as the Variety reviewer put it.

The unions have responded by proclaiming war on cost-cutting governments. They have already organised strikes and protests. Millions of French workers marched against Nicolas Sarkozy’s most modest plans to raise the retirement age by two years. Hundreds of thousands of people have taken to the streets in Ireland and Greece against austerity measures. London Underground workers have repeatedly paralysed transport in the city. But this is a mere prelude. Unions across Europe have promised strikes in 2011 on a scale not seen since the 1980s.

Public sector unions will find it hard to win these battles. They have not been particularly successful in mobilising public anger, considering the scale of the cuts. Nor have they notched up any notable victories: the Greek and Irish governments have implemented their austerity packages and Nicolas Sarkozy has raised the retirement age. They are also discovering that many people in the private sector regard their public-sector colleagues as an overprivileged elite. Spanish civil servants were shocked at how little support they got when, last June, they protested against a 5% cut in pay. And a recent poll showed that 65% of people in stick-in-the-mud Greece want civil servants to lose their job security.

The pressure to rationalise the public sector is likely to continue in coming years. The debt level in OECD countries is expected to rise to 120% of GDP by 2014, thanks to a combination of ageing populations and inherited obligations, some of them driven by the public sector’s insatiable appetite for pensions. Joshua Rauh, of the Kellogg School of Management at Northwestern University, reckons that seven American states will have exhausted their pension assets by 2020.

It would be a mistake to write off the public-sector unions. They are masters of diverting attention from strategic to tactical questions. Undoubtedly the unions will lose some of their privileges over the coming years; the scale of the debt crisis makes this inevitable. But will governments have the courage to tackle the root causes of the problem (such as pensions) rather than dealing with secondary problems (such as wages)? And will they dare to tackle questions of power rather than just pay and perks? If they are to claim victory in the coming fight, they need not just to restore the public finances to health. They also need to breathe the spirit of innovation into Leviathan.
UNIONS UNDER FIRE

THE CLASH THAT LED WISCONSIN'S Legislature to limit the collective-bargaining rights of public-sector unions was fed by a volatile mix of a tea-party-backed Republican resurgence, the fiscal crisis facing state governments, and the unions' fight to preserve power long after the heyday of their private-sector counterparts. At issue: how well public employees are compensated, how important their union rights are, and how significant this is politically.

BY AMANDA PAULSON / STAFF WRITER

Collective bargaining was the key sticking point in Wisconsin. Why is that such a big deal to unions?

Without it, unions wield little power. Workers in any state can organize and lobby employers, but unions need the right to exclusively represent those employees and negotiate on their behalf to accomplish anything.

Moreover, the measure proposed by Gov. Scott Walker (R) and passed by the Legislature also makes public-sector union dues and membership voluntary, and requires workers to recertify the union every year.

"It's hard to see how a union could survive under those circumstances given how little they could contribute by collective bargaining," says Charles Franklin, a political scientist at the University of Wisconsin in Madison.

Why was Governor Walker so determined to limit collective bargaining and push other changes?

Wisconsin faces a budget shortfall of $3.6 billion for the next two years. The cuts to workers' benefits Walker sought save the state about $300 million over that time, he says.

Unions agreed to many financial concessions. But Walker seemed to want to capitalize on the moment - with a Republican-controlled Legislature - to strip the unions of their clout for the future.

Some experts point to problems in the way public-sector negotiations are structured. The market discipline that can limit concessions to unions in the private sector is often absent, especially when government officials agree to benefits whose cost isn't felt until after they leave office.

"It's a crucial moment for the unions, but it's a crucial moment fiscally for the state and local governments," says Henry Farber, a Princeton University economist.

Do public-sector employees have the same union rights as workers in the private sector?

No. While federal labor laws govern private-sector unions, no national law applies to public-sector workers other than federal employees.

Wisconsin was the first state to grant government employees the right to collective bargaining in 1959. Many states followed suit in the 1960s and '70s, and today, only 10 states, including Wisconsin, curtail or disallow public-sector collective bargaining. The laws vary significantly, and unions wield more power in some states than in others, but in most states, including Wisconsin, public employees are not allowed to strike.

How has unions' clout changed?

Numbers are a clue to unions' waning power - especially in the private sector.

Less than 7 percent of private-sector workers now belong to a union, compared with more than 30 percent in the 1950s. Since 1983, about 5 million fewer people are represented by unions. And the economic downturn and pressures from globalization haven't helped.

The public sector, however, has been somewhat cushioned from those forces. Some 36 percent of state and local workers belong to unions (and that includes "right-to-work" states that prohibit union-only workplaces and have far smaller union rosters).

Do unionized public workers get higher salaries and benefits than workers in the private sector?

The accusations are flying, but there's no definitive answer.

Various studies - mostly by groups with at least some bias - show they make on average either 6 percent more in wages and benefits or between 5 and 7 percent less than private-sector workers with comparable education levels.

The comparison also varies. At higher salary and education levels, public workers are almost always paid less; at the lower end, they may make a bit more.

And, especially for lower-paid workers, unionized ones almost always have a better benefits package than their private-sector counterparts, says Professor Farber.

What role does politics play in the Wisconsin fight?

"It's as if the political and economic and social impact of this day is on the ballot," says Franklin. "It would also severely weaken the get-out-the-vote efforts that unions are so critical to."

Who's winning the battle for public opinion?

While Americans' opinion of unions has steadily slipped in the past decade, most people seem to oppose stripping unions of bargaining powers - 63 percent of US voters, according to a recent USA Today/Gallup poll.

And while only 47 percent of Americans have a favorable opinion of unions, according to a recent Pew Research Center poll, that still outstrips the 39 percent who have an unfavorable opinion. Another Pew poll specifically about Wisconsin, meanwhile, found that 42 percent sided more with the union employees than with the governor (31 percent).
Taming Montgomery's unions

Montgomery County's public schools are facing a crisis in unionization efforts, particularly among Montgomery County Education Association (MCEA) members. The MCEA has been seeking to organize teachers and other employees, aiming to negotiate better contracts and improve working conditions. However, the county administration has been resistant, citing concerns about cost and efficiency.

The MCEA, which represents about three-quarters of Montgomery County Public Schools' employees, has been pushing for a new contract that includes higher pay, better benefits, and more input into decision-making processes. The county has offered a counterproposal, but the union remains dissatisfied with the terms.

The situation has sparked debates about the role of unions in the education sector. Some argue that unions can improve working conditions and protect the rights of educators. Others worry that they can lead to increased costs and reduced flexibility for schools.

The Montgomery County Board of Education has scheduled a meeting to discuss the unionization issue further. The outcome of this meeting will likely determine the future of collective bargaining in Montgomery County schools.
Are the Unions Winning the Fight?

*Governors and mayors say their workers are demanding unsustainable benefits. Union rebuttals are not turning the tide.*

Alan Greenblatt | July 2011

Being a cop, George Beattie doesn’t use loaded expressions lightly. But when he considers the terms San Jose Mayor Chuck Reed is dictating to city workers, the president of the San Jose Police Officers Association can’t help himself. “He’s basically putting a gun to our head,” Beattie says. “He is saying either do what we say, or this is what is going to happen.”

San Jose has suffered 10 straight years of budget shortfalls. It will certainly face another one in the new fiscal year just getting under way. Like so many other cities, San Jose is looking at retirement health and pension costs that are set to grow at a rate that threatens to swallow enormous chunks of the municipal budget.

That’s why Reed has just declared a state of “fiscal emergency.” He has put forward a proposal that would raise the retirement age for city workers, abolish cash payments for sick leave and recalculate how pension benefits are accrued. Because the plan changes retirement rules for both current workers and new hires, it’s certain to be challenged in court -- that is, if it passes muster with voters first.

Beattie claims to be certain of the outcome. “If he puts this on the ballot, and he will,” the police officer says, “there’s not a doubt in my mind that people will vote this in.”

Reed’s proposal may be onerous for city workers, but it’s not really so different from what state and local employees are seeing all over the country. Due to budget constraints over the past three years, hiring and wage freezes have become common while unpaid furlough days are now nearly *de rigueur*. More than 300,000 state and local workers have lost their jobs in the past two years. This year, they may be joined by 450,000 more.

On top of all this, elected officials in states such as Wisconsin and Ohio have directly challenged the ability of their workers to have a say in how budget cuts will affect them -- by trying to strip them of their collective bargaining rights. All in all, this set of circumstances represents the biggest challenge public-employee unions have ever faced.

If the stakes were not high enough already, union leaders in the public sector are attempting to raise them even higher. The current circumstances, they say, represent a challenge to their workers -- and, indeed, to government programs in general. They also consider themselves to be on the front lines of a broader battle between corporations and the wealthiest Americans on one side, with union members and middle-class workers on the other. “This is a bigger fight than just public-sector unions,” says Lee Saunders, secretary-treasurer of the American Federation of State, County and Municipal Employees (AFSCME). “It’s a fight about the direction of the country.”

State and local retirement accounts might be more than $1 trillion in the red, but union leaders such as Saunders say it’s unfair to blame government workers when legislatures failed to make scheduled payments to pension funds over the years. Better to blame Wall Street, they say, for racking up record profits even as large-scale investment losses have blown a hole through pension accounts. “Public employees are being blamed for problems they never caused in the first place,” says Randi Weingarten, president of the American Federation of Teachers (AFT), who, like Saunders, says Wall Street bears greater responsibility. “There’s a very coordinated, mean-spirited strategy to use a budget problem to try to divest ordinary people of any voice in the electorate or the workplace.”

It’s true that the Republican leaders who have sought to strip unions of their bargaining power are working hand-in-glove with advocacy groups that have deep backing from business interests, such as Americans for Prosperity and the Club for Growth. Those groups have not only argued that public-sector pension plans are too generous to be sustainable, but have also sought to portray government-employee unions as recalcitrant for trying to hold onto such benefits. “The other side has been very successful with divide and conquer -- ‘look at the greedy unions, look at what they’re getting and you’re not,’” says Stephen Madarasz, a union official in New York state. “Nobody should ignore the fact that corporate America is in many cases trying to undermine the middle class.”
Union leaders like to point to polls showing that most of the public supports collective bargaining rights for government workers. They also note that approval ratings for anti-union governors such as Scott Walker of Wisconsin, John Kasich of Ohio and Rick Scott of Florida have fallen into "buyer's remorse" territory. "They're really overreaching," says AFSCME's Saunders. "I believe the majority of Americans are recognizing that."

A key test of that belief will be the July 12 recall elections of several Wisconsin senators who helped push through Walker's plan to strip most unions of collective bargaining power. Union leaders also have taken heart from the results of a May special election in upstate New York, where a normally Republican district was captured by a Democrat who railed against the congressional GOP's plan to turn Medicare into a voucher program. That election spoke to the "whole notion" of pensions, Weingarten says. "People in America get that Medicare is one of the only retirement security programs they've got," she says. "They don't want it touched."

At the same time, however, plenty of polls suggest that most of the public sees the kinds of benefits that government workers get -- and private-sector workers often don't -- as rich and unaffordable. The unions are right to see that they are in a political fight against enemies with an agenda beyond shoring up budgets. But that doesn't mean they're bound to win. Polls indicate that support for public-sector unions is at an all-time low.

"The body blows the unions are suffering now in states like Wisconsin can be overcome if unions are able to get their base out, change the narrative somehow and defeat their political enemies in 2012," says Richard Kearney, a professor of public administration at North Carolina State University. But he notes that there has been a strong conservative tide in recent state elections. "They're facing long odds, because there is this toxic combination of business and Republicans working against them."

It's not just Republicans who are demanding that unions change with the times. Democrats such as Govs. Dannel Malloy of Connecticut and Andrew Cuomo of New York are demanding that unions give up billions of dollars in concessions or face workers being laid off by the thousands. "Government can't blame the unions in total," says Patrick O'Connor, a Chicago alderman. "Government is what put the benefits in place. But I don't think anybody who looks at pension plans thinks they can be funded at the levels they're at."

