

Statement of Mary Kay Henry

President, Service Employees International Union

Before the

National Commission of Fiscal Responsibility and Reform

June 30, 2010

Good morning/afternoon. Thank you for holding this public session and inviting this conversation that we must have as a nation.

I am here today with the great honor of speaking on behalf of the 2.2 million janitors, nurses, home care aides, child care givers, security officers, public servants and other workers who make up our union. And because the members of our union understand that their struggle is the struggle of workers all across America, union and non-union, I will try today to bring the concerns of everyday working families to this discussion.

Working families want to join the chorus of Americans – led by President Obama this week at the G-20 meetings in Toronto, and by several Commissioners – that in the short term we must focus more on growing our economy, and must continue aggressive stimulus spending to put people back to work.

I have spent a lot of time crossing the country recently, and one fact is striking. No matter what city or town I find myself in, each and every day I meet more people who are struggling, more people who are ready to give up.

Right now as we meet, more and more American families are giving up on owning a home. They are giving up hope that they can land a decent job with affordable healthcare and retirement security. They are giving up the dream that their children will have a better life.

We all know the facts. The United States is struggling to recover from the worst economic downturn in 70 years. 15 million people are officially unemployed, nearly half –44% for more than six months, the highest level ever recorded. A staggering 26 million workers are either unemployed or underemployed. That's as if every single person in 18 states – every man, woman and child in everyone of these states – got up tomorrow and realized they had no place to go and no way to pay their bills.

This is not a short term problem that we are going to easily bounce back from. What we are talking about is 26 million workers. And these unacceptably high unemployment and underemployment rates are devastating entire communities. There are some blocks where you cannot find a house without a foreclosure notice tacked to the door. Half of all workers have no retirement plan, and the public sector is shedding jobs. People are working longer and for less, and it's not enough to keep families afloat. Poverty rates are skyrocketing, and more than half of all African American children are at risk of falling into poverty because of this recession.

We pulled out all the stops to rescue the banks, but we seem ready to cut workers loose and left to fend for themselves. We're dropping a cool \$33 billion in emergency spending for a questionable war in Afghanistan, yet we've created controversy around spending to shore up the benefits needed by the unemployed and we seem ready to stand by and watch 275,000 teaching jobs cut across the country. And exactly how do we build a better future for our children if we fire their teachers?

We are a country in crisis, and more than ever, this should be viewed as a crisis for workers. And this crisis is hitting us in the workplace, in our communities, and in our homes. All of us have stories about family and friends who through no fault of their own have fallen through the cracks. And the cracks are getting wider and deeper than we've ever seen before.

I'll like to tell you about just one of those folks. A few weeks ago, I had the privilege to march arm in arm through the streets of Washington with Al Marshall, who works as a construction inspector for the city of Oakland. Twelve years ago, Al bought a fixer upper for his family and set to work renovating it and making it home. And for the last 12 years, Al paid his mortgage on time. But a few months ago, the bank took Al's home. Why? Because when the economy crashed – or rather, when Wall Street and the big banks recklessly crashed the economy – Al's wife lost her job, and because the City of Oakland had a budget shortfall, Al's hours were cut. For six months, before he ever missed a payment, Al reached out but the bank wouldn't return his calls. Then that same bank came for Al's home.

Something has gone terribly wrong with our politics when guys like Al take a backseat to unscrupulous banks who cannot even act as honest brokers in their dealing with the very taxpayers who bailed them out.

But despite our enormous problems, official Washington seems to have turned its attention to deficits and debt.

I want to state this loud and clear: SEIU shares the belief of the President and the Members of this Commission that the deficit is a serious long-term problem, and that we need to develop a plan to address it. Working families understand the deficits and are concerned, because they struggle every night at the dinner table to balance their own budgets.

However, at the same time, we are asking that you recognize that *our first priority as a nation must be putting Americans back to work*. We can't fix our long term fiscal problem as a nation without at the same time tackling the loss of jobs, the erosion of wages and wealth of America's working people. Our economic future depends on a strong foundation, a foundation that starts with restoring American families.

There is no meaningful economic recovery possible that does not include putting people back to work. In order to restore our nation's financial security, we need to put more money in people's pockets. We need jobs – and not just any kind of jobs, but good jobs, the jobs you can raise a family on.

But beyond the economic argument, which is straightforward and legitimate, there is another point that keeps getting lost. There is a dignity to work. There is a dignity to putting in a hard day's work to support one's family. And there is dignity to working toward the prosperity of this nation.

While we know this is a period of inquiry and discussion for the Commission, so we'd like to lay out a clear set of recommendations that I believe should frame the conversation.

First, we need an honest discussion about where caused the economic crisis that led directly to our deficit.

