

Council 4 AFSCME Testimony – Raised Bill 1082 2/6/07

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of 35,000 public and private employees.

Council 4 strongly supports Raised Bill 1082, AAC Elimination of State Financial Assistance to Companies that Reduce Retirement Benefits. Two weeks ago, in a response to the State of the Union address, U.S. Senator James Webb said that the “middle class of this country, our historic backbone and our best hope for a strong society in the future, is losing its place at the table.” The decline of the middle class is one of the biggest problems that our state and country face. This bill tries to do something about that.

Corporate profits and the stock market are at an all time high, yet we see a massive revocation of pensions of working families. For the average person to have some sort of security in their retirement, it is necessary to have a pension. A pension is part of the traditional three legged stool of retirement. The other two legs are personal savings (usually in the form of having paid off most of the cost of a house) and Social Security.

Many prosperous companies have been dropping their pension plans and switching to 401Ks and defined contribution plans that fall far short of the needs of the average retiree. All too often, the reason for this shift is to reap more profits for the upper management of those companies. Unfortunately, that extra profit comes at the expense of employees. The replacement of pensions with 401ks shifts financial risk from the employer to the individual employee, who is less able to bear such risk. It is also commonly known in the financial world that up to 28% of working people don't take advantage of their employers' 401k program, which lessens the employers' costs even more.

In the steel and airline industries, tens of thousands of workers have had their employers renege on their contractual obligation to pay those workers a pension. These pensions were not a gift or a frill. These pensions were earned, as part of the compensation that an employer promised to pay an employee in return for a lifetime of labor. While some of these companies were in bankruptcy, for the most part they possessed enough assets to fully or substantially fund their pension obligations. Instead they chose to use loopholes in federal law to sell off those assets, dump their pension obligations and gain a profit for top management in doing so. This has led to the financial devastation of thousands of Americans who have played by the rules and it has inflicted a large burden on the taxpayers who must then support these ripped off pensioners.

While, this bill does not solve the problems that I have talked about, at least it is an attempt by the state to send a signal to business that it should not shirk its traditional responsibility and allow its retired workforce to spend their last few years suffering in poverty



Randy Krsakala

Two-wage earner families simply can't afford higher rent. These hard-working people in our service industry — with kids who excel in school — are now taking out camping permits to live in our public beaches or parks.

— **Dwight Ishiguro**,
shop steward, Hawaii
Government Employees
Association/AFSCME Local 152

Even with the productivity of the workforce up 12 percent since November 2001, the hourly wage has not budged, once inflation is factored in. This reality should leave no doubt that this much-vaunted recovery continues to leave large swaths of working families behind.

— *"Economic Snapshot," Economic Policy Institute*

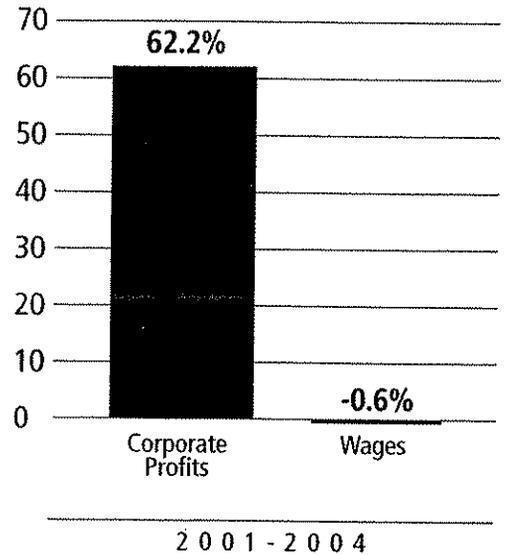


Jack Hlacz

My husband and I have been child care providers for 11 years. We are deeply troubled by the federal budget cuts to child care subsidies. It's like a double-edged sword: Parents who lose their eligibility may have to quit their jobs to care for their kids, and providers like us could end up losing our livelihood as well.

— **Devlyn Jones**, Child Care Providers Together/Ohio Council 8

Zero Wage Growth ... While Profits Soar



Source: Economic Policy Institute

Corporate profits have risen 62.2 percent from 2001-04, while wages dropped to -0.6 percent during the same period. This is the fastest rate of profit growth in a recovery since World War II.