For decades, public-employee unions have been able to associate themselves and their members with the services that the public enjoys. They've framed any cuts to their wages and benefits as an attack on the teachers of our children, the hospital workers who tend the sick, and the police and firefighters who save our lives. "The unions did control the narrative," Kearney says. "They had public buy-in."

But that kind of argument is harder to sustain when government programs are being cut across the board. Politicians make the case that by cutting worker salaries and benefits, they're not weakening public services but trying to protect them. If they don't cut worker benefits, they say, they'll have to close more pools and libraries and let the roads remain rutted with potholes. "If you're a local taxpayer," says Geoffrey Beckwith, executive director of the Massachusetts Municipal Association, "and 20 cents of your property tax dollar goes to pay for benefits that are richer than you get, and that's going to rise to 25 cents, then the public at some point is going to have a reaction that actually would do much more damage overall to the public-sector workforce."

Both chambers of the Massachusetts Legislature -- which are both overwhelmingly Democratic -- recently voted to block collective bargaining rights over health-care plans at the local government level. The change was meant to address skyrocketing costs for towns and cities. Union leaders in the state said they were disappointed their nominal friends in the Legislature would make such a move. Future electoral backing would be predicated on how they came down on the measure, the unions warned, calling it an attack not only on their rights but also on the middle class itself. "You are either on the side of collective bargaining for the workers who have been willing to compromise on this issue, or you are against those collective bargaining rights and want to reward intractable, uncompromising management advocates," Robert J. Haynes, the president of the Massachusetts AFL-CIO, wrote to legislators.

But the problem, Beckwith argues, is that the unions had been unwilling to compromise. Until now, they held veto authority over health plans offered by local governments and seldom had been willing to brook change, even at the threat of layoffs. The Massachusetts legislation would give cities and towns the ability to alter health plans, and fewer and fewer of them are getting health insurance coverage through employers. There may be

http://www.governing.com/templates/gov_print_article?id=124615054
limits as to how much traction public-sector unions can get with a solidarity argument when private-sector workers resent their members’ benefit levels. “This is one of the major risks that union leaders are taking, by not recognizing that these are new times,” Beckwith says. “When society overall sees a change, it’s unsustainable for one segment to try to remain as an island.”

Union officials and their allies note that people working in government aren’t getting rich. Benefits have gone up but wages haven’t, says David Madland, director of the American Worker Project at the Center for American Progress. This means public-sector worker compensation has declined as a share of state costs over the past 20 years. The average defined-benefit pension pays out less than $25,000 a year, according to AFSCME. “Public-sector unions are being scapegoated for budget problems that were mostly not of their making,” Madland says. [For more on public payrolls, read "Who’s the First To Go?".]

The whole idea of collective bargaining, after all, is to come up with ideas that both labor and management can live with. Union leaders complain that government officials are being high-handed when they come to the table demanding that workers either accept large-scale layoffs or serious givebacks. In New York state, for instance, Cuomo has warned his unions that if they don’t come up with $450 million worth of cuts, he’ll have to lay off 1,900 workers. It doesn’t have to be “an either/or,” says Madarasz, who is the director of communications for the Civil Service Employees Association in New York, AFSCME’s largest chapter. “If both sides are approaching things in good faith,” Madarasz says, “there are a thousand solutions you can come up with.”

The problem, say both critics of the unions and plenty of their friends, is that for too long public-employee unions have resisted accepting the sort of changes that would help stave off financial disaster. Many mayors and governors will tell you that some of their unions “get it” and recognize that the times call for a fundamental restructuring of public employee contracts. But others have sought to preserve wage levels and benefits that were hard-won over the decades, even as the financial terrain changed and made them both fiscally and politically unsustainable.

It’s difficult for union leaders to come back to their membership with packages that represent no increase in pay -- or actual cuts. Union leaders face the prospect of their members not only rejecting austere contract agreements, but ousting them as well. And laid-off workers, however much they are missed, will not vote in the next union election.

In San Jose, Mayor Reed is warning that he will have to lay off two-thirds of the city’s workforce if he can’t achieve significant savings in retirement benefit costs. What consumed $65 million of the city’s budget a decade ago already accounts for $250 million and half the city’s budget shortfall. Retirement costs could rise to as much as $650 million annually over the next few years, Reed says.

In Reed’s mind, it’s simply a math problem. Last year, he convinced six of the city’s 11 unions, representing about a quarter of its workforce, to accept a 10 percent salary cut for employees. But even if the police and firefighters accept that kind of cut again, he says, it will only represent half the amount that pension and retirement benefit costs have increased. “We are draining money out of services and pouring them into retirement benefits,” Reed says. “However you define unsustainable, it’s unsustainable.”

The mayor is convinced the public will be with him. San Jose voters and taxpayers think it’s reasonable, he says, to raise the retirement age, over 20 years, to 65 for most government workers and to 60 for those in public safety. Some of the unions are betting he’s wrong, rallying against his fiscal emergency proposal and even importing a pro-union state senator from Wisconsin to raise the argument that Reed’s plan represents an attack not only on city workers, but on the broader middle class.

Beattie, the president of San Jose’s police union, is nervous that that kind of strategy won’t carry the day. The San Jose Police Officers Association has hired its own auditors and forensic accountants to examine the city’s books. He knows the problem is real, but he blames Reed for not giving serious weight to a pension reform proposal that the police union has come up with that would save the city $100 million over the next 15 years.

Beattie can cite plenty of examples of when his union was willing to make concessions on retirement pay formulas, increased health premium contributions and pay cuts. Reed’s declaration of a fiscal emergency is “political in nature and has nothing to do with solving the problem.” Still, if Reed is willing to break faith and bypass the bargaining process, Beattie thinks the mayor can win. “Right now, we’re the haves,” he says. “The people without jobs are the have-nots.”

Union leaders nationwide are betting that the argument will play out differently. Casting themselves as the have-nots, they hope to prevail over attempts not only to cut their members’ wages and benefits, but also to block their
basic right to bargain collectively over compensation. “It’s a political fight and it’s about power,” says AFSCME’s Saunders. “This is a power grab, and folks want to take us out of the picture so we will be silent and they can do what they want to do.”

Whether or not the charges are fair, it’s clear that unions are going to have to respond to the argument that government employment grants benefits that are out of line with what’s offered to workers in the private sector and unaffordable in the current budget environment. Weingarten, the AFT president, says public-sector unions are in for a “big fight,” but she says she’s grown more confident that they’ll prevail since the political backlash against governors such as Wisconsin’s Walker and Ohio’s Kasich has set in.

Public employees in every state would have won mandated collective bargaining rights under the federal Public Safety Employer-Employee Cooperation Act, which came close to passage in 2008. But that bill’s chances ended with the death of its sponsor, Sen. Edward M. Kennedy of Massachusetts, and the Democrats’ loss of their House majority in 2010. Instead, public-employee unions are watching collective bargaining rights being chipped away, not only in the high-profile fights in the Great Lakes region, but also in other states such as Nebraska and Tennessee.

Unions may be able to turn the tide through their political efforts, with many of them, such as the International Association of Fire Fighters, shifting attention and resources away from federal campaigns and toward state contests in 2012. There are now more unionized workers in state and local government than in the private sector, but it’s hard to see how they can grow either in number or strength over the coming years. “Right now, we’re going to see a race between the potential impact of these policies, which will dramatically weaken union power in these states,” says David Madland, the American Worker Project director, or “whether, before these policies actually kick into effect, unions can build on public support for their basic positions.”

“It’s sort of even odds” as to the question of whether public-sector unions will be significantly weakened over the next several years, says Rick Kearney, the North Carolina State political scientist. “People are saying it’s an existential threat, and it is, if the unions can’t adjust course here. They have to adapt, and they have not, as we now see they should.”
Rewriting State Retirement Plans

States are putting limits on their pension plans and retiree benefits, usually calling for employees to pay more toward their future.

Jonathan Walters | July 2011

When it comes to the fiscal health of public employee pension systems, “bending the curve” sums up what went down at the 2011 legislative sessions. Public employees gave ground, but -- with one notable exception -- that ground did not represent any major concessions.

While a lot of legislators considered the laws they passed pension reform, “reform” is probably too strong a word for the vast majority of legislation. Mostly it was tweaking -- although arguably important tweaking -- that included a broad push to increase incrementally the amount of money employees are obligated to contribute to their retirement accounts, as well as changes in vesting and length of service rules.

States also looked at “anti-spiking” measures. That is, they focused on revising how end-of-service salaries are calculated in order to prevent public employees from purposely jacking up final salary numbers in the last few years of service -- thus inflating their retirement checks.

But the anti-spiking measures were probably as much about the current anti-public employee sentiment filtering through state capitals as it was about fiscal reality. While agreeing that such measures are needed, Elizabeth McNichol, co-author of a Center on Budget and Policy Priorities paper on fixing pension problems, says anti-spiking provisions “are not what’s going to solve the problem. States simply need to make their actuarially required contributions, whether it’s the employer or the employee who pays for that.”

While in most places the additional contribution asked of employees was modest, some union officials argue that, given other administrative and legislative moves that affect workers, increases in employee contributions translate into a pay cut. “While 2 or 3 percent more might not seem like a lot, when you’re in the middle of pay freezes, that money comes right out of employees’ paychecks,” says Steve Kreisberg, head of negotiations for the American Federation of State, County and Municipal Employees (AFSCME).

In some states, the increases in what employees are being asked to contribute haven’t been modest at all. Last year, for example, California public employees saw their required contribution double from 5 to 10 percent.

Still, the increases were, for the most part, spread across the workforce. However, a significant handful of states followed an increasingly familiar pattern when it comes to who bears the brunt of changes in pension contributions and retirement policies: new hires. States from Arizona to New Hampshire ramped up the percentage of salary the newbies will be required to ante up as their share of the pension contribution. They also tightened up vesting and length-of-service calculations.

Nobody in organized labor likes to see increases in employee contributions to pensions, but there are places where labor took steps to cooperate. In Vermont, for example, the state treasurer and the Vermont State Employees Association (VSEA) sat down at the beginning of the legislative session and worked out a deal whereby state employees will kick in an extra 1.3 percent of their pay toward their pensions every year for the next five years, after which the salary surcharge will sunset. The deal softened the blow for employees and took pressure off state contributions from the general fund. More important for everyone, it puts the state, says Jes Kraus, director of the VSEA, “within striking distance of a pension that is 100 percent funded.”

While most states took incremental steps, Utah passed a radical pension overhaul. The plan gives new employees a choice between a defined-benefit plan or a defined-contribution plan starting in 2011. Under the new arrangement, the state contributes 10 percent of every worker’s salary to a 401(k)-style plan (12 percent for public safety workers). Employees then have the option of kicking more into their account if they want.

The question of defined-contribution (DC) versus defined-benefit (DB) pension plans will likely be the major fight of the future. Payouts under the former are decided based on what the employee and employer have contributed over the life of the plan and how an individual employee’s pension investment portfolio has performed. Employees, in other words, take all the performance risk of their investment portfolio. Defined-benefit plans, on
the other hand, promise retirees a guaranteed monthly payment depending upon such factors as length of service and annual pay, regardless of pension portfolio performance -- including losses from the stock market crash at the beginning of the Great Recession. In this case, employers are liable for investment risk.

The battle lines for the DC versus DB fight are set up along the employer-employee divide. A handful of governors -- including Wisconsin's Scott Walker -- are arguing that states shouldn't be making promises that they might not be able to afford down the road, that locking states and localities into potentially unsustainable obligations over the long run is fiscally imprudent. They say the most prudent approach is to make sure the money is in hand -- hence a DC plan.

Organized labor sees things differently. Its leaders argue that defined-benefit plans are cheaper to operate and have performed quite well over the long run. Even DC supporters concede that DB plans are less expensive to operate -- because funds are pooled.

