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Label Letter

Union Label & Service Trades Department, AFL-CIO

Stockton's Bankruptcy, Michigan Emergency Managers: Destroying Public Services and Collective Bargaining

Stockton, Calif., a city of nearly 300,000, is the largest city in the U.S. to file for bankruptcy. It filed for Chapter 9 in June after lengthy talks with its creditors failed to produce concessions to close its \$26 million budget gap. The talks are confidential, but may be made public in late July.

The bankruptcy is especially noteworthy because prior to its filing other cities going into bankruptcy were unable to use Chapter 9 to nullify retiree pensions and benefits. This time is different, as City Manager Bob Deis told USA today that he would use the Chapter 9 filing as a strategy to abandon costly retirement promises just as American Airlines and General Motors did. Former and current police officers, firefighters, and other employees of the city of Stockton could lose a fortune if Deis is successful.

The city had already cut 25 percent of its fire service, 30 percent of its police and 43 percent of its other public service workforce. Stockton City Council and Deis decided before its bankruptcy that it could not cut more and, instead, the knife must be taken to pension and health care benefits of former workers.

Deis had said in an interview last November that he was a fan of the defined benefit pension that the city offers its workforce, but that "several years ago we enhanced these pension plans to the point where they are not sustainable. So I would tend to argue that we should focus on new hires but return to the basic formulas in place before government became the equivalent of drunken sailors."

Now he's going to possibly gut the pension system altogether.

What Changed?

Leading up to its financial downfall, Stockton borrowed heavily during the real estate boom. It financed a large municipal building and worked on revitalizing

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LIBOR Scandal: Once Again Big Bankers Gone Wild

Just when you thought you had seen the last of "bankers gone wild," up jumps the LIBOR scandal. LIBOR—the London Interbank Offer Rate—is the mechanism that sets interest rates for everything from credit cards and home mortgages to all sorts of exotic derivative investments. It involves 18 global banks, including JP Morgan Chase, Bank of America and Citigroup in the U.S.

Fiddling with the LIBOR in one direction or another triggers a cascade of events, most of which cost Mr. and Mrs. America dearly. As one of the traders who was brought into the process by another conspirator wrote ironically to his colleague: "Dude, I owe you, big time!"

Indeed. Teachers, firefighters, police officers and many other public workers—from drivers, janitors, accountants, clerks and zookeepers—lost wages, pension income and jobs, *big time*, as a result of this secret

manipulation in the back office of banks in Europe and the U.S. The losses resulting from this conspiracy are expected reach into the trillions of dollars, according to experts.

Among the tangled tentacles of this scheme is what happened to "interest rate swaps" one of those suspicious and largely unregulated "derivative" investments that make speculators wealthy and schmucks out of the rest of us.

While the bankers were fiddling with LIBOR, accountants and bookkeepers in scores of taxpayer funded institutions (governments, hospitals, school boards and the like) were confronted with shrinking tax rolls and increasing borrowing costs as they pored over their books to try to figure out how to pay the bills. Along came the brokers and salesmen from the financial industry with portfolios of investment options, including swaps. Simply put, the brokers

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It is our
holiday
so let's
celebrate
the right
way!

Enjoy a Union-Made Labor Day

Make your Labor Day the union way using these products from members of the BCTGM, IBB, IUANPW, and the UFCW.

Fire up a union-made grill:

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Wenzel's sausage
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Boars Head hot dogs
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Hebrew National franks
Foster Farms fresh chicken
Hormel Red Franks
Nathan's Ball Park hot dogs

The bun to put 'em on:

Wonder brand
Alfred Nickles Bakery
Stroehmann
Arnold
Francisco

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Open Pit
French's
Gulden's Mustard
Frank's Red Hot
Vlasic brand pickles

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Funyuns	Doritos
Rold Gold	Chex Mixes

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Miller beer	Labatt's Blue
Shock Top	Mad River
Budweiser	Michelob

Non-Alcoholic Beverages:

Welch's Juices
Minute Maid
Hawaiian Punch
Mott's
V8
Sprite
Mountain Dew
Pepsi, Diet Pepsi
Coke, Diet Coke



Machinists Strike at Caterpillar in Joliet

Some 750 members of the International Association of Machinists Local 851 began the third month of a strike against Caterpillar in Joliet, Ill., to push back against company demands for a six-year wage freeze for its more senior employees, and significant health care givebacks while the company is booking record profit—\$4.9 billion last year and \$1.586 billion in the first quarter of 2012.