The crisis was caused by 30 years of failed economic policies. Cutting taxes for the rich, which deepened economic inequality to levels not seen since before the Great Depression. Slashing regulations that provided for 50 years of financial market stability, that led directly to the collapse of our financial markets, and in the process destroyed \$17 trillion in wealth. These outcomes were not accidents, they were the unavoidable consequences of policy decisions.

The same holds true for the deficit. It is not the result of out of control spending. In fact, the U.S. ranks 26th among 30 wealthy nations in social spending. In many areas -- early childhood education, active labor market policy, unemployment insurance and retirement security -- we are well behind other wealthy nations. Nor is our deficit caused by the economic recovery policies pursued by President Obama.

In fact, according to the Center on Budget and Policy Priorities, the tax cuts enacted under President Bush, the wars in Afghanistan and Iraq, and the economic downturn together explain virtually the entire deficit over the next ten years. Two of those policies, tax cuts and the wars in Iraq and Afghanistan, account for nearly \$7 trillion dollars in deficits between 2009 and 2019.¹ The point is there is no crisis of entitlement spending. That means there is no reason to cut Social Security.

Second, SEIU wants to state unambiguously that pursuing budget balance prematurely, while the economy is weak, risks creating another recession.

Even more importantly, if we balance the budget but leave a fifth of our workforce sitting on the sidelines, we have failed. There is no economic or long-term security with unemployment in the double digits.

So as unpopular as it might be in this conversation, we need to recognize that more spending now will create jobs, strengthen our economy, and put us on a path to sustainable deficit reduction.

And we know this works. After World War II our debt, about 120 percent of GDP, was a greater burden than now. But Congress paved the way for sustained economic growth -- it passed the GI Bill, the interstate highway program, low cost mortgages -- and what happened? Our economy boomed. The deficit shrank. We made smart investments that boosted our economy. We invested in America and in American workers, and everyone benefitted.

¹ "Critics Still Wrong on What's Driving Deficits in Coming Years: Economic Downturn, Financial Rescues, and Bush-Era Policies Drive the Numbers." [Kathy Ruffing](#) and [James R. Horney, Center for Budget and Policy Priorities](#). Updated June 28, 2010

If we choose the other path and start to reduce the deficit now, we risk a poorer and more divided society over the long run and an even greater danger in the short term: a deep recession that will ultimately only make our deficit problems worse.

The warning signs should be clear for all to see: last month while there was a large increase in temporary jobs largely due to hiring for the census, the number of permanent jobs actually declined. State and local governments have already cut 220,000 jobs this year and if we don't deliver federal aid to states and localities could cut another 200,000 in the next 6 months. This is clearly not the time to be cutting deficits.

Third, some on this commission have said that everything should be on the table. I disagree. Cuts in entitlement programs such as Social Security should not be on the table. Given the fact that half of working Americans have no retirement benefits through their work, and that pension funds were devastated by the financial crisis, any conversation about Social Security must begin with the question of whether Social Security provides an adequate level of benefits.

What should be on the table is fairness. Once we get the economy growing again we will need to raise additional revenue and find the right balance to a sound fiscal policy. Which means that all spending must be on the table, including our defense budget.

America has become a much more unequal society. Between 1979 and 2007, average after tax income for the top 1 percent rose by 281 percent after adjusting for inflation – an increase in income of almost \$1 million per household – compared to increases of a little over \$10,000 for households in the bottom fifth of the income distribution. We can't continue to make policy that only benefits the top 1 percent. In raising additional revenue we should be sure that those who benefited pay their fair share. Enacting a Financial Transaction Tax and other tax increases on the very wealthy could generate several hundred billion a year in revenues.

We should not lose sight of the fact that we live in the wealthiest country in the world. I refuse to accept that inadequate housing, failing retirement systems and stagnating living standards are inevitable. Fiscal sustainability and social decency can be achieved when we recognize that workers are the primary drivers of economic growth. It's pretty simple: if we don't put people back to work and grow our economy through work, we won't reduce the deficit. However, if we rise to the challenge before us and allow our values as a nation to inform the choices we make today, we will both balance our budget and once again inspire the dreams of hardworking women and men who seek nothing more than an opportunity to work for a better future for their children and grandchildren.

So I call on the members of the Commission to see your mission in its broadest terms: judge your success in achieving the 2015 goal of primary budget balance not just by where we stand as a nation, but where we stand as the collection of citizens, of working families, that make up America. If family budgets are sound, if we have decent jobs, homes that aren't under threat of foreclosure, and the ability to retire with security, then you will have succeeded in answering our call.

Lastly, I want to give a special nod to Andy Stern, a member of the Commission who until recently served as president of SEIU. I have worked with Andy for more than 20 years, and I can say

unequivocally that few people match Andy's uncanny ability to connect everyday working families' struggles with the larger economic forces at work on their lives. I am so glad that he accepted the President's invitation to join the Commission, and look forward to engaging with Andy and the entire Commission as part of this critical national conversation about how we rebuild our economy to ensure that the American dream continues to be passed on to future generations.