AFSCME's Kreisberg contends that defined-benefit plans have served governments well. Even though he wasn't thrilled with the wide-scale increases in employee contributions enacted by legislatures this year, he argues that the sessions were a "vindication" of defined-benefit systems. "It's a viable system, and it's a more flexible system," Kreisberg says. "What we are seeing is that you can tweak it around the edges and over the long run get your pension fund where it needs to be."
Pension Reform: Hits and Misses

*Big changes are under way in some locales, but some unions are holding out.*

Girard Miller | July 7, 2011

The great public pension debates of this century began in earnest when the Great Recession clobbered investment portfolios by 30 percent in early 2009 and the magnitude of pension deficits were magnified to levels that attracted media attention nationwide. Even with the stock market recovering 75 percent of its 2008 losses, the liabilities of these plans have swollen by 25 percent since the beginning of the great recession as workers aged and earned more service credits. So we still have a nationwide public pension funding shortfall of nearly $1 trillion using the current market values of assets, depending on whose calculations you chose to believe.

Until this year, very little of real substance was done to whittle down those liabilities. Although a dozen state legislatures took action to “reform” their pension plans, many of the early actions were more symbolic than substantive. Often they tweaked the benefits for new hires and but left current workers untouched. A few of them raised the employee contributions by a percent or two. But in the grand scheme of funding shortfalls, they were almost cosmetic.

But now, we’re beginning to see some real reforms. The city of Atlanta drew national headlines last month when its city council unanimously approved a major overhaul of the pension plan. Current employees escaped a proposed reduction in benefits, but will pay an additional 5 percent of pay into the pension plan. New hires will join a hybrid retirement plan that uses a slimmed-down 1 percent pension multiplier and a 401(k)-style defined contribution plan with a city match. Retirement ages are increased to 62 for civilians, with new public safety workers subject to an age 57 requirement that I’ve been suggesting as the model nationwide. That structure is much more consistent with the kind of pension reform that taxpayer watchdog groups have advocated, and it deserves serious study by public officials seeking to design sustainable benefits plans.

New Jersey’s controversial GOP governor Chris Christie, with bipartisan support from labor-friendly Senate President Stephen Sweeney, successfully cleared a bill through that legislature to require higher employee contributions, remove health benefits from the bargaining table, and freeze cost-of-living allowances. Projected savings are in the billions and could top $100 billion over time if you believe the press releases.

Similar accounts are popping up elsewhere, and the tide has clearly turned in favor of reduced benefits in many states and localities. Even in California, where statewide pension reform is still elusive as the legislature failed to address it in its new FY2012 budget, workers in many unions have agreed to pay more to preserve benefits. Outgoing Governor Schwarzenegger negotiated a half-dozen such increases in his final year in office, and the City of Los Angeles has set a national precedent with an agreement for employees to contribute 4 percent of pay into their retiree health care plan which has been pay-as-you-go until now. Even the notorious six-figure lifeguards in Newport Beach have agreed to lower future benefits and higher contributions.

Some commentators see a growing national movement toward reduced union power and taxpayer envy of public pensions. Certainly the recent legislation in Indiana, Massachusetts, Ohio and Wisconsin would support that claim. But unionists in other states would say they have stepped up to the plate to negotiate responsible changes in their benefits and are willing to make sacrifices to retain “hard-earned pension formulas.” Public pension advocacy groups have ramped up their efforts to dispel “myths” about pension funds, and a more centrist, pragmatic tone has been seen in some states as genuine solutions are sought and sometimes achieved.
Meanwhile, however, there are some notorious hold-outs. Some unions, especially police unions, have
have played hardball with their elected officials. They have bet their jobs — and sometimes lost — that
city councils will blink and cut other departments rather than lay off cops. That strategy has worked in
many municipalities, but not all of them. Some mayors, city managers and city councils have stared them
down and cut the workforce after trying unsuccessfully to negotiate pension reductions and fair-share
employee contributions. They had no other choice in most instances. It's become a giant game of chicken
with the public's safety, in part because union members have taken the view that the public will always
stand by the public safety workers who became heroes in 9/11. Public opinion polls taken by one of the
pension reform groups suggests that the mood has shifted decisively against that conventional line of
thinking, and that pension envy now outweighs support for, and fears about, public safety. The "$100,000
pension club" headlines in some states have eroded public sympathy.

It's said that local government is the laboratory of American democracy, and the pension reform trend is a
good example of widespread variations on a theme. In some states, the rules of the game are rigged
against policymakers seeking to make obvious changes to over-rich benefits formulas awarded to
incumbent employees in the halcyon days of the Internet bubble — which cannot not be retracted under
judicial precedents in certain states. The standard union line is that retirement benefits should be
bargained on an employer-by-employer basis and there is no need for the legislature — or the voters —
to get involved. The problem with that line is that the resulting hodgepodge of benefits formulas,
contribution rates and funding schemes will eventually result in great disparities in employee
compensation and taxpayer impact. Municipalities in particular are then left with a "beggar-thy-neighbor"
labor market the next time the economy gets back on their feet. And the unions will of course make the
case to restore their shrunken benefits, often through labor arbitration by pitting one employer against
another as they did in the late 1990s in several states. That's why some pension reformers would
advocate a level playing field with common statewide limits on how rich a retirement benefit can be, with
mandatory use of a hybrid plan similar to Atlanta's new deal — so that the defined contribution portion of
the plan can be dialed up or down as the economy waxes and wanes.

Even with all this activity to fix pensions, most public employers still haven't begun to tackle the trillion-
dollar problem of unfunded retiree medical benefits (OPEB) which are double the size of pension deficits.
Once all these obligations start showing up on the balance sheets of state and local governments under
the Governmental Accounting Standards Board's pending standards, a further round of benefits
reductions and contribution increases is inevitable. I've done some simple ballpark math, and nationwide
the combined annual cost to amortize the pension and OPEB liabilities under the new standards will
average 30 percent of full-time payroll, in addition the normal cost of current benefits. That's about
$16,000 per employee per year — around $8,000 to $10,000 more than the average employer now pays
annually for the average public employee. Piecemeal collective bargaining and trivial ad hoc reforms will
not fix these problems in many states. Although incrementalism may work in some states, more major
surgery is inevitable in many jurisdictions.
AS New Jersey throws its weight behind Wisconsin and Ohio in rolling back the collective bargaining rights of public sector employees, we are once again going to hear the argument that public sector unions ought not to be confused with their private sector counterparts. They’re two different animals entirely.

Private sector workers, so the argument goes, have historically organized to win better working conditions and a bigger piece of the pie from profit-making entities like railroads and coal mines. But public sector employees work for “us,” the ultimate nonprofit, and therefore are not entitled to the same protections.

This is a fond notion at best. Yes, public school teachers were never gunned down by Pinkerton guards; municipal firefighters were never housed in company-owned shanties by the side of the tracks. But none of this cancels their rights as organized workers. No ancestor of mine voted to ratify the Constitution, either, but I have the same claim on the Bill of Rights as any Daughter of the American Revolution. Collective bargaining is an inheritance and we are all named in the will.

The two-labors fallacy rests on an even shakier proposition: that profits exist only where there is an accountant to tally them. This is economics reduced to the code of a shoplifter — whatever the security guard doesn’t see the store won’t miss. If my wife and I have young children but are still able to enjoy the double-income advantages of a childless couple, isn’t that partly because our children are being watched at school? If I needn’t invest some of my household’s savings in elaborate surveillance systems, isn’t that partly because I have a patrol car circling the block? The so-called “public sector” is a profit-making entity; it profits me.

Denying this profitability has an obvious appeal to conservatives. It allows a union-busting agenda to hide behind nice distinctions. “We’re not anti-union, we’re just against certain kinds of unions.” But the denial isn’t exclusive to conservatives; in fact, it informs the delusional innocence of many liberals. I mean the idea that exploitation is the exclusive province of oil tycoons and other wicked types. If you own a yoga center or direct an M.F.A. program, you can’t possibly be implicated in the more scandalous aspects of capitalism — just as you can’t possibly be to blame for racism if you’ve never grown cotton or owned a slave.
The fact is that our entire economic system rests on the principle of paying someone less than his or her labor is worth. The principle applies in the public sector no less than the private. The purpose of most labor unions has never been to eliminate the profit margin (the tragedy of the American labor movement) but rather to keep it within reasonable bounds.

But what about those school superintendents and police chiefs with their fabulous pensions, with salaries and benefits far beyond the average worker’s dreams?

Tell me about it. This past school year, I worked as a public high school teacher in northeastern Vermont. At 58 years of age, with a master’s degree and 16 years of teaching experience, I earned less than $50,000. By the standards of the Ohio school superintendent or the Wisconsin police chief, my pension can only be described as pitiful, though the dairy farmer who lives down the road from me would be happy to have it.

He should have it, at the least, and he could. If fiscal conservatives truly want to “bring salaries into line” they should commit to a model similar to the one proposed by George Orwell 70 years ago, with the nation’s highest income exceeding the lowest by no more than a factor of 10. They should establish that model in the public sector and enforce it with equal rigor and truly progressive taxation in the private.

Right now C.E.O.’s of multinational corporations earn salaries as much as a thousand times those of their lowest-paid employees. In such a context complaining about “lavish” public sector salaries is like shushing the foul language of children playing near the set of a snuff film. Whom are we kidding? More to the point, who’s getting snuffed?

*Garret Keizer is the author, most recently, of “The Unwanted Sound of Everything We Want: A Book About Noise.”*
January 1, 2011

Public Workers Face Outrage as Budget Crises Grow

By MICHAEL POWELL

FLEMINGTON, N.J. — Ever since Marie Corfield’s confrontation with Gov. Chris Christie this fall over the state’s education cuts became a YouTube classic, she has received a stream of vituperative e-mails and Facebook postings.

“People I don’t even know are calling me horrible names,” said Ms. Corfield, an art teacher who had pleaded the case of struggling teachers. “The mantra is that the problem is the unions, the unions, the unions.”

Across the nation, a rising irritation with public employee unions is palpable, as a wounded economy has blown gaping holes in state, city and town budgets, and revealed that some public pension funds dangle perilously close to bankruptcy. In California, New York, Michigan and New Jersey, states where public unions wield much power and the culture historically tends to be pro-labor, even longtime liberal political leaders have demanded concessions — wage freezes, benefit cuts and tougher work rules.

It is an angry conversation. Union chiefs, who sometimes persuaded members to take pension sweeteners in lieu of raises, are loath to surrender ground. Taxpayers are split between those who want cuts and those who hope that rising tax receipts might bring easier choices.

And a growing cadre of political leaders and municipal finance experts argue that much of the edifice of municipal and state finance is jury-rigged and, without new revenue, perhaps unsustainable. Too many political leaders, they argue, acted too irresponsibly, failing to either raise taxes or cut spending.

A brutal reckoning awaits, they say.

These battles play out in many corners, but few are more passionate than in New Jersey, where politics tend toward the moderately liberal and nearly 20 percent of the work force is unionized (compared with less than 14 percent nationally). From tony horse-country towns
to middle-class suburbs to hard-edged cities, property tax and unemployment rates are high, and budgets are pools of red ink.

A new regime in state politics is venting frustration less at Goldman Sachs executives (Governor Christie vetoed a proposed “millionaire’s tax” this year) than at unions. Newark recently laid off police officers after they refused to accept cuts, and Camden has threatened to lay off half of its officers in January.

Fred Siegel, a historian at the conservative-leaning Manhattan Institute, has written of the “New Tammany Hall,” which he describes as the incestuous alliance between public officials and labor.

“Public unions have had no natural adversary; they give politicians political support and get good contracts back,” Mr. Siegel said. “It’s uniquely dysfunctional.”

Even if that is so, this battle comes woven with complications. Across the nation in the last two years, public workers have experienced furloughs and pay cuts. Local governments shed 212,000 jobs last year.

A raft of recent studies found that public salaries, even with benefits included, are equivalent to or lag slightly behind those of private sector workers. The Manhattan Institute, which is not terribly sympathetic to unions, studied New Jersey and concluded that teachers earned wages roughly comparable to people in the private sector with a similar education.

Benefits tend to be the sorest point. From Illinois to New Jersey, politicians have refused to pay into pension funds, creating deeper and deeper shortfalls.

In California, pension costs now crowd out spending for parks, public schools and state universities; in Illinois, spiraling pension costs threaten the state with insolvency.

And taxpayer resentment simmers.