The union was joined on the picket line by members of a nearby Steelworkers local and students from the Joliet and Chicago areas. Alex Fogue, 18, a freshman at Joliet Junior College, initiated the show of solidarity by contacting Northern Illinois Jobs for Justice and getting their help to publicize the action.

Starting in the 1960s, Caterpillar became a poster company for contentious

labor relations, with dozens of strikes through the 1990s. The company was one of the most prominent American manufacturers to employ scab replacement workers and its CEO in the 90s, Don Fites, cultivated a reputation for union-busting.

Since negotiations began in March, Caterpillar has insisted those employed seven years or more agree to a six-year wage freeze to make the plant “competitive.”

But the Union says Caterpillar, the world’s largest producer of earth-moving equipment, is in no way uncompetitive and should be sharing its prosperity with its workers. “A company that earned a record profit should be willing to help the workers who made those profits for them,” said Timothy O’Brien, president of Machinists Local Lodge 851. O’Brien believes the company wants to freeze pay and pension



Credit to: Ann Baskerville, Will County News

for longtime workers to push them into retirement and replace them with \$13-an-hour workers.

“We’re the people who busted our butts to help them make record profits,” says Rose Bain, a striker. “We shouldn’t be treated like this.” ■

Walk In My Shoes

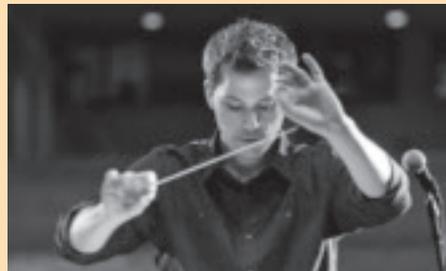
Joey Newman, COMPOSER AND MUSICIAN

My goal as a composer is to bring comedy and drama to life. I try to find some sort of unique way to give a voice and support the drama, whether it is through instrumentation or through the composition process in general. Each composition is fairly unique, however, there will always be some sort of thread that I will use. There’s always something of my voice in it.

My most recent projects included composing for the third season of the ABC comedy *The Middle*, which is “quirky” music with a Tom Petty-ish edge, and the Travis Fine drama *Any Day Now*, starring Alan Cumming.

My dream of becoming a studio drummer led me from my home in Los Angeles, California, to attend Berklee College of Music in Boston, where I earned a Bachelor of Music. At the school, there were so many things I was opened up to, including composition and film scoring. I no longer saw myself playing drums the rest of my life.

In choosing this vocation, I ended up following in a long line of union composers in my family, beginning with my grand-



father Lionel Newman and great uncle Alfred Newman, who were both members of Professional Musicians Local 47, Los Angeles. The current generation of family composers includes cousins David, Thomas, and Randy Newman, all also members of Local 47.

I joined the American Federation of Musician’s Local 47 in 1997. The best part of being a member is getting health insurance, guaranteed scale wages, and special payments. I think that being a union member is being a part of an extremely high quality set of individuals and talented musicians. The union guys in town are just the best in the business, and this city, in particular, has the best in the business. ■

Spotlight the Label: ALPA

The Air Line Pilots Association, ALPA was formed in 1931 by a group of 24 “key men” in Chicago. David L. Behncke was the first president. The founding members adopted the motto “Schedule with Safety” and that theme remains central to the union’s work today. For more than 80 years the ALPA has fought for the safety and security of its members with more than 600 working airline pilots serving on local and national safety and security committees that guide the Association’s work. The organization has secured collective bargaining contracts for more than 53,000 pilots at 37 U.S. and Canadian airlines. ■



LIBOR, *continued from page 1*

offered—and many public officials okayed—a bet, or hedge, that they could swap the interest rates that they were paying for a floating rate that was initially lower, but liable to rise or fall before the debt was paid. And, rise they did because, apparently, the game was rigged.

Today, the headlines are filled with dire stories of cities and counties, large and small, dealing with bankruptcy. For politicians, the preferred solution is to hack away at jobs and services and opt for “austerity.” Behind the scenes though, the speculators who sold shaky derivative investments stand first in line for whatever funds are in the kitty. That’s how bankruptcy works. The lawyers and bankers get their money first. Everyone else has to accept pennies on the dollar, or worse, nothing at all.