— *"Economic Snapshot," Economic Policy Institute*

Only the top 5 percent of households experienced real income gains in 2004. Incomes for the other 95 percent of households were flat or falling.

— *The New York Times*



Eric Cohen

We successfully fought off a legislative push for a two-tiered pension system. As a solution to the budget crisis, the state's proposal would have reduced the pensions of new hires. Given Bush's attacks on retirement security, I hold him partly responsible.

— **Caryl Wadley-Foy, president, Local 29 and treasurer of Illinois Council 31**

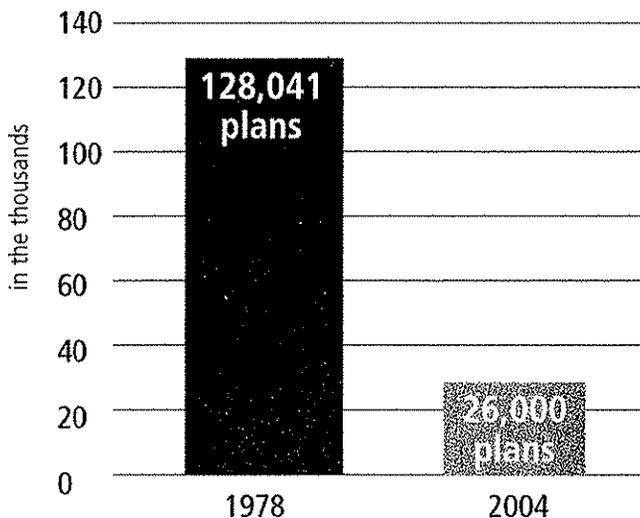


I'm paying several times as much for health care premiums now as I did 18 years ago. In our county contract, negotiated last year, health care was the biggest issue. Even with our good union contract, we're paying more out of pocket nowadays — \$295 a month for my family health-insurance coverage compared to only \$89 16 years ago. With prescription-drug and hospital costs, I expect to pay \$1,000 a year on top of that.

— **Patrick Guernsey, vice president, Local 552 (Minnesota Council 5)**

Pension Coverage Falls

Number of employee-friendly defined-benefit pension plans in the private sector



Source: Employee Benefit Research Institute

Only one-quarter of American workers receive a traditional corporate pension when they retire. That proportion is likely to shrink drastically in the next decade. Many corporations have decided that paying for that type of pension, with a monthly payment for the lifetime of a retiree, is too costly.

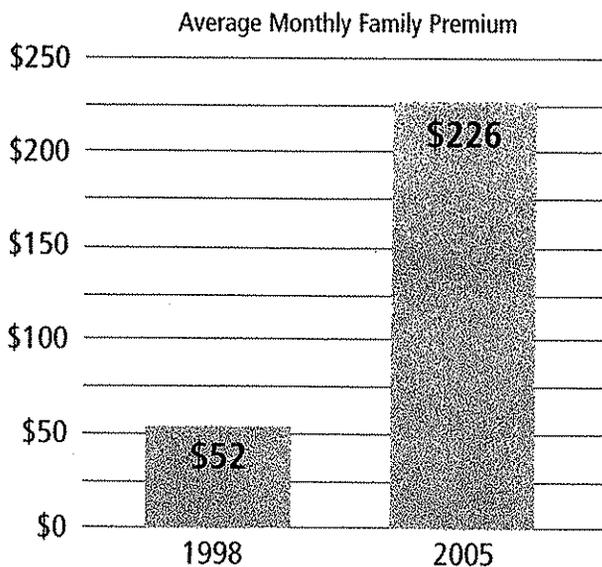
— **USA Today, The Conference Board**

Health Care Costs Far Outpace Wage Hikes

	Annual Health Care Increases (in percent)	AFSCME Average Wage Increase (in percent)
2001	10.9	4.0
2002	12.9	3.04
2003	13.9	2.58
2004	11.2	3.4
2005	9.2	2.99
Five-Year Average	11.6%	3.2%