**Trouble in New Jersey**

To venture into Washington Township in southern New Jersey is to walk the frayed line between taxpayer and public employees, and to hear anger and ambivalence. So many Philadelphians have flocked here over the years that locals call it “South Philly with grass.”

These expatriates tend to be Democrats and union members, or sons and daughters of the same. But property taxes are rising fast, and voters favored Governor Christie, a Republican. Bill Rahl, a graying plug of a retiree, squints and holds his hand against his throat. “I’m up to
here with taxes, I can’t breathe, O.K.?” he says. “I don’t know about asking anyone to give up a pension. Just don’t ask for no more.”

Governor Christie faced a vast deficit when he took office last January, and much of the federal stimulus aid for schools was exhausted by June. So he cut deeply into state aid for education; Washington Township lost $900,000. That forced the town to rely principally on property taxes. (Few states lean as heavily on property taxes to finance education; New Jersey ranks 45th in state aid to education.) The town turned its construction office over to a private contractor and shed a few employees.

Assemblyman Paul D. Moriarty, a liberal Democrat, served four years as mayor of Washington Township. As the bill for pension and health benefits for town employees soared, he struggled to explain this to constituents.

“We really should not receive benefits any better than the people we serve,” he says. “It leads to a lot of resentment against public employees.”

All of which sounds logical, except that, as Mr. Moriarty also acknowledges, such thinking also “leads to a race to the bottom.” That is, as businesses cut private sector benefits, pressure grows on government to cut pay and benefits for its employees.

Robert Master, political director for the Communication Workers of America District 1, which represents 40,000 state workers, speaks to that difficulty.

“‘The subtext of Christie’s message to a lot of people is that ‘you’re paying for benefits you’ll never have,’ ” he says. “Our challenge is how to defend middle-class health and retirement security, not just for our members but for all working families, when over the past 30 years retirement and health care in the private sector have been essentially demolished.”

This said, some union officials privately say that the teachers’ union, in its battle against cuts to salaries and benefits, misread Mr. Christie and the public temperament. Better to endorse a wage freeze, they say, than to argue that teachers should be held harmless against the economic storm.

In the past, union leaders, too, have proven adept at winning gains not just at the bargaining table. In 2000, union lobbyists persuaded legislators to cut five years off the retirement age for police and firefighters — a move criticized as a budget-buster by a state pension commission. The next year, the budget still was flush and union leaders persuaded the Republican dominated legislature to approve a 9 percent increase in pension benefits. (The legislators added a sweetener for their own pensions.)
Those labor leaders, however, proved less successful in persuading their legislative allies to pay for such benefits. For much of the last two decades, New Jersey has shortchanged its pension contribution.

Governor Christie talked about tough choices this past year — then skipped the state’s required $3.1 billion payment. Now New Jersey has a $53.9 billion unfunded pension liability.

A recent Monmouth University/Gannett New Jersey poll found a narrow plurality of respondents in the state in favor of ditching the pensions for a 401(k)-type program. Public pensions, however, run the gamut, from modest (the average local government pensioner makes less than $20,000 a year while teachers draw about $46,000) to the gilded variety for police and firefighters, some of whom collect six figures. And then there’s the political class, which has made an art form of pension collection.

Some politicians draw multiple pensions as county legislators, called freeholders, and as prosecutors or union leaders. Back in Washington Township, people tend to talk of state government as a casino with fixed craps tables.

A white-haired retired undercover police officer, whose wrap-around shades match his black Harley-Davidson jacket, pauses outside the Washington Township municipal building to consider the many targets. He did not want to give his name.

“Christie has all the good intentions in the world but has he hit the right people?” he says. “I understand pulling in belts, but you talking about janitors and cops, or the free-loading freeholder?”

**Good Jobs, at What Cost?**

So how much is too much? On their face, New Jersey’s public salaries are not exorbitant. The state has one of the highest per-capita incomes in the country, and the average teacher makes $66,597, which even with benefits is on par with or slightly behind similarly educated private sector workers, according to Jeffrey H. Keefe, a Rutgers professor who studied the issue for the liberal-leaning Economic Policy Institute.

Mr. Keefe, however, uncovered some intriguing class splits. Blue-collar public workers make more money than their private sector counterparts. For such jobs, public unions have established a higher wage floor.
The sense that public workers enjoy certain advantages is not a mirage. Public employees pay into their pension funds, but health benefits often come at a fraction of the cost of most private sector packages.

Government employment also tends to be more secure. When the economy crashed, federal stimulus dollars safeguarded many public jobs. The alternative, many economists point out, was to force towns and cities into extensive layoffs, even as unemployment hovered around 10 percent and millions of Americans sought help from public agencies.

But it accentuated the perception that public workers, however tenuously, inhabited a protected class. That’s a tough sell in Washington Township.

Ask Michael Tini, 54, who works as a card dealer in Atlantic City, about teacher salaries and benefits and he taps his head, not unsympathetically.

“Look, I understand that teachers are the brains of the operation, O.K.? But my hours are cut, and my taxes are killing me.”

He taps his head again. “They have got to take it in the ear, too.”
Bullying in N.J.; Bargaining in N.Y.

New York and New Jersey, like so many other states, are struggling with big budget gaps and high health care expenses for union employees. The Cuomo administration in New York sat at the bargaining table and worked out a fair arrangement for bigger contributions by workers. Gov. Chris Christie of New Jersey, by contrast, bullied and postured and got the Legislature to strip unions of collective-bargaining rights on health insurance.

The New Jersey way may produce short-term financial benefits, but it is not a path toward long-term labor peace or effective state management.

Mr. Christie is one of several Republican governors this year to blame the rights of unions — as opposed to the benefits of unions — for their states’ financial woes. By stripping away those rights rather than bargaining, these governors really hope to reduce the political power of unions, which is usually wielded on behalf of Democrats.

He and his allies (including some conservative Democrats) pushed through the Legislature a plan to require substantially higher health insurance contributions from state workers. The plan will allow the state to supersede labor negotiations on those benefits, giving power to a state board to dictate terms over the next four years. For many union workers, health care negotiations were the only leverage they had in preserving basic rights because they do not have guaranteed bargaining on wages and other benefits.

Gov. Andrew Cuomo of New York took a different approach. He told the unions how much money he needed to save and allowed the negotiators for both sides to determine the shape of the cuts, using the threat of layoffs to make sure an agreement was reached. The unions didn’t like it but appreciated the ability to help determine how the cuts would be apportioned between wages and benefits. They can also sleep more soundly knowing that their bargaining has preserved their job security — a reassurance not shared by their counterparts in New Jersey.

New York’s example stands as a rebuke to the bulldozer tactics of Mr. Christie and the other Republican governors.
Cuomo Secures Big Givebacks in Union Deal

By DANNY HAKIM

ALBANY — The state's largest public-employee union, acknowledging the pressures on government workers around the nation, agreed on Wednesday to major wage and benefits concessions in a pact to avoid sweeping layoffs.

The five-year agreement between Gov. Andrew M. Cuomo, a Democrat, and the Civil Service Employees Association, includes a three-year wage freeze, the first furloughs ever for state workers and an increase in the amount employees must pay toward their health insurance.

Savings would amount to $73 million this year, and as much as $1.6 billion over five years, if other labor unions representing public workers agreed to similar concessions. Absent those agreements, there could still be layoffs of some public workers, the Cuomo administration said.

The agreement was announced as the governor and lawmakers negotiated over a number of issues in the waning hours of the legislative session. Senate Republicans had not decided on Wednesday night whether to allow a vote on the most contentious issue, the proposed legalization of same-sex marriage.

The negotiations between Mr. Cuomo and the union, which represents about a third of the 186,000 state workers, were largely free of the public rancor that accompanied efforts to reduce spending on labor in New Jersey and Wisconsin.

“"I want to applaud C.S.E.A. for understanding, truly, the situation that the state is in," the governor told reporters on Wednesday night. "The union really stepped up and helped the state out at a very precarious time, from a financial point of view.""

In a statement, Danny Donohue, the president of the union, said, “These are not ordinary times, and C.S.E.A. and the Cuomo administration have worked very hard at the bargaining table to produce an agreement that balances shared sacrifice with fairness and respect.”
The deal is subject to ratification by union members, who will vote by mail over the next several weeks. It would provide pay raises of 2 percent in the fourth and fifth years of the contract.

Mr. Cuomo, facing shrinking resources because of the recession, had earlier in the legislative session won approval of a state budget that depended on a $450 million cut in labor costs, either from layoffs or union concessions.

He had also proposed reducing pension benefits for new government workers; that proposal is unlikely to be approved in this session, but will be a potential flash point going forward.

Edmund J. McMahon, director of the Empire Center for New York State Policy, a research group that favors reduced government spending, called the deal a mixed bag.

On one hand, Mr. McMahon said, the agreement was not an effort at significant transformation, like that tried by Gov. Scott Walker of Wisconsin, who sought to end collective bargaining for many public-employee unions. On the other hand, he said, the New York deal marked a sharp departure from the state’s previous four-year labor contract, which put in place base wage increases of 3 percent a year for the first three years and 4 percent in the fourth year.

“In Wisconsin, they tried to change the rules,” Mr. McMahon said, adding, “If you’re negotiating within the rules of the game, this is probably the best deal you can get.”

Under the terms of the deal announced on Wednesday, lower-paid employees — those whose salaries start at about $33,000 or less — will have their share of health care premiums rise to 12 percent, from 10 percent, for individuals. More highly paid employees will have their share rise to 16 percent. The cost of family health coverage will also increase; for more highly paid employees, for example, the share will rise to 31 percent, from 25 percent. State officials expect that, as in the past, the health care changes will also apply to retirees, a potentially critical part of the overall savings.

In addition to taking a five-day furlough in the current fiscal year, employees must take a four-day leave in the year after, though the second-year furlough will be repaid at the end of the contract term.

Employees who remain through 2013 will earn one-time bonus payments of $775 in 2013 and $225 in 2014 — such one-time payments do not compound over time like salary increases, which increase long-term cash costs for the state and the burden on the pension system.
In addition to the wage and benefits concessions, the union also agreed to an overhaul of the disciplinary procedures for state employees accused of abuse or neglect of the developmentally disabled. The state and the union will develop a series of punishments for employees who commit disciplinary offenses in an effort to end the seemingly random punishments handed out by arbitrators to employees in the past. And there will also be an overhaul of the current arbitration panel and higher pay in an effort to recruit better arbitrators.

The Cuomo administration had pressed for the changes after a series of articles in The New York Times examining the treatment of the disabled in group homes and state-run institutions. Among the newspaper’s findings: The state has retained workers who committed physical or sexual abuse, rehired many workers it had fired, shunned whistle-blowers and rarely reported allegations of abuse to law enforcement officials.

While employees represented by the Civil Service Employees Association averted layoffs, the Cuomo administration is still negotiating with a number of other unions, including the Public Employees Federation, which represents 56,000 employees and is the second-largest union of state employees. The state has put forward a July 15 deadline for layoffs in other unions if an agreement is not reached to reduce their wages and benefits.

The Public Employees Federation has had more contentious talks thus far with the Cuomo administration, going so far as to post the administration’s negotiating position on the Internet, but its position was weakened by the agreement announced on Wednesday.

Ken Brynien, president of the Public Employees Federation, issued only a brief statement, saying his union “stands ready to meet with the state’s negotiators to reach an agreement.”
In Florida, G.O.P. Help for Unions

BY STEVEN GREENHOUSE

TALLAHASSEE, Fla. — When State Senator John Thrasher introduced a bill to weaken the political clout of Florida’s public employee unions, he expected that it would pass fairly easily, not least because Republicans held 28 of the Senate’s 40 seats.

But now it looks as if the bill could falter before the legislative session ends next week. Unions representing teachers, firefighters, the police and other public employees say they have persuaded nearly half of the Senate’s Republicans to oppose the bill by reminding them that in Florida, far more than in most states, organized labor has supported Republicans.

“We have traditionally been a Republican-based organization,” said James Preston, president of the Florida Fraternal Order of Police. “How much more conservative can you get than the police officers? Who wants to go against the cops and firefighters on these matters?”