The revelations about LIBOR have prompted some government entities to seek redress in court. The city of Baltimore, for example, is going to court to try and claw back what it now sees as a loss from fraud.

Baltimore City Solicitor George Nilson said that the rate manipulation meant that the city lost out on money when it needed it the most.

“The injury we suffered during the time we suffered it hurt more because we were challenged budgetarily,” Nilson said. “Every dollar we lost due to illegal conduct was a dollar we couldn’t pay to keep open recreation centers or to pay police officers.”

Other institutions—especially the big public employee pension funds—are currently reviewing their books to see how LIBOR manipulation might have affected their bottom lines.

Robert Diamond, CEO of Barclays of London, one of the key players in this price fixing scheme, has admitted that he fibbed in

reporting interest rates to the panel. Diamond claims he only did it to “protect” Barclays, but it turns out other traders did the same thing to expand their profits.

Hrumph! Exclaimed banking authorities in the U.K. They proceeded to rap Barclays on the knuckles with a \$450 million dollar fine, which the bank’s shareholders promptly paid, while Barclays promised to sin no more.

Now, if an ordinary citizen fibs to bankers to, say, qualify for a car loan, the law calls that bank fraud and prescribes serious penalties, including possible jail time. When the shoe is on the other foot, typically, authorities extract a promise from the offending banker that they won’t repeat the behavior in return for the government’s promise not to prosecute, ostensibly, because it’s so expensive.

According to news accounts, LIBOR rates were set on a bogus basis for over four years—from 2005 through 2009.

As Lee Saunders, newly-elected president of the 1.6 million member American Federation of State, County and Municipal Employees (AFSCME) noted recently, “reckless behavior” by banks like J.P. Morgan Chase and other Wall Street firms has cost the jobs of more than 600,000 state and local government workers and prompted 43 states to reduce pension programs. “Nothing less than the very fabric of our country’s retirement security is at stake,” Saunders said. LIBOR, he added, is just the latest in a long string of similar scandals and “evidence that Wall Street greed and recklessness know no limits.” And, he warned, taxpayers are “still on the hook for future bailouts.”

The banking and finance industry bought its way out of regulation in the late 1990s when Congress acted to repeal most of the

restrictions that had been enacted after the Great Depression in the 1930s.

Over the past decade, the industry has spent over \$2.8 billion in lobbying funds and another \$1 billion in political contributions to stay deregulated and weaken any efforts to erect new safeguards for the public. It continues to resist the toughest elements of the Dodd-Frank law passed in the wake of the banking bailout four years ago.

From the point of view of the 10 biggest U.S. banks, lobbying and influence money has been well spent.

U.S. banks earned a record \$35.3 billion in profits in the first quarter of 2012, a jump of nearly 20 percent over the same quarter in 2011. Sixty-seven percent of U.S. banks reported improved earnings in the quarter, buoyed by profits from loans and customer fees. The Federal Deposit Insurance Corporation (FDIC) reported that the biggest banks (among them are the usual suspects—Bank of America, Citigroup, JP Morgan Chase and Wells Fargo) accounted for more than 80 percent of first quarter profits even though they represent a mere 1.4 percent of the industry in terms of numbers.

At the same time, public confidence in banks and bankers remains at historic lows.

According to a Rasmussen poll in mid-May, 47 percent of Americans lack confidence in the banking system, 15 percent say they have “no confidence at all” and one-third are concerned that they will lose money in dealing with banks.

This latest scandal, on the heels of dozens of other revelations of unsavory and illegal behavior in the financial industry, could be the final straw pushing lawmakers to act aggressively. ■

Living Union: There’s an App for That

The Department launched the Android version of its “Living Union” app in early July and has submitted the Apple version for approval by the App Store.

The app gives union families the ability to look up union products and services, access the ‘Don’t Buy’ and ‘Do Buy’ lists, and submit union-made products

to our database. In addition, we encourage you to visit the Union Label website (unionlabel.org) and “friend us” on facebook. Send us your own ideas about how we can do a better job promoting the Union Label. ■



Stockton, continued from page 1

its downtown area to characterize itself as a bedroom community for the San Francisco area (80 miles away).