Source: Health insurance cost increase — Kaiser Family Foundation/HRET 2005 Survey of Employer-Sponsored Health Benefits; wage increases — AFSCME's Department of Research and Collective Bargaining Services

Workers Pay More for Health Care



Source: Kaiser Family Foundation/HRET 2005 Survey of Employer-Sponsored Health Benefits

The overall number of Americans without health insurance increased for the fourth year in a row, up 6 million since 2000 to 45.8 million in 2004. — Center on Budget and Policy Priorities

Exorbitant Corporate Pay

2004's Most Highly Paid CEOs

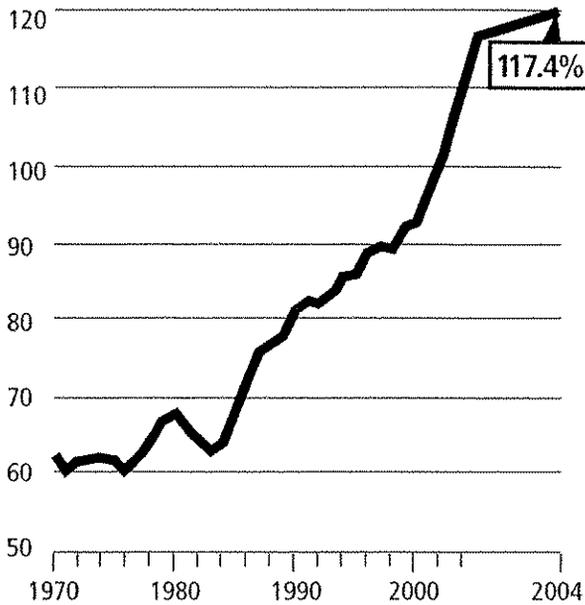
Company	CEO	Annual Pay
Yahoo Inc.	Terry S. Semel	\$109 million
Coach Inc.	Lew Frankfort	\$65 million
XTO Energy Inc.	Bob R. Simpson	\$62 million
United Health Group Inc.	William W. McGuire	\$59 million
Viacom Inc.	Summer M. Redstone	\$56 million
TXU Corp.	John C. Wilder	\$55 million
Countrywide Financial Corp.	Angelo R. Mozilo	\$53 million
Occidental Petroleum	Ray R. Irani	\$53 million
KB Home	Bruce Karatz	\$47 million
Gateway Inc.	Wayne R. Inouye	\$46 million

Source: AFL-CIO Executive PayWatch website

In 2004, according to The New York Times, the average CEO of a major company received \$9.84 million in total compensation. Want to know more about such appalling corporate excess — or what happened with a particular company? Want to get active in protesting and helping change that culture? Visit the AFL-CIO website, www.aflcio.org/corporatewatch/paywatch/.

Personal Debt is Up

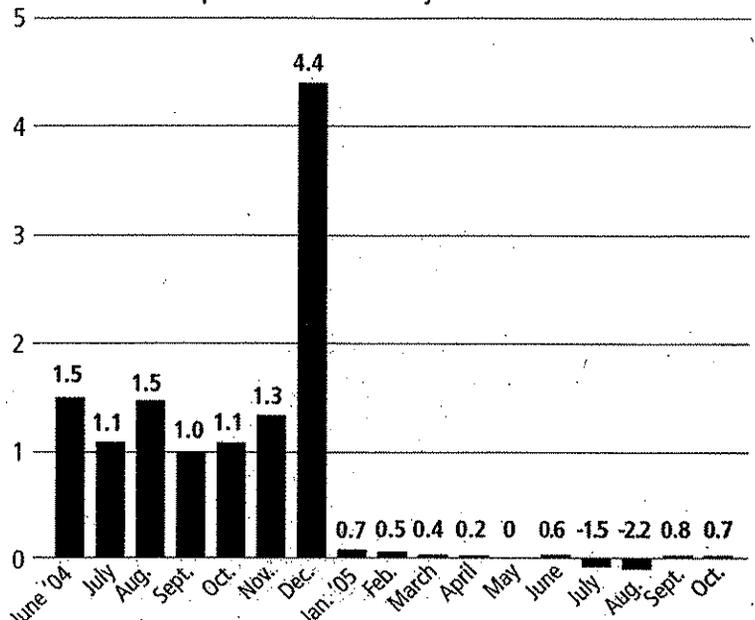
Household debt is climbing as a percent of personal income.