Still, the unions’ success is surprising, especially since Republican lawmakers in traditionally labor-friendly states like Wisconsin and Ohio have passed far tougher antiunion legislation this year. In Florida, just one in 20 of workers in the state belongs to a union.

By some counts, 12 of the 28 Republican senators are against the latest version of Mr. Thrasher’s bill, which would require public employee unions to get each member’s permission each year before they could use that person’s dues for political purposes. Senate Democrats are unified in opposition to the bill. Republican and business leaders — noting that Florida’s state employees contribute nothing toward their pensions — have praised Mr. Thrasher’s bill because it would reduce unions’ leverage over health coverage and pensions.

“These are government unions that are negotiating oftentimes against the taxpayers,” said Mark Wilson, president of the Florida Chamber of Commerce. “It’s not fair that the taxpayer-funded payroll system is collecting union dues that are used politically against the taxpayer.”

But Senator Miguel Díaz de la Portilla, a Republican representing Miami, said the bill was too punitive. “I don’t think it’s necessary legislation,” he said. “It doesn’t do anything to create jobs. It creates a lot of discord unnecessarily.”
He said the fact that unions in Florida were weak had forced them to be bipartisan. Using Wisconsin as an example, he said, “You just don’t have the animus between union and antiunion here that you have in some other places.”

Indeed, some of the bill’s Republican opponents have enjoyed labor’s campaign support and worked with unions on numerous issues.

Mr. Thrasher’s bill originally had two main provisions. In addition to requiring members’ permission for using dues money for politics, the legislation would have barred the state or any community from deducting union dues from workers’ paychecks and forwarding that money to unions.

Union lobbyists repeatedly said the bill would cripple the payroll deductions that fuel labor’s political efforts while continuing to allow similar deductions at 360 organizations and private companies, including insurers, that spend money on politics.

Unions also said they were being scapegoated for Florida’s budget problems. They argued that the recession and Wall Street, not union-negotiated pay and benefits, caused Florida’s $3.6 billion deficit.

Those arguments resonated with lawmakers.

Rene Garcia, a Republican senator who represents Hialeah, said he saw little need for the bill because Florida’s public employees were already not required to join the unions that represent them or to pay dues. “I don’t like this bill because it’s not fair when you single out one group,” he said.

Mr. Thrasher, former chairman of the Florida Republican Party, saw that he did not have the votes for his original legislation even though the House had already passed a similar bill. So he dropped the provision eliminating the dues check-off.

Mr. Thrasher did not respond to interview requests. But Senator Don Gaetz, a Republican from Destin, said the bill was revised to make clear that it did not intend to cripple unions.

“There’s no intent to stop unions from using funds for other very legitimate purposes,” he said. “The issue is, should the taxpayers of Florida be collecting money from public employees to be used by a union for direct partisan purposes? And the answer to that is no.”

Unions continue to fight the watered-down bill. “It could make unions in Florida a toothless tiger in politics,” said Rich Templin, chief lobbyist for the state A.F.L.-C.I.O.

In a sign that the bill is in trouble, Governor Rick Scott, a Republican, personally lobbied four Republican senators on Wednesday to back it, according to Mr. Diaz de la Portilla.
Gary Rainey, president of the Florida Professional Firefighters, said there was not enough Senate support to pass the bill in an up-or-down vote. But he feared that Republican leaders would secure passage by attaching it to another bill.

"It's been a continuous battle shoring up support," he said. "It's not over until the fat lady sings."
A City’s Wrenching Budget Choices

By KEVIN SACK

WILMINGTON, N.C. — When Engine 5 pulled up to a burning house on Woodlawn Avenue early on March 19, the firefighters were told that a man might be trapped in the back left bedroom. As two firemen trained a hose toward that corner, Capt. Don Ragavage crawled through smoke and flames to search for the missing resident.

It was an inopportune moment for the water pressure to plummet. But that is what happened when Engine 5’s motor, strained to the limit by 16 years and more than 100,000 miles of hard service, abruptly sputtered and died.

Only a month earlier, the fire chief, Buddy Martinette, had lobbied the City Council to replace the cantankerous engine at a session devoted to the latest of Wilmington’s six consecutive budget gaps.

“The mechanics really don’t think it will make it,” the chief warned at the time.

“You need another mechanic,” shot back Charlie Rivenbark, the Council’s foremost fiscal curmudgeon.

Mr. Rivenbark was not smiling, and once the scattered snickers quieted, none of his colleagues took issue. The fire truck fell off the table for the fifth year in a row.

Wilmington, N.C., is not Camden, N.J., which laid off half its police force this year. It is not Detroit, which is closing half of its public schools.

But like local governments across the country, the City of Wilmington has been demonstrably diminished by five years of unyielding economic despair. That a place like Wilmington, until recently a real estate boom town, would defer a purchase as essential as a fire truck for even one year, much less five, speaks to the withering toll.

In repeated visits over six months, Wilmington revealed itself to be typical of hundreds of American cities where the relentless drip-drip-drip of yearly contractions has gradually arrested civic momentum. As they wrangled over the 2012 budget, the city’s recession-weary
mayor, Bill Saffo, and his fellow Council members faced a menu of increasingly distasteful options.

For Mr. Saffo, 50, a second-generation developer whose family had prospered with the area’s growth, the notion of presiding over a shrinking city was hard to stomach. Already a light sleeper, he was down to about four hours a night as a series of haunting tradeoffs — and a looming July 1 budget deadline — confronted him in the dark.

Padding around his house in a Pittsburgh Steelers T-shirt, while his wife, Renee, still slept, Mr. Saffo would flit from worry to worry. With the city facing a shortfall equal to 8 percent of its revenues, the mayor wondered whether this would be the year the Council had to close a fire station, and compromise emergency response times. Would the city have to withhold merit raises from employees for the third year in a row, and further demoralize valued workers? Could it keep the streets navigable by continuing to patch potholes rather than repaving?

“It gnaws on you day and night,” Mr. Saffo, a centrist Democrat, said. “Are the policy decisions we’re making helping rather than hurting? Are we doing everything we possibly can? You do stay up and think about this stuff.”

As a diversion, the mayor would surf North Carolina news sites in search of fiscal doom in other cities, “just to make sure I’m not the only one going through this.” But Wilmington always pulled him back.

He was running for re-election in November and he badly wanted to beef up the city’s police presence downtown, where a rowdy weekend bar scene had turned increasingly violent. But was it feasible to raise taxes to do so when voters had trended conservative (and angry) in local elections last year?

The mayor and the Council, who serve part-time, were still smarting from last year’s decision to raise property taxes to make debt payments on projects they had approved when coffers were flush. If a tax increase was out of the question, would they need to raid the city’s reserves? That, Mr. Saffo knew, could threaten Wilmington’s capacity to rebuild if a hurricane smacked the Carolina coast this summer.

“We’ve had to make some pretty tough choices,” Mr. Saffo said one afternoon in his City Hall office. “We actually do make decisions where people can feel it and see it and touch it, and if they don’t like it they let you know about it.”

He pinched his brow with his thumb and forefinger.
“How you play this tough hand will determine how your community is going to come out of this,” he said. “You can hunker down and not invest in anything and then have to play catch-up, or you can continue to invest and find ways to improve so we can catch that economic wave up.”

Revenues Take a Fall

What makes Wilmington’s reversal so striking is that the city had so much going its way.

Until 2007, the general fund budget for this endearing port of cobblestone streets and moss-draped oaks had been expanding by about 7 percent a year. Fueled by in-migration and a series of annexations, the population surged 40 percent for the decade, to 106,000.

The growth helped pay for glittering capital projects all over town — a convention center on the Cape Fear River, a police headquarters with its own crime lab, a 20-mile bike and jogging trail, tennis courts and softball fields, a host of road and streetscape improvements. The mayor’s calendar was crowded with ribbon-cuttings.

But by the time Mr. Saffo and the Council took on this year’s $85 million budget, the collapse of the real estate market had so choked revenues that the finance department could no longer afford free coffee for its staff. Despite last year’s increase in property taxes, which account for nearly two-thirds of the general fund, the city’s revenues were still projected to be lower in 2012 than in 2008.

Wilmington’s experience is not uncommon. Nationwide, the decline in municipal revenues has accelerated in each of the last four years, draining billions from direct services like police protection and garbage pickup. Local governments have shed nearly half a million jobs, and are expected to lag well behind any recovery in other sectors.

This year, they face the exhaustion of stimulus aid from Washington, deep cuts in federal Community Development Block Grants and belt tightening in state capitals newly controlled by Republicans. One of them is Raleigh, where Republicans have captured both houses of the General Assembly for the first time since Reconstruction.

Wilmington’s Council had been closing shortfalls of 5 percent to 10 percent for several years, and the compounding effect was roughening the edges of a city that aggressively marketed its coastal quality of life.

Just the previous year, the city had eliminated its budget for planting spring bulbs and trees. Hours had been shortened at community centers and parks. Deep reductions in code
enforcement had ballooned the inventory of derelict properties. Although eager to attract corporate investment, the city had eliminated its economic development recruiter.

If the average Wilmingtonian did not feel the impact every day, it was largely because city workers had borne the brunt. Through attrition and a selective freeze on hiring, the workforce had been trimmed by 8 percent, to 794 positions. Between the elimination of merit pay and a big cut in the city’s contribution to retirement benefits, the remaining employees had lost 10 percent of their earnings over two years.

Department heads fretted that once the private sector reheated, they would not be able to compete for employees. More immediately, morale was awful, particularly among police officers and firefighters who resented the expectation that they would do more for less.

One afternoon, three firefighters at Station 4 griped with little provocation about their stagnant salaries. They said they resented it when the brass ordered extra training or asked them to perform nonessential chores like distributing safety brochures.

“I make sure that I take care of my equipment,” said Andrew Comer, a master firefighter. “I do my job well when I respond to calls. But I’m not going to go above and beyond to try to make this department any better right now. They’re not doing anything to make my life any better.”

Mr. Comer said he could make ends meet only by working a second job in boat repair. Were he not saddled with his house, he said he might join the co-workers he knows are searching for work elsewhere.

“People say, Be thankful you have a job,” he said. “But it’s hard to come in and be motivated when you know you’re not going to get anything in reward.”

A pair of police officers walking a downtown beat one Friday night saw it the same way. Officers had become less proactive and tended to simply wait on calls for assistance, they said.

“People say, ‘I’m going to cover my calls but I’m not doing anything extra,’ ” said Officer Kendall Murphy, a three-year veteran. “ ‘I’m not going to go above and beyond. Why should I? I don’t get raises.’ It gets worse over time, and it’s not just a few people.”

**Budget Casualties**
Despite Engine 5's failure last March, the house fire on Woodlawn Avenue ended without injury because another truck had quickly replaced the disabled engine. The firefighters eventually discovered that the missing resident had not been at home.

But Captain Ragavage, who conducted the hands-and-knees search, said it could have been a disaster.

"Let's say the house was a little bigger and we were deeper into it," he said. "The fire could have overwhelmed us."

The fire chief had begged for years to replace the truck, which would cost $730,000 but could be financed with a first-year installment of $103,000. The truck had logged 863 hours in the repair shop in 2010, almost as much as the other 10 engines combined. Its drivers routinely took roundabout routes to fires to avoid even slight inclines or traffic lights that might stall their momentum.

Deferring equipment purchases and maintenance had enabled the mayor and the Council to protect manpower in the police and fire departments, which consumed almost half of the city budget. But the casualties were mounting.

The police chief badly needed new cruisers and car-mounted cameras. The cameras, which had been breaking at the rate of one a month, occupied a special place in the department's arsenal because in 2007 a video had absolved an officer in a fatal shooting that threatened to ignite the community.

The chief, Ralph Evangelous, also had no money to hire five officers to supplement the new downtown patrol unit he had formed by shifting personnel from other beats.

The need was pressing on warm weekend nights, when Front Street more resembled Bourbon Street. Ninety-eight establishments held liquor licenses in a quaint central business district of 21 square blocks. And when Mugsy's Pub and Hell's Kitchen and the others closed simultaneously at 2 a.m., a toxic mélange of students, Marines, townies and young women in Snooki-short dresses poured onto the sidewalks.