Then the real estate industry collapsed. Home values plummeted up to 50 percent and property tax revenues went with them. In addition, in February, Deis told reporters the city had uncovered accounting errors and fiscal mismanagement that left the city broke. He added that the city needed to cut more than \$15 million from its budget to avoid bankruptcy. That number now stands at \$26 million.

"We have used every tool in our toolkit to try to resolve our financial situation without going into Chapter 9 (bankruptcy)," says Mayor Ann Johnston. "It truly is bad that we're in this position, but it's good that we have a way to resolve our financial situation."

"This is a big test case," says University of Pennsylvania law professor David Skeel. "The conventional wisdom has been until very recently that you can't touch retirement benefits or labor contracts in bankruptcy court. That conventional wisdom has been rapidly eroding because of the horrendous financial conditions of some cities and the role pensions are playing in the trouble."

In the past, cities like Central Falls, R.I., and Prichard, Ala. made claims that they couldn't sustain their pensions but failed to nullify them in bankruptcy court. Other bankruptcies have dealt merely with debts to lenders, not retiree benefits.

Of the nearly 90,000 small governments entities in the U.S., 13 filed for bankruptcy last year and fewer than 700 have filed for bankruptcy since 1937. Many of the bankruptcies have been dealt with specific projects that have failed, like a sports stadium (Stockton's bad choices were a stadium and a never-used city hall).

Labor unions and local governments—until Stockton—have worked hard to avoid the issue of retirement benefits in bankruptcy court. In June, the city of Providence worked with unions to cut benefits \$23 million next year to avoid a bankruptcy filing.

However, in 2008, Vallejo, Calif., went to court to nullify its labor contracts when it filed for bankruptcy. It was granted the right to do it by a judge.

Vallejo cut retiree health benefits, some bond payments and made other savings during the bankruptcy process. The city negotiated

new labor contracts that increased worker payments toward their pensions and gave new hires lower pensions, but after three and a half years in bankruptcy, Vallejo's pension benefits emerged unscathed, and the cost to the city for its court battle over the pension benefits hovered around \$10 million.

Former Stockton city manager Dwane Milnes, now president of the Association of

The bankruptcy of Stockton, Calif., could be the crucial test case that determines whether local governments can use the federal courts to shed burdensome retirement benefits in a way that corporations often do.

—Ben Margot, AP

Retired Employees of the City of Stockton, says Vallejo shows that bankruptcy isn't a good path for financially troubled cities. "You somehow have to find millions of dollars within that broke budget to finance bankruptcy," he says.

After Vallejo's bankruptcy, the state legislature in California passed a law mandating a 90-day period during which a government considering bankruptcy must first negotiate with its creditors to resolve its debts before resorting to the filing. Stockton was the first California government to test the law—it failed. The mediation period cost Stockton \$3 million.

Stockton's problems are different than Vallejo's were. Stockton is dealing with a tremendous unemployment rate, foreclosures and crime has skyrocketed.

What Does Stockton's Situation Mean for Unions?

"Labor has to protect its retirees from bankruptcy haircuts the same way bondholders get protected," said Union Labor and Service Trades Dept. President Rich Kline. "Vallejo's bankruptcy and laws like Michigan's emergency financial manager plan have emboldened public employers to find ways to nullify labor contracts. We have to fight back tooth and nail."

In March 2011, Michigan passed a law allowing the state to appoint emergency financial managers to run troubled local govern-

ments. The managers have the power to replace elected officials, sell assets and change union contracts. Emergency managers are currently running four of Michigan's cities and three of its school districts. Detroit may come under emergency management soon and may have to file for bankruptcy.

Rhode Island may put the city of Woonsocket into receivership, a situation similar to Michigan's emergency manager, who would have the power to change or abrogate union contracts as well.

Attempts at destroying public services and public workers' unions—seen in alarmingly increasing numbers throughout the country—are the background machinations of power-hungry conservative organizations. The law in Michigan has been traced back to recommendations by the Mackinac Center for Public Policy—a conservative think tank that frequently recommends privatizing public services and has paired with the American Legislative Exchange Council (ALEC) in writing model legislation.