Source: Census Bureau

Savings are Down

As a percent of income, the personal savings rate has fallen to below zero percent in the last year.



Source: U.S. Department of Commerce, Scott Wallace

At year end 2004, household debt (including mortgages) was 121 percent of annual disposable income, according to the Federal Reserve. Four years earlier, it was 103 percent of disposable income.

— The Washington Post

Even the Insured Can Buckle Under Health Care Costs
Some make ends meet by forgoing treatment

USA Today 8/31/05

WORKERS FACE PAYCHECK PINCH

After Inflation, American Workers Earned 2.3 Percent Less Than They Did a Year Ago

Christian Science Monitor 11/7/05

ECONOMY GOES FORWARD BUT LEAVES MANY BEHIND

USA Today 11/22/05

Pensions Lost or in Doubt

USA Today 12/9/05

BUSH'S BUDGET TRIMS GRANTS FOR HOUSING, YOUTH PROGRAMS

The Boston Globe, 2/24/05

Deficit of truth: House Republicans ask the vulnerable to sacrifice, and then tout tax cuts for the wealthy

Akron (Ohio) Beacon Journal, 11/21/05



Marc Ascher

Bush's tax cuts, which only benefit the rich, have hurt everybody else in New Jersey. With less money for counties and municipalities, workers aren't able to get decent wages. Basic services are also being cut to solve the state budget deficit. As a health care employee, I see it every day — people struggling to get medical services without going broke.
 — **Glenwood Smith, NUHHCE/AFSCME District 1199J, New Jersey**

The Bush budget cuts will devastate Washington state's children, the disabled population and needy families. Bush is cutting child-support enforcement, foster care and more. In 22 years of working for the state, I've never seen such a huge dismantling of social programs and safety nets.

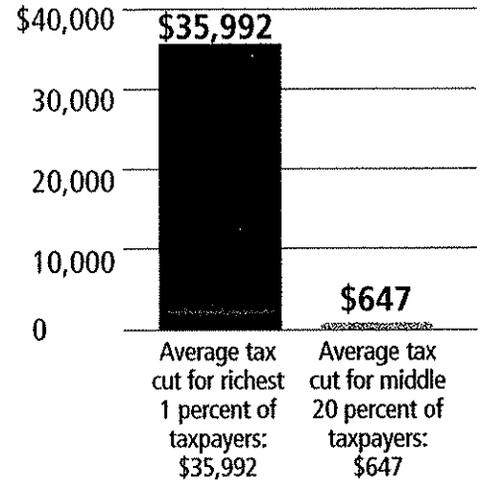
— **Sue Henricksen, Local 53 (Washington Federation of State Employees/AFSCME Council 28)**



Tim Welch

Bush Tax Cuts Benefit the Wealthiest

(2001-2004, by households)



Source: Center on Budget and Policy Priorities

Since 1980 in particular, U.S. government policies have consistently favored the wealthy at the expense of working families — and under the current administration, that favoritism has become extreme and relentless. From tax cuts that favor the rich to bankruptcy "reform" that punishes the unlucky, almost every domestic policy seems intended to accelerate our march back to the robber baron era.
 — **Paul Krugman, New York Times columnist**

The **Union** Difference

Union Advantage by the Numbers

Union workers earn higher wages and get more benefits than workers who don't have a voice on the job with a union.

Union workers' median weekly earnings	\$781
Nonunion workers' median weekly earnings	\$612
Union wage advantage	28%
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Union women's median weekly earnings	\$723
Nonunion women's median weekly earnings	\$541
Union wage advantage for women	34%
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African American union workers' median weekly earnings	\$656
African American nonunion workers' median weekly earnings	\$507
Union wage advantage for African Americans	29%
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Latino union workers' median weekly earnings	\$679
Latino nonunion workers' median weekly earnings	\$428
Union wage advantage for Latinos	59%
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Asian American union workers' median weekly earnings	\$765
Asian American nonunion workers' median weekly earnings	\$691
Union wage advantage for Asian Americans	11%
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Union workers with access to guaranteed (defined-benefit) pension	73%
Nonunion workers with access to guaranteed (defined-benefit) pension	16%
Union pension advantage	356%
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Union workers whose jobs provide access to health insurance	92%
Nonunion workers whose jobs provide access to health insurance	68%
Union health insurance advantage	35%
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Union workers without health insurance coverage	2.5%
Nonunion workers without health insurance coverage	15%
Union advantage	500%
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Union workers' average days of paid vacation	15 days
Nonunion workers' average days of paid vacation	11.75 days
Union paid vacation advantage	28%

Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Union Members in 2004*, Jan. 27, 2005; U.S. Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in Private Industry in the United States*, March 2005; Economic Policy Institute; Employee Benefits Research Institute, May 2005.

What we owe those who fight

By Jim Webb J.L. 1/24/07 p.19

We in the Democratic Party hope that this administration is serious about improving education and health care for all Americans, and addressing such domestic priorities as restoring the vitality of New Orleans.

We are looking for affirmative solutions that will strengthen our nation by freeing us from our dependence on foreign oil, and spurring a wave of entrepreneurial growth in the form of alternate energy programs. We look forward to working with the president and his party to bring about these changes.

There are two areas where our respective parties have largely stood in contradiction, and I want to take a few minutes to address them tonight.

The first relates to how we see the health of our economy — how we measure it, and how we ensure that its benefits are properly shared among all Americans.

The second regards our foreign policy — how we might bring the war in Iraq to a proper conclusion that will also allow us to continue to fight the war against international terrorism, and to address other strategic concerns that our country faces around the world.

When one looks at the health of our economy, it's almost as if we are living in two different countries. Some say that things have never been better. The stock market is at an all-time high, and so are corporate profits. But these benefits are not being fairly shared. When I graduated from college, the average corporate CEO made 20 times what the average worker did; today, it's nearly 400 times. In other words, it takes the average worker more than a year to make the money that his or her boss makes in one day.

Wages and salaries for our work-

ers are at all-time lows as a percentage of national wealth, even though the productivity of American workers is the highest in the world.

Medical costs have skyrocketed. College tuition rates are off the charts. Our manufacturing base is being dismantled and sent overseas. Good American jobs are being sent along with them.

In short, the middle class of this country, our historic backbone and our best hope for a strong society in the future, is losing its place at the table.

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In the early days of our republic, President Andrew Jackson established an important principle of American-style democracy — that we should measure the health of our society not at its apex, but at its base. Not with the numbers that come out of Wall Street, but with the living conditions that exist on Main Street. We must recapture that spirit today.

And under the leadership of the new Democratic Congress, we are on our way to doing so. The House just passed a minimum wage increase, the first in 10 years, and the Senate will soon follow. We've introduced a broad legislative package designed to regain the trust of the American people.

With respect to foreign policy, this country has patiently endured a mis-

managed war for nearly four years. Many, including myself, warned even before the war began that it was unnecessary, that it would take our energy and attention away from the larger war against terrorism, and that invading and occupying Iraq would leave us strategically vulnerable in the most violent and turbulent corner of the world.

I want to share with all of you a picture that I have carried with me for more than 50 years. This is my father, when he was a young Air Force captain, flying cargo planes during the Berlin Airlift. He sent us the picture from Germany, as we waited for him, back here at home. When I was a small boy, I used to take the picture to bed with me every night, because for more than three years my father was deployed, unable to live with us full-time, serving overseas or in bases where there was no family housing. I still keep it, to remind me of the sacrifices that my mother and others had to make, over and over again, as my father gladly served our country. I was proud to follow in his footsteps — serving as a Marine in Vietnam. My brother did as well — serving as a Marine helicopter pilot. My son has joined the tradition. He is now serving as an infantry Marine in Iraq.

Like so many other Americans, today and throughout our history, we serve and have served, not for political reasons, but because we love our country. On the political issues — those matters of war and peace, and in some cases of life and death — we trusted the judgment of our national leaders. We hoped that they would be right, that they would measure with accuracy the value of our lives against the enormity of the national interest that might call upon us to go into harm's way.

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