On a typical night, it was not uncommon for overwhelmed officers like Kendall Murphy to break up half a dozen fights. In January, a 19-year-old gang member had been stabbed to death in a brawl outside a downtown bar.

Mr. Saffo was acutely aware that it would take but one mugging of a business visitor to imperil bookings at the new convention center. "That would be a bad black eye, for sure," he said.
Of all the fiscal degradations, perhaps most irritating to residents was the minefield condition of city streets. In 2010, the public services department had managed to resurface only one-fifth as much asphalt as in 2008, a mere 4.5 miles. Instead, in a futile game of whack-a-mole, a single city worker, John Diggins, rumbled about town in a pterodactyl-like pothole-filler called the Patcher, which spewed gravel and asphalt out of a pneumatic nose.

In 2010, the city had filled three times as many potholes as in 2008, simply because there were so many more to fill. But even at 125 a day, Mr. Diggins could not keep up. “You like to get the job done,” he said in frustration, “but there just aren’t enough hours.”

One afternoon in February, the public services director, Richard King, guided Mr. Saffo on a tour of the city’s cratered streetscape. It would take $3 million a year for a decade to restore the streets to good condition, he told the mayor. For the 2011 fiscal year, he had received $750,000.

As they turned down Park Street, where the asphalt was cross-hatched with deep cracks, Mr. Saffo quipped that the roads were better in Afghanistan. “I think I’ve seen enough,” he told Mr. King. “I’ve seen that we’ve got more needs than we have money.”

**Into Public Service**

This was not exactly what Bill Saffo had in mind when his father nudged him into local politics in 2003. He ran for City Council then with the goal of streamlining land-use restrictions that he felt were restraining the region’s growth. Now he saw his mission as limiting the deterioration of essential services, or at least the public’s perception of it.

The son and grandson of Greek immigrants, all from the island of Ikaria, Mr. Saffo went by his given name, Vassilios, until it befuddled his grammar school teachers. A hometown boy in every sense, he played football at Hoggard High and majored in political science at the University of North Carolina Wilmington.

As new highways opened access to southeastern North Carolina, and a nascent film industry conferred hipster appeal, Mr. Saffo joined with his father in developing subdivisions between town and the nearby beaches. Business was really good, until it got really bad.

From 2006 to 2010, residential and commercial foreclosure filings tripled in the Wilmington area and sales of single-family homes dropped by more than half. Mr. Saffo watched a number of competitors and local banks go under, and eventually propped up his weakened firm by merging with a Coldwell Banker franchise.
Councilman Saffo was elevated by his colleagues in 2006 when the mayor at the time resigned to take a banking job in Greensboro. Affable and presentable, with hangdog eyes and a vast mesa of graying hair, the new mayor proved a natural politician.

He maintained a ubiquitous presence at public events, where he greeted friends with a gravelly drawl that was somehow both Southern and Greek. If not saluting a constituent’s football allegiances — “War Eagle!” — he was rarely without game — “Mark Kennedy, if that’s not an Irish name I don’t know what is.”

Mr. Saffo handily won two-year mayoral terms in 2007 and 2009, and by all accounts had remained popular. If he had a shortcoming, fellow Council members said, it was that he was more liked than feared, and that his reluctance to offend sometimes prevented him from articulating a more forceful vision.

**Making Tough Choices**

The squeeze on Wilmington’s revenues would require Mr. Saffo and the Council to reassess which services were truly essential, which tasks could be re-engineered and which worthy programs might be sacrificed. But the first crack fell to the city manager, Sterling Cheatham, a veteran administrator who had worked in four cities before landing in Wilmington in 2002.

Under the city’s weak-mayor form of government, it was the cool and controlled Mr. Cheatham who oversaw daily operations and formulated a budget blueprint for the Council’s consideration. While Mr. Saffo was clearly the city’s face, the mayor held but one of seven votes on the Council and wielded no veto. The job paid $19,080, including allowances for car and telephone.

The Council members — three white men, two white women, and two black men — were all elected citywide in nonpartisan races. Because they represented the same constituents, consensus tended to grow organically.

When Mr. Cheatham began working on the budget late last year, he understood that the mayor and the Council had already forged a broad understanding. They had no appetite for another tax increase. They wanted to maintain reserves equal to 15 percent to 20 percent of the general fund. And they hoped to avoid layoffs that might worsen unemployment, which remained around 10 percent.
Mr. Cheatham, who dealt daily with grumbling city workers and felt they deserved a break, suspected that Council members would again reject pay increases. But he also thought the politicians should have to make that call.

In December, he proposed the broad outlines of a spending plan that would restore merit pay and retirement benefits, put nearly $2 million into needed capital projects, and buy a fire truck, police cruisers and police car cameras. “Everybody has a side of the street to walk on,” he explained.

It would leave a gap of $6.7 million between anticipated revenue and spending, more than half of it due to the pay increases. Mr. Cheatham proposed to take the full amount from the city’s reserves, reducing the balance well below the Council’s threshold. Alternately, the Council could raise property taxes by about 15 percent.

Mr. Saffo felt the tug of the workers’ plight. Whenever he dropped by Jimbo’s, an all-night diner where he nursed his insomnia with coffee and eggs, the late-shift police officers would talk to him about their jobs and their pay.

But he also encountered exasperated taxpayers, like the waitresses and short-order cooks, who said they simply could not handle another increase. They were the ones, he assumed, who had helped elect a Tea Party-esque gadfly to the New Hanover County Commission last November, ousting an 18-year incumbent.

“The mood we saw out there,” Mr. Saffo recalled, “was, ‘Hey, my 401K has become a 201K. I’ve lost my job. I’m mad, and I want to know who to blame.’ You get painted with a pretty broad brush.”

At the Council’s first budget work session, Mr. Saffo and his counterparts all but killed the pay package. “I know they deserve raises,” the mayor said, “but I just don’t see it. We’ve got to hold the line.”

Before the next session, Mr. Cheatham asked department heads to submit doomsday plans for cuts of 5 percent and 10 percent. Even the lower number would mean eliminating 47 positions, ending the recycling program and closing Fire Station 4, which covered the university and the medical center.

At the meeting, in a cramped conference room in the city’s operations center, the finance director, Debra Mack, told council members that taking $6.7 million from the city’s $16.8 million in reserves could threaten its AA+ bond rating. Ms. Mack reminded them that they had already drained the balance by more than $4 million over four years.
Mr. Saffo asked if the Council would feel comfortable taking $1 million from the fund. And in the odd way that the Wilmington City Council sometimes did business, with no vote, but no one posing any objection, the proposal morphed into policy. Mr. Cheatham left the meeting with the understanding that his next draft should avoid layoffs, withhold raises, defer the fire truck and other capital projects, and make only a minimal grab from the city’s reserves.

**Looking to the Capital**

By the time the Council next met on the budget, in April, there were indications that mildly improved sales tax collections might cushion the worst cuts. But the mayor and the city manager also worried that the hole could deepen because of the budget battle under way in Raleigh.

Republican legislative leaders had proposed rolling back sales taxes and slashing billions in education spending proposed by Gov. Bev Perdue, a Democrat. It would mean a big hit on counties, and cities worried that in the dead of the night, in some session-ending deal, the legislature would requisition their revenues as well.

Mr. Saffo and Mr. Cheatham had attended a mayors’ conference in Greensboro where the new House speaker and the Senate president pledged they would not float the tax burden downstream to cities.

But the mayors, many of them Democrats, remained suspicious of their new Republican overlords. “It’s only going to be a matter of time,” Mr. Saffo predicted. “It’s like preparing for a hurricane and not knowing if it’s going to be a Category 4 or Category 5.”

At the Council’s budget session, held in an airport conference room as small jets taxied past the windows, the group sliced into Mr. Cheatham’s proposed spending on construction projects. Again with a series of mumbles and nods, Mr. Saffo led his colleagues through no-win decisions to defer all sidewalk repairs and to cut by almost half the $1.8 million that Mr. Cheatham had urged for street resurfacing.

With the budget gap narrowed to about $1 million, Mr. Cheatham went back to work, choosing among the cuts offered by his department heads. He deleted programming for the elderly at community centers and ended the city’s provision of umpires and scorekeepers for softball leagues.

On May 3, he presented the Council with a balanced recommended budget. He had found enough money to buy some of the needed police cars and cameras, but not enough to pay for the fire truck or downtown police officers.
What Mr. Cheatham did not know was that his fire chief, Mr. Martinette, was not ready to
give up on replacing Engine 5. A week earlier, Mr. Martinette had called one of the Council’s
newest members, Kevin O’Grady, and invited him to his office to discuss the truck.

Mr. Martinette had never before circumvented the chain of command to directly lobby a
Council member. But he had been impressed by Mr. O’Grady’s penchant for steely analysis
and correctly deduced that the councilman, a retired lawyer, might be persuaded to advocate
for the truck.

“I thought that if I could get one person to put it back on the table I had a pretty fair shot,”
Mr. Martinette said.

The chief told the councilman that any money saved by deferring the new truck would be
wasted on maintaining the old one. He said that a functioning truck would be crucial to his
plans to restructure the department by closing four outmoded stations and building two
modern ones. Once Mr. O’Grady learned that it could be had for an initial installment of
$103,000, he was sold.

“If we don’t spend that $100,000 and there’s a fire and the truck doesn’t get there and
somebody’s hurt, then how stupid were we?” he asked.

At the Council’s final work session, on May 19, Mr. O’Grady said that while he hated to drain
the city’s reserves, he felt the truck was not optional. “This is something you go to savings
for,” he argued.

Not everyone agreed. “Using that fund balance,” Councilman Rivenbark said, “is like paying
your rent with a credit card. I’ve never voted against public safety, but I’m having a hard
time getting my hands around it.”

As the discussion floated about the table, five members of the Council spoke for buying the
truck, while Mr. Saffo joined Mr. Rivenbark in opposing it. With one eye on November, he
argued that this kind of spending would ultimately force another tax increase.

“We’re getting to a point,” the mayor said, “where I hear it on the street: ‘I’m stressed out
because I don’t want to pay more taxes.’ We still don’t know what the state is going to do to
us, and we’re in a hurricane zone here. If Mother Nature hits us and the state hits us, we’ll
really have a double whammy.”

Later that day, the National Oceanic and Atmospheric Administration forecast a worse-than-
normal hurricane season.
The Votes Are In

The mayor was outvoted, and the longer he thought about it the more he felt the money would have been better spent on merit pay or downtown police officers. But he appreciated the tradeoffs that the Council, like most American families, had to confront. Save or invest? Borrow or pay as you go. When resources are scarce, which essentials become less so?

It was perhaps a measure of the Council’s skill that when the city held its public hearing on the budget in May, the public did not show. Five social service agency directors came to offer thanks for their appropriations, but that was it.

On June 4, the North Carolina legislature passed the state budget, abiding by its pledge to protect city revenues. Unable to stomach the cuts to education, Ms. Perdue vetoed the bill, and then watched the General Assembly override her with help from conservative Democrats.

Three days later, the City Council unanimously approved Wilmington’s budget on the first of two readings, with minimal discussion. On June 21, it took three minutes and 19 seconds to vote final approval of the four budget ordinances.

Mr. Saffo quickly turned his attention to his re-election campaign, although he had yet to draw an opponent. He knew that it would be a referendum on the city’s handling of hard times, and that the decision to replace Engine 5 might serve as Exhibit A.

“At the end of the day,” the mayor said, “it all comes with a cost, and the citizens are going to have to decide whether they’re willing to pay for it.”
LESS SECRECY

Forget Wisconsin's attempt to undo collective bargaining.
Florida, instead, should undo the secrecy under which many
of those contracts are formed.
Worker compensation is the single largest cost in a public
budget, often accounting for
more than 70 percent of ex-
penses and affecting the com-
community's finances for years to
come.
That these discussions take
place mostly out of public view
is mindboggling; that public
managers don't do more to
advertise and publicize the
negotiations is shameful.
A closed process only serves
to heighten the real problem -
the disconnect between gov-
ernment and citizens. Public-
sector workers, including man-
gers, are living in a different
world from that of the private-
sector citizens who support
them.
The first are in a bubble
largely insulated from the tur-
bulence that comes from gru-
cling global competition. The
latter are in the competitive
whirlwind that lies outside that
bubble. In a place like South
Florida, where prevailing low-
wage jobs are masked by
glauming condo towers that
cater to tourists and foreign
buyers, that buffer becomes a
barrier.