The move to put Woonsocket into receivership came after two of the town's own state legislators refused to pass revenue enhancements for the town. One of the legislators, Jon Brien, is a national board member of ALEC. Brien said in an interview with the New York Times that the municipal unions "have been given pensions that the city can no longer afford" but he couldn't say how bad Woonsocket's pension problems were, claiming "I'm a state legislator, I don't get into that level of municipal finance."

The Times pointed out that Woonsocket's pensions weren't to blame for the town's financial woes—the previous Governor had cut state aid and the school system struggled with an unanticipated budget shortfall. The truth is, Brien and his ALEC cronies aren't concerned with the minutiae of retiree benefits. ALEC and its partner organizations have advocated destruction of public employee unions and they are using these financial issues as opportunities to go over the heads of elected officials to make the destruction happen. By eliminating public service benefits without recourse, they can privatize services and make local governments completely beholden to speculators.

Michigan is fighting back to get the emergency manager law overturned on November's ballot. California, Pennsylvania and Rhode Island's public workers have the same uphill battle ahead. ■

Wal-Mart At 50

Fifty years ago, Sam Walton began a store with a vision. Walton believed that if you worked hard anything is possible, but that vision doesn't jibe with the behemoth company's actions in today's world.

Wal-Mart's business model tramples the human rights of workers, discriminates against women, damages small businesses and the environment.

Wal-Mart's Lack of Quality—Destroys Quality Everywhere

Last November, an environmental online magazine, Grist, ran an article about Wal-Mart entitled, "Is Your Stuff Falling Apart? Thank Wal-Mart." The article pointed out how Wal-Mart's price undercutting and the shoddy construction of the products it sells have forced retailers to compete by lowering the quality of their merchandise. Since 1994, apparel prices have fallen 39 percent, but the quality has fallen as well, meaning that consumers end up discarding the products quickly, creating an endless revenue stream for the retailers, but polluting the environment.

The offshoring of manufacturing and the general demise of union-wage jobs in the U.S. have forced Americans to shop for cheaper goods. Wal-Mart has taken full advantage.

They have forced some manufacturers to make separate, cheaper lines to sell in their stores. Seeking the higher quality product at a department store when an identical-looking (but more cheaply made) version is available at the big box store

seems foolish to the consumer. The store's reputation for quality suffers, and, Wal-Mart demolishes another competitor.

The manufacturer then depends more and more on Wal-Mart to keep their business afloat and must accede to their demands. Manufacturers who try to resist are marginalized and Wal-Mart wins.

Wal-Mart: Largest Recipient of Social Services in U.S.

Workers at Wal-Mart are paid so little that now over \$2.66 billion in food stamps and other taxpayer assistance goes to Wal-Mart employees, approximately \$420,000 per store.

It is estimated that as many as 80 percent of Wal-Mart employees in some stores qualify for food stamps.

Wal-Mart's health care plans don't cover hundreds of thousands of associates. In 2009, Wal-Mart claimed that 52 percent of associates were covered under their healthcare plan. They've refused to disclose coverage rates for their 1.4 million U.S. employees since then.

Wal-Mart stopped offering health insurance to part-time employees (working less than 24 hours per week) in 2012.

Taxpayers are forced to provide health-care for Wal-Mart's Associates. Hundreds of thousands of associates and their family members qualify for publicly funded health insurance. Indeed, according to data compiled by Good Jobs First, in 21 of 23 states that have disclosed information, Wal-Mart has the largest number of employees on the public rolls of any employer. ■



Photo courtesy of Neil Jacobs/LA County Federation of Labor, AFL-CIO



Panera Bread Bakers in Michigan Vote to Join Bakery Workers

On June 28, 2012, three months after the majority of bakers employed at Panera Bread Cafés in the I-94 Corridor Division in Kalamazoo, Mich., voted to join the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (BCTGM), the National Labor Relations Board (NLRB) issued a complaint against the company on 34 counts of Unfair Labor Practices leading up to the union election. The company had tried to file ULPs against BCTGM, but the NLRB found charges against the union to be without merit.

"This is just another stall tactic by the employer and we can expect more in the future," said John Price, BCTGM International Representative.

"If this employer had any respect for our laws and/or their employees they would accept the results of the vote and begin negotiations in good faith," Price said.

Some allegations listed in the federal complaint include:

- ❖ Coercively interrogating employees about their union sympathies.
- ❖ Soliciting employees complaints and grievances and promising increased benefits and improved terms and conditions of employment if they refrained from union organizing activities.
- ❖ Loss of benefits if the union became the bargaining representative.
- ❖ Threatening termination for engaging in union activities.

