

# Are unions' contract talks with Schwarzenegger hopeless? Maybe not

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Gov. Arnold Schwarzenegger and several state employee unions have restarted long-dormant contract talks aimed at a long-shot breakthrough during the roughest economic patch California has seen in the three decades that the state work force has been organized.

At first glance, the sensitive discussions seem like a fool's errand.

The government is struggling to close a multibillion-dollar budget hole, leaving Schwarzenegger little to offer. The unions, whose expired contracts remain in force until new deals are ratified, would seem to have little motivation to negotiate.

The lame-duck governor leaves in less than a year, and he's publicly staked out his conditions: across-the-board wage cuts and higher pension contributions from the 235,000 or employees under his control.

Yet those familiar with the process see a fleeting opportunity for the two sides to hammer out contracts this year. Despite first impressions to the contrary, both sides have incentive to bargain.

"It's going to be a challenge for them to reach an agreement," said Dave Gilb, who retired in September from the top post in Schwarzenegger's Department of Personnel Administration. "But it could happen."

Here's why:

## Uncertain economy

The state economy isn't going to snap back any time soon, economists say, and the legislative analyst has projected budget deficits for several more years. Some economists think that a "double dip" recession could hit.

Jon Hamm, executive director the California Association of Highway Patrolmen, said that assuming the economy will return to "normal" could backfire. He's open to negotiating reduced pension benefits for new hires, concerned that if he doesn't, a soured economy could move the public to act at the ballot box.

"It's a long-term view of what's in my members' best interest," he said. "I want to be able to come back in 20 years and say what we did was right."

CAHP, which represents roughly 6,500 sworn Highway Patrol officers, last year became the first state employee union to start setting aside money for retiree health benefits by diverting a scheduled pay increase.

## Public opinion

The economy's slide has driven private-sector unemployment to post-Depression highs and taken chunks out of the retirement savings of many private sector workers whose future fortunes are tied to Wall Street's health. It's also put a spotlight on civil service job security and benefits.

Although state workers have endured furloughs equal to a 14 percent pay cut, the government has cut just a few hundred employees. Indeed, the state has hired workers in key service areas such as the Employment Development Department to speed up processing a deluge of unemployment claims.

"People see that stuff and question why state workers aren't facing the same pressures that they do in the private sector," said Steve Kinney, a Redondo Beach-based political pollster.

The nonpartisan Public Policy Institute of California last month released a poll that found 78 percent of likely voters believe state and local government pensions are either a "big problem" or "somewhat of a problem."

Schwarzenegger has proposed that state workers pay another 5 percent of their earnings toward their retirement to free up budget money for other concerns. Most employees already pay between 5 percent and 8 percent.

Two initiatives – one that would cap public employees' retirement benefits and another that would reduce pensions for future hires – are circulating for the November ballot.

Hamm and other labor representatives have criticized those measures as efforts by anti-union, anti-public employee interests to exploit public fear in the down economy.

Speaking at a recent public forum on public pensions, Cora Okamura, an SEIU Local 1000 vice president, called Schwarzenegger's plan "another in a long line of attacks on public employees."

But something deeper is happening, said Tim Hodson, executive director of the Center for California Studies at Sacramento State.

He points to a ballot measure that voters trounced last year that would have raised taxes and eased the state's budget pressure. When it failed, lawmakers made more cuts.

"That was a reality check for the unions," Hodson said. "They've come to realize that the Democrats aren't going to be able to raise taxes. The Republicans won't give in."

## Fear of a Whitman win

California's state labor climate is so vexed that a recent review of Schwarzenegger's pay and pension proposals by the Legislative Analyst's Office said the state's bargaining environment is "dysfunctional."

All but one of the 12 unions representing 193,000 state workers have been without contracts since mid-2008 or longer.

The law keeps terms of expired pacts in place. The arrangement plays to the union's advantage during Schwarzenegger's last year in office, the analyst's office said, "if they think they may have better bargaining prospects with the next governor."

Who might they get? GOP gubernatorial candidate Meg Whitman's stump speeches have included broadsides at "arrogant and selfish" state bureaucrats "unwilling to give even an inch" in tough economic times. The Republican front-runner wants to thin the state work force by 40,000 jobs, mostly through attrition.

Whitman's GOP rival, Steve Poizner, also says he can wring waste out of state government and trim jobs.

That leaves the unions no choice but to support presumptive Democratic nominee Attorney General Jerry Brown. As governor more than 30 years ago, Brown signed off on legislation that unionized the state work force.

Brown certainly will need union backing against either Whitman or Poizner, both former Silicon Valley executives who will pour big bucks into their campaigns. But whatever favor the unions curry may not be enough to untie Brown's hands at the bargaining table if he wins the November election.

"This is how bad things are," said political analyst Gary Dietrich, president of Sacramento-based Citizen Voice, a nonpartisan voter education group. "Even Jerry Brown said it's going to be tough to raise taxes."

## The legacy

In a campaign speech at Sacramento's Memorial Auditorium in 2003, gubernatorial candidate Schwarzenegger made 10 promises for his first 100 days in office. Promise No. 5: Renegotiate state labor contracts and save hundreds of millions of dollars.

"Excessive deals have been struck that we can no longer afford," he said. "In this time of financial crisis, I will renegotiate state employee contracts."

But Schwarzenegger has accomplished just a few changes in the past seven years. He reached a deal with unions to roll back retirement benefits for the majority of new hires by basing their pensions on an average of their highest three years of earnings instead of the highest single year. He reached the retiree health deal with the CHP union.

He also reached a deal with SEIU Local 1000 last year that included a monthly furlough day and other concessions. The governor walked away from the agreement after a judge said he could order furloughs himself, and the Legislature went along. The unions are fighting the furloughs in court.

Otherwise, results have been pretty slim. This is his last chance to get something from the unions. A mandatory two-tier pension system is high on his priority list now.

"From the beginning, the governor made clear he wanted to tackle the problem of retirement costs as an objective of his administration," said Gilb, the former DPA director. A lower benefit tier "would add to that legacy."

### WHAT'S NEXT?

If Schwarzenegger's Department of Personnel Administration reaches a tentative contract agreement, the deal would go to the rank and file for ratification. From there, the contract would go to the Legislature for ratification before the governor could sign it.