FEELING PAIN

That's just one reason to
beware of supporting public
candidates who have spent a
lifetime working in govern-
ment. Sure, they can feel our
pain, but they do so the same
way we Americans feel the
pain of a child starving in Af-
rica - sporadically and from a
distance.

JACKIE BUENO SOUSA

Negotiate union pacts in sunshine

- SOUSA, FROM 1B

Encouraging the public
to modestly scrutinize
contract negotiations will
helps cross the communi-
cation barrier between
citizens and public officials.
As is often the case with
transparency, it also will
lead to a more informed
populace.
The process may get
messy at times, but that's a
minor price to pay for the
benefit of fairer outcomes.
Besides, this is a democ-
acy; we do messy well.
They say we got the
government we deserve.

These days, however, when
it comes to the fiscal condi-
tion of local governments,
it may be more appropriate
to cite another common
saying regarding compensa-
tion.
You don't get what you
deserve; you get what you
negotiate.
Privatization’s unspoken risk: Corruption

By Fred Grimm
fgrimm@MiamiHerald.com

The future of government runs for 10.5 miles through the heart of Broward County, amid rocks and dust and earth-moving equipment and trucks and workers along Interstate 595, where motorists can look out their car windows and contemplate another three years of traffic hell.

Don’t think of them as commuters, stewing in their gridlocked resentment, cursing the knucklehead government planners who created this transportation mess. Think of them as potential customers for Actividades de Construcción y Servicios S.A., the Spanish highway and tunnel builder. You see brutal traffic jams. ACS sees a business opportunity — 180,000 potential customers a day of whom no small percentage will happily pay for the opportunity to zoom along on a fast private highway running parallel to the unwashed (and unmoving) masses.

It’s a brilliant business plan, nearly diabolical. After four years of construction exacerbating the already torturous traffic jams on I-595, even cheapskate commuters will be exhausted and ready to pay whatever ACS demands. Call it a toll, or call it extortion.

So the company is spending $1.8 billion up front, building two reversible toll lanes down the once grassy medium, which in the old days might have been considered public right of way. The notion of public is so passé, so 2010. ACS, with the state’s blessing, will be taking the free out of freeway. It’s the new ideal in Florida, squeezing profit and (maybe, hopefully, fingers crossed) efficiency out of government functions.

On Friday, outside a Marriott Hotel on Fort Lauderdale Beach, demonstrators near the entrance indicated that not everyone’s thrilled by the private business takeovers of public institutions. They held signs demanding, “Stop the War on Workers.”

If public workers felt left out of Florida’s first privatization conference, they weren’t out of the discussion. Cities and counties and state agencies were said to be leasing out government operations like hamburger franchises to cope with escalating worker pensions and health care costs, intransigent unions and rigid civil service structures. A city official from a community that had privatized water and sewer utilities said it was worth it, now that the private contractor’s human resources director, rather than him, had to deal with the worker “who had come in drunk for the fourth time.”

Much of the talk was about raising capital for major infrastructure projects. Private corporations, it was said, can cut years off the time it would take the government to finance and build big projects. The five-year I-595 project would have taken the state 20 years to build. And there was talk of how private companies were less risk adverse than public officials, cowed by their need to mollify the baying crowd.

But not much was said about the potential corruption that dogs public-private deals, which was like describing war without mentioning that there might be casualties.
Along with the I-595 project, the conference focused on two privatization success stories — water and sewage utilities owned by the city of Live Oak and in Clay County, both now enjoying improved service and lower costs. But those nice folks from Live Oak and Green Cove Springs come from another universe. South Florida probably has more lobbyists than Live Oak, population 7,000, has public workers. South Florida has elected officials in prison or facing trial on charges that they concocted their very own special public-private partnerships. Hey Toto, this ain’t Kansas, we’re trying to privatize.

Aside from the felons mucking up the works, the mad rush to privatize prisons, utilities, freeways, computer systems and chunks of public education has become so entangled with lobbyists and campaign contributions and donors to political slush funds that it’s tough to discern the sensible deals from low-down giveaways of public assets.

Broward Commissioner Kristin Jacobs told me last week that she was worried that the privatization push was behind a state law, just signed by the governor, “that passed under the radar. Nobody in the Florida Association of Counties knew it was coming.” She said the new law weakens open-records requirements tied to the bidding process and extends “the veil of secrecy” over so-called confidential information in the winning bids. Amid this privatization frenzy, as cash-strapped governments dole out public assets to private companies, she worried that the law was concocted to obscure sweetheart deals until they become... well... done deals.

Most of what this first-ever privatization conference broached sounded like sensible solutions to the brutal economics crippling state and local government. The speakers just avoided discussing the scary aspect of privatization — how to keep public assets from getting gobbled up, for below fair-market prices, by Florida’s political bag men. They’re pretending not to see the unseemly potential of putting public institutions up for sale. They didn’t mention the influence peddlers who’ve co-opted so much of state and city and county government.

Come the second privatization conference, maybe we’ll see signs demanding, “Stop the War on Taxpayers.”
FLORIDA

Public employees? Devils incarnate

BY HOWARD TROXLER
htroxler@sptimes.com

And why beholdest thou the mote that is in thy brother's eye, but considerest not the beam that is in thine own eye?

Matthew 7:3

Public employees, as we all know, are parasites who should be punished. This is why we have not given them a general salary increase in several years.

This year, besides effectively cutting their pay further by requiring a pension contribution, Gov. Rick Scott has also ordered state employees to undergo drug testing no matter whether there is any reason to suspect drug use, nor whether they are in a job where it actually makes sense.

Not only do I heartily endorse this practice, but I would go further: I would beat them, too.

That's right. All public employees should line up in front of their workplace once a month to be beaten by the Decent People.

During these ministrations the Decent People should remind the public employees of why they are being beaten; namely, that they are lazy bureaucrats by definition.

In some cases we will have to rotate the beatings. It seems impractical to pull out all the prison guards, or take all the Florida Highway Patrol troopers off the road, all at once.

On the other hand, I think we can beat schoolteachers twice a month, wholesale, just on general principle. This can easily be worked into the schedule of the public-school system, as they are not doing anything most of the time.

You might worry whether we can find enough Decent People for the job. I do not think that will be a problem. Decent People are plentiful on the Internet; I know this because they constantly are explaining to me what is wrong with everybody else.

Public employees are not the only suspicious group. The governor just signed a new law requiring Floridians on public assistance to undergo drug testing as well. (Perhaps they will be flattered to be treated just like public employees.)

Decent People also support this law, at least, the ones in the ever-present reader comments on our website, such as this real-life example:

"Love this now they will have to sell the 20k in tires and rims on there [sic] cars or some of the bling bling." Because, you know, there is nobody getting help who deserves it, or because of the economy, or because he of she was foreclosed upon. Neither has anyone taken this assistance as a last resort.

I would be remiss by not including the largest group of Suspicious People of all, namely, Floridians who Move.

Renters, college students and the poor tend to move more often, and therefore can rightly be regarded as suspect.

So the new law of our state repeals the practice of the past 40 years, which allowed people to update their address on Election Day if they had forgotten to do it.

No more. Now if they have changed their county of residence, they must go through a separate process of casting a "provisional" ballot, instead of being allowed to vote with the Decent, Stationary People.

Well! Who am I to argue? Let us demean the hired help, browbeat the needy, suppress the vote and shut down the League of Women Voters.

Then we'll decide who's next.

Howard Troxler is a columnist for the St. Petersburg Times.

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Union Leaders Will Consider Next Move On Monday

57 Percent Of Workers Approved Concessions Deal; 80 Percent Needed For Deal To Go Through

By CHRISTOPHER KEATING, ckeating@courant.com

12:08 AM EDT, June 27, 2011

HARTFORD

The fate of nearly 7,500 state employees could be decided Monday as top state union leaders decide their next move after four unions and eight bargaining units rejected a savings-and-concessions deal with Gov. Dannel P. Malloy.

Union sources said Sunday night that 57 percent of the members statewide voted in favor of the agreement — far below the necessary 80 percent under the complicated union voting rules.

The unions for the state police and the judicial marshals both voted against the deal — bringing the total to four of the 15 State Bargaining Agent Coalition unions. In addition, 26 of the 34 individual bargaining units voted yes.

Only one month ago, both the Malloy administration and most legislators were operating under the assumption that the rank-and-file employees would approve the agreement that called for a guarantee of four years of no layoffs in return for a two-year wage freeze and changes in healthcare and pension benefits. Some legislators said it was a sweetheart deal that would be immediately accepted by workers in private industry who have been facing layoffs, buyouts, wage freezes, and cuts in their benefits during the deep recession that included a collapse in stock prices on Wall Street starting in September 2008.

The deal with the unions was already considered dead because it had been rejected by the 15,600-member American Federation of State, County, and Municipal Employees and the 4,500-member Connecticut Employees Union Independent that represents custodians, cooks, maintenance workers and others across the state.

Separately, the agreement was approved by the 3,900-member Connecticut State Employees Association SEIU Local 1101.

Some union members rejected the deal because they believe they are being asked for too much in Malloy's "shared sacrifice" — for both concessions and tax increases that will take effect on July 1. Although the state income tax will be increased retroactively to Jan. 1 for the state's wealthiest residents, most of the tax increases — such as a hike in the cigarette tax — will start on Friday.

The union leaders now must decide the next step in the process, which could include a possible re-vote. Union spokesmen have repeatedly declined to comment on whether a re-vote is possible, saying that the
top leaders would meet Monday morning to decide the next move. An announcement could be made at 3 p.m. in Hartford.

Some have advocated changing the union rules and seeking a re-vote so that a simple majority could approve the comprehensive agreement with Malloy. Both others say that the unions had a rock solid agreement with the state until 2017 on their pension and healthcare benefits — and the union rules were purposely written to make it difficult to change important, hard-fought gains that the union leaders had negotiated. As such, they said that key pension and benefit provisions should not be able to be changed at any time by a simple majority vote.

The complicated union voting rules are similar to other high-bar provisions, such as the 60 percent of the U.S. Senate that is needed to block a filibuster.

When the negative votes by AFSCME and CEUI killed the deal Friday, Malloy announced that he was moving "full steam ahead" with plans to lay off 7,500 state workers and called for the state legislature to come back to Hartford on Thursday in special session to approve an updated state budget. The legislature is under pressure to act because the new fiscal year starts on Friday, and the state is facing a projected deficit of $700 million in the first year of the two-year budget that would have been covered by the union concessions.

Although Malloy said Friday that his budget-cutting plan was not finalized, he said he would do everything possible to avoid cuts in state aid to cities and towns. He appeared at a press conference at the Capitol with the mayors of the state's five largest cities — Bridgeport, Hartford, New Haven, Stamford, and Waterbury. The mayors urged him not to cut any money from the cities, and some noted that their cities have already mailed out the tax notices for the new fiscal year that starts Friday.

Although the union voting is by secret ballot, there have been widespread reports that many of the "no" voters were older state employees who wanted to preserve their lucrative benefits and knew they would not be laid off because they have seniority. Malloy conceded that some state workers clearly believed that they would not lose their jobs because of "bumping rights" that protect the older workers with seniority.

"If you have more than 10 years in seniority, they might be pretty safe," Malloy said Friday.
Malloy says he's skeptical unions can refashion concessions deal

Ken Dixon, Staff Writer
Updated 10:37 p.m., Wednesday, July 6, 2011

HARTFORD -- Gov. Dannel P. Malloy on Wednesday was skeptical that, if given another chance to approve $1.6 billion in benefit concessions, state employee unions would vote to do it.

Malloy said he doubts such a deal could be engineered, since union bylaws seem to preclude another vote on the same package of wage freezes, higher insurance co-payments and fewer state contributions to pension plans.