Although the NLRB dismissed the employer's unfair labor practice charges against the union, the Board will allow the company to litigate those allegations as objections to the election.

"I find it outrageous and certainly not business wise for our bosses to be spending tens of thousands of dollars fighting us, their own employees, rather than just sitting down and collectively bargaining a fair contract," stated Daniel Wood, who is a lead baker at Panera's W. Main Street Café in Kalamazoo. "We have serious concerns and issues we would like to fix and secure in a union contract. None of us bakers are out to hurt the company financially; they appear to be doing this on their own," Wood went on to say. ■

AFL-CIO Endorses Global Boycott of Hyatt Hotels

The AFL-CIO announced July 25, 2012, that it has officially endorsed the UNITE HERE!'s global boycott of Hyatt Hotels. Although most Hyatt properties are subject to this boycott, there are some that are not (see list at right).

If a particular hotel is not covered by the boycott, then neither UNITE HERE!

nor the AFL-CIO is discouraging unions from booking business at those hotels. We do recommend that all unions include the "Contract Addendum" (found at www.unionlabel.org) with protective language in their hotel contracts to cover them in case the hotel ends up being the subject of a labor dispute. ■



Photo courtesy of Neil Jacobs/LA County Federation of Labor, AFL-CIO

The call to 'Boycott Hyatt' DOES NOT include:

Hyatt Regency Maui Resort & Spa and the Grand Hyatt Kauai, which have current collective bargaining agreements with the **International Longshore and Warehouse Union**.

Hyatt Hotels with current UNITE HERE! collective bargaining agreements:

Hyatt Hotel (Highway One Monterey); Hyatt Regency Monterey; Hyatt Penn's Landing (Philadelphia); Hyatt Regency Dearborn (Michigan); Hyatt Regency Denver at the Colorado Convention Center; Hyatt Regency Washington on Capitol Hill; Hyatt Regency Atlanta; Hyatt Regency Mission Bay Spa and Marina; Hyatt Regency on King (Toronto); Park Hyatt Toronto; Hyatt Regency Vancouver; Grand Hyatt New York; Hyatt Rosemont; Hyatt Place San Jose; Andaz 5th Avenue; Andaz Wall Street; Hyatt Place Braintree (Mass.)



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SACRAMENTO, Arden West, Hilton Sacramento

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EndNotes

By Rich Kline, *President, UL&STD*

Disturbing Trend Threatens Public Service Workers



A disturbing outgrowth of the recession, housing market crash and drop in pension funds earnings has now resulted in municipal bankruptcies and state intervention in civic finances. The advent of the fiscal emergency manager heralds a growing threat to public service workers.

In Central Falls, R.I., a state-appointed overseer last year set about reducing pension benefits, rejecting a collective bargaining agreement and planning layoffs of city workers.

The overseer said that “from the ashes of bankruptcy Central Falls will rise again.” He did not need to say whose ashes would serve as fertilizer.

Unfortunately, Central Falls is part of a trend. This July, three more California cities declared bankruptcy or states of emergency. Ranging from large cities like San Bernardino and San Jose to tiny Mammoth Lakes, these West Coast cities are in financial straits. Whatever the cause of trouble, the civic leaders plan to cut wages, benefits and pensions of their employees. Bankruptcy rule and emergency powers create an extra-legal tool for fiscal managers to use against workers.

In San Jose, the mayor claims that there is “no such thing as vested rights.” He plans to use the emergency that he declared as the basis for overturning contracts and benefits packages.

Michigan has appointed emergency managers to take over finances in four cities including Flint and Pontiac; Detroit is operating under a consent agreement.

And the list grows. Especially alarming is the role of emergency managers: unelected and enormously powerful.

Keep in mind that many police and firefighters are wholly dependent upon their pensions. They were not included in Social Security. Their unions bargained in good faith. They considered a contract as binding. They believed that their pensions were being supported and not underfunded. Now, they and other public employees are being

scapegoated by the people responsible for poor financial management.

It isn't fair, ethical or conducive to a well-run and efficient city; but as policy, it is highly destructive to the lives of public workers.

Trade unionists should lead their fellow citizens in opposing these radical attacks. ■



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