The governor, speaking during an interview in the Capitol, said he's looking for possible signs of success if the State Employees Bargaining Agent Coalition gets a second bite at the apple.

"I think that I'm trying to understand from them and I need to understand from them how we move forward, even if there was a clarification of the agreement," Malloy said. "The rules of approval are such that it's hard to have confidence in the process."

Malloy, in reaction to SEBAC's request Tuesday to reconvene discussions on givebacks, said he's primarily focused on the $700 million he has to cut from the budget that began July 1 and the $900 million in the next year of the $40 billion biennial budget.

The governor has given department heads until Friday to submit contingency plans for program cuts and staff layoffs that could total 6,600, plus a continued freeze on 1,000 vacancies.

"Right now most of my work is being done in preparation of what we have to do to balance the budget," he said. "I don't want to lay people off, but I'm trying to understand how they would possibly approve any agreement at this point."

Matt O'Connor, spokesman for the labor coalition of about 45,000 full-time state workers, said the group senses that Malloy wants to restart talks.

"We understand the governor's interest in the approval process, and his recognition that any change to the process is an internal SEBAC matter," O'Connor said. "Our preference is to begin discussions with the administration in the meantime. Some of the governor's reported press comments suggest a willingness to do that."
The unions are concerned about the planned layoffs, and leaders are returning to various bargaining units in an attempt to clear up what some officials call "misinformation" they say may have tainted the views of rank-and-file workers during the multi-week balloting.

The Legislature last week gave unions until the end of August to somehow ratify the concessions proposal.

Malloy described the layoff procedures as active, but early in the process because of union-related bumping rights in which senior employees would displace newcomers to state employment.

"We are getting plans in from the various departments on kind of what positions they think should need to go first, then try to understand what the bumping rights are," he said. "It's a very complicated system. We're not General Electric, or GM. You just don't draw a line and drop everybody because what happens in the course of an employee's career as they move from place to place they can retain bumping rights within prior job functions, so it's a very complicated thing, but we'll get there."

While 57 percent of unionized employees approved the deal agreed upon by SEBAC executives and the governor's negotiation team, only 11 of 15 bargaining units went along. The proposal needed 14 of the 15 groups to gain ratification, under SEBAC's bylaws.
Mayor Rahm Emanuel to unions: Contract changes or layoffs

Emanuel's warning comes as watchdog group Civic Federation also targets labor costs in report to city

By John Byrne, Hal Dardick and Kristen Mack, Tribune reporters

10:35 PM CDT, June 29, 2011

In a recurring early theme of his tenure, Mayor Rahm Emanuel put the squeeze on organized labor Wednesday, telling City Hall unions he'll lay off 625 workers unless they quickly get on board with money-saving changes to their jobs.

Emanuel's latest declaration, which comes on the heels of a bitter exchange with the Chicago Teachers Union over pay raises, is but a precursor to the more profound debate on the budget problems the city faces next year and beyond.

With prospects for an economic recovery muted, the freshman mayor is turning to his biggest-ticket item for savings. Payroll makes up 83 percent of the city's day-to-day spending, so clashes with public employees unions could become the new normal in Chicago.

The short-term problem for Emanuel is figuring out how to trim $30 million from former Mayor Richard Daley's final spending plan, but in the coming months the new administration must find more than $650 million to balance the books in 2012.

Standing with Walgreen Co. CEO Greg Wasson at a news conference to announce the pharmacy chain will add 600 jobs in the city, Emanuel tried to frame the issue as a contrast between his efforts to bring jobs into the city and the tough choice he said the unions will force him to make if they don't agree to contract concessions.

"I don't want to. I want to grow jobs," Emanuel said.

The unions, caught off-guard by the mayor's public throw-down, said the blame belongs on the politicians.

"There have been absolutely no negotiations between the city and the unions representing the city's workforce," said a joint statement by Jorge Ramirez, of the Chicago Federation of Labor, and Tom Villanova, of the Chicago & Cook County Building and Construction Trades Council.

Nevertheless, the two labor leaders added that they are consulting "a municipal budget analyst" to find ways to save the city money and hope to present ideas to Emanuel in "the coming weeks."

Another union, the Service Employees International Union Local 73, said it already sent the administration several money-saving proposals.
Replacing police officers in station lock-ups with lower-paid detention aides to free up more beat cops, and training aviation security guards to replace Chicago police officers working overtime at the airports are among ideas that could save the city "tens of millions of dollars," said Matt Brandon, secretary/treasurer for Local 73, which represents workers who do such jobs.

Driving the latest labor skirmish is Thursday night's expiration of an agreement between Daley and most unions to take 24 unpaid days off a year. Daley's budget was balanced only if the savings continued until year's end, but the outgoing mayor sidestepped negotiating an extension before leaving office last month.

Union contract rules specify Emanuel must give 30 days notice before layoffs can take effect. So Emanuel could notify workers they are on the layoff list as a way to start the clock and turn the screws on the unions, though that is not something he appears prepared to do immediately.

Emanuel isn't beholden to organized labor since he won the election without much union support. The mayor would not say which jobs are on his chopping block, but he displayed impatience when asked when those employees might find out they are on the list.

"(The unions) are working on their plan. I'm not just going to sit here and wait. I'll make certain decisions," he said.

Emanuel publicly called on union leaders to prevent the layoffs as he insisted he remains hopeful the two sides can still work out a deal. "The good news is, they want to be that partner," he said.

The mayor told reporters he has identified about $20 million in savings through "work rule and workplace reforms and efficiencies."

While Emanuel wasn't offering specifics, work rules include things like standards for how many employees work on garbage trucks and other city vehicles, how much city workers get paid when they work overtime and other points the unions negotiate during contract talks with the city.

The unions would need to agree to changes in their contracts with the city for them to take effect.

"It is not necessary to do the layoffs if you agree to these reforms. If you don't, that will be the choice left to me on behalf of the taxpayers," Emanuel said. "So you can employ people and balance the budget. They have to be a partner to do it. I cannot do it without them. But if they don't agree to it, 625 people and their families will lose that job."

The unions were surprised at Emanuel's talk of potential layoffs because the focus of a Tuesday meeting with the mayor was how to cut city costs, a source familiar with the discussion said.

On top of the work-rule changes, Emanuel said he has identified other savings to get to the full $30 million. He has rejected furloughs, which he says hurt morale in the city workforce and fail to produce the projected budget savings.

Earlier this month, Emanuel's newly appointed Board of Education voted to take away 4 percent annual raises for Chicago public school teachers and other unionized school employees. With Chicago Public Schools facing a $712 million deficit for the coming year, Emanuel said the district couldn't afford the raises.

Emanuel's warning to City Hall unions came on the eve of an extensive report by the Civic Federation, a
nonpartisan budget watchdog group, on how the city can be "more efficient, less costly and more accountable."

It points out more than 90 percent of city workers belong to unions, so "the city may have to negotiate new contract terms that will address the rising costs of employee benefits and salary increases."

The report recommends 40 ways to cut costs over the next three years, saying that reducing the number of city workers is one of the quickest ways to save money. But Laurence Msall, the group's president, said the report is aimed more at long-term solutions to "stabilize city finances."

The group also notes that two-thirds of labor costs cover police officers, firefighters and emergency management workers. The unions representing those employees are not being asked to change their work rules, so the "shared sacrifice" Emanuel has repeatedly called for may fall on other city workers.

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Atlanta council unanimously approves pension overhaul

By Ernie Suggs
The Atlanta Journal-Constitution

10:00 p.m. Wednesday, June 29, 2011

The Atlanta City Council late Wednesday approved a bill to remake the city's pension program for municipal employees, possibly saving Atlanta from years of escalating costs and tightened spending.

By a vote of 15-0, the council approved sweeping pension changes aimed at paying off the city's $1.5 billion unfunded pension liability and saving about $25 million annually.

The plan requires all current police officers, fire fighters and general employees to take a 5 percent pay cut in the form of a higher pension contribution. It also reduces the so-called "multiplier," used to calculate pension benefits of future workers to 1 percent, and reduces the maximum cost-of-living adjustment of pension benefits of future employees to 1 percent.

And at the last-minute insistence of Councilman Howard Shook, the legislation also establishes a cap to protect the city from another financial meltdown.

Actuaries have said that over the next 10 years the overhaul will save taxpayers more than $270 million and more than $500 million over the next three decades. n.

When Mayor Kasim Reed was elected less than two years ago, he called the city's pension situation a "train wreck."

"Now I am breathing easier. Everybody is breathing easier," Reed said Wednesday night. "This is a good day because we have stopped the bleeding in Atlanta."

With every member at the council at his side, as well as city workers, who in the end backed the plan, Reed praised the collaborative work it took to get the deal done. The final plan was the fifth version to be considered by the council, which included two proposals by Reed, one by Councilwoman Yolanda Adreas and one by Councilwoman Felicia Moore. The final plan was a hybrid.

"I do think it is better," Reed said of the final plan. "My goal was to solve the problem. I wasn't wedded to a specific ideology. We ended up with a plan that saved more money than any of the other plans once we stopped arguing and went to work."
In pushing for a pension overhaul, Reed and the council did what other mayors, governors and policymakers across metro Atlanta and the country have been trying to do -- spare the pocketbooks of their governments.

Similarly situated cities such as Chicago, Los Angeles and Philadelphia are considering major changes in pension structure.

"This pension reform legislation can serve as a model across the country as to how to work collaboratively to address this pressing issue," Moore said. "I'm extremely proud of how Atlanta has continued to prove itself as a leader and model of other cities to follow."

Going into last week, it appeared that Adrean's plan would survive vetting and win the council's approval. But when she was unable to secure the necessary 10 votes, a plan that weighed heavily on proposals by Moore prevailed.

Shook, who initially signed onto the Adrean plan, said there was "much to applaud" with Wednesday's vote.

"The reform I had to have -- and probably wouldn't have been in the legislation otherwise -- was a safety net protecting taxpayers from continuing to foot the bill for poor market returns or any other flawed actuarial assumptions," Shook said. "If the city contribution exceeds a certain threshold, a plan to correct the imbalance is required, and half of any sustained funding shortfall must be borne by the employees. The plan thus earned my vote."

Wednesday's vote capped a process that at times strained relations within City Hall, including public spats between Reed and City Council President Ceasar Mitchell over the pace the council should take in approving a plan. Reed had pushed for final approval by Thursday, to coincide with passage of the city's budget. Mitchell had pressed for a more deliberate speed.

Mitchell eventually emerged as one of the key deal brokers in winning the plan's approval. He called Wednesday's vote a "win-win for taxpayers, city workers and the long-term financial health of the city of Atlanta."

"In adopting a plan that is fiscally prudent, legally defensible, functionally sustainable and humane, we have demonstrated a reform model where both common ground and high ground can be reached when people work together in an atmosphere of mutual respect," Mitchell said.

Reed said he will sign the bill, and for current employees, the changes will go into effect Nov. 1.

Now the council must vote Thursday on a $545 million budget for 2012 that had called for as many as 200 layoffs to close an $18 million spending gap. With approval of the pension overhaul, about 130 of those proposed layoffs are expected to be canceled. Three percent pay cuts for city employees making more than $80,000 annually are also expected to be removed from the budget.

Atlanta's pension overhaul

What was approved
The plan requires all current employees to take a 5 percent pay cut in the form of a higher pension contribution. It also reduces the so-called “multiplier,” used to calculate pension benefits of future workers to 1 percent and reduce the maximum cost-of-living adjustment of pension benefits of future employees to 1 percent.

The issue

Atlanta has a $1.5 billion pension liability that is eating up 20 percent of its annual budget. Mayor Kasim Reed said that if the liability had been allowed to go unchecked, it could have grown to $4.5 billion in a decade.

Why it’s important

Atlanta becomes among the first of several major U.S. cities to tackle pension overhauls.

What it means to city residents

Atlanta’s ability to provide services -- from hiring police officers to opening recreation centers -- was potentially at risk if its pension obligations were allowed to continue to eat a large share of the city’s budget.

What it means to the city

Right now, the city’s pension liability is $1.5 billion and consumes 20 percent of the annual budget. Actuaries said the approved plan will allow Atlanta to save about $25 million a year.