

US airlines follow bankruptcy filings with mass layoffs

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Eight days after declaring bankruptcy, Delta Air Lines announced it will cut as many as 9,000 jobs, or 17 percent of its 52,000 employees. The new layoffs are in addition to the 24,000 job cuts the company has implemented over the last four years. By the time the latest round of downsizing is completed, Delta, the third largest carrier in the US, will have eliminated 39 percent of its workforce since 2001.

The company also announced that remaining employees will face a pay cut of between 7 and 10 percent. This does not include future cuts planned for its wholly owned subsidiary, Comair.

These layoffs and wage cuts are part of Delta's overall plan to eliminate an additional \$3 billion in annual expenses by the end of 2007, on top of the \$5 billion executives planned to save by the end of 2006. The pilots' union, which agreed to \$1 billion in concessions last year, will be forced to give up another \$325 million this year. The rest of Delta's workforce, including management, will lose \$605 million.

Accountants for Delta have declared that the airline has \$28.3 billion in debts and only \$21.6 billion in assets. The airline has lost \$10 billion since 2001, \$388 million in the last quarter alone.

Delta plans to make a quarter of its cuts, around 2,000 jobs, in the state of Georgia, where it is the second largest employer with 32,000 employees. Rajeev Dhawan, director of the Economic Forecasting Center at the Robinson Business College at Georgia State University, predicted that every two Delta jobs lost would cost Georgia's economy three more jobs, bringing the total to about 5,000 jobs, all concentrated around Atlanta.

Georgia's legislature responded by coming to the aid of the corporation while disregarding the fate of its workers. It put a cap on the company's fuel tax at \$15 million, and Democrats in the legislature urged the Republican governor to give the bankrupt company \$75 million in tax cuts. This handout would undoubtedly be funneled to Delta's creditors.

Northwest Airlines, which until recently was the fourth largest airline in the US, declared bankruptcy the very same

day as Delta. It recently announced that it would lay off 1,400 flight attendants and impose a 22 percent pay cut on the rest. In addition, 400 pilots will be laid off in the coming months.

According to documents the airline filed during its first day in bankruptcy, Northwest wants to get rid of 13 planes immediately and has identified another 102 aircraft, from jumbo jets to commuter craft, it wants to return to lenders if it cannot negotiate lower payments on leases and loans. This is part of a restructuring plan that foresees a much smaller airline.

Meanwhile, Northwest is continuing its attack against 4,400 mechanics and cleaners who were forced on strike August 20 by company demands for the elimination of more than half their jobs and cuts in health care and other benefits. Last week, management increased the number of job cuts it is demanding and announced it would begin to permanently replace striking workers.

Northwest's strikebreaking operation against the Aircraft Mechanics Fraternal Association has been bolstered by the leadership of the International Association of Machinists and the pilots' and flight attendants' unions, who have ordered their members to continue working.

The latest layoffs at Delta and Northwest bring the number of job cuts in the US airline industry to more than 44,000 workers in 2005. In 2003, airlines cut more than 57,000 jobs, and in 2001 they cut a record of nearly 100,000.

Three of the four largest airlines, and nearly half of all aircraft seats, are currently flying under the protection of a bankruptcy court. Another airline, Independence Air, is expected to file for bankruptcy in the near future. United Airlines, which declared bankruptcy in December 2002, still has not left bankruptcy status and reported a net loss of \$30 million in August alone. Around 140 US carriers have sought Chapter 11 protection since 1978, when deregulation of the industry began. Only 20 emerged, and of these 20, only 2 remain, Continental and America West, both of which declared bankruptcy twice.

In declaring bankruptcy, Delta and Northwest hope to

escape from billions of dollars in pension obligations to their workers. Delta's pension fund is already \$10.6 billion short and Northwest owes \$5.7 billion.

The Pension Benefit Guaranty Corporation, the government-run board that takes over the pension funds of bankrupt corporations, is already overburdened by the decision of United Airlines and US Airways to default on their pension obligations. The government has indicated, however, that it may have reached its limit and cannot go along with Delta's wishes. Executive director of the PBGC Bradley Belt said, "As long as companies remain in operation with ongoing pension plans, they have a legal obligation to meet their funding requirements."

Northwest responded, saying that it would use its influence in Congress to have pension laws changed. Gerald Grinstein, CEO of Delta, took a more resigned position, saying the federal government may have "airline fatigue." Suggesting that government bailouts were a thing of the past and the industry was heading towards a new period of bankruptcies, takeovers and mergers, Grinstein said, "I have a feeling you're looking at Darwinism at work."

While tens of thousands of airline workers face the loss of their jobs and living standards, the corporate executives and big investors who run their airline industry have every intention of further enriching themselves during this shakeout. Corporate executives who ran their companies into the ground are all guaranteed millions in salaries, stock options, pensions and other perks.

Less than a month before Northwest filed for bankruptcy, its chairman of the board, Gary Wilson, sold nearly a third of his remaining shares in the company before their value plummeted. Northwest's stock price, which closed at 84 cents earlier this week, was worth more than \$5 when Wilson sold 258,100 of his 904,940 shares.

According to regulatory filings made Monday, between August 18 and 25 Wilson sold his shares at prices ranging from \$5.07 to \$5.84. Taking the average of those two prices of \$5.45, Wilson stands to gain a pretax take of \$1.4 million by selling those shares.

Though the state of the American airline industry may be particularly dire, it is part of a worldwide process of job eliminations. Among the latest major job cuts:

* Sony announced it will cut 10,000 of its 151,000 employees and close 11 plants; 4,000 of the layoffs will occur in Japan, while the rest have not been announced. The company recently revised down its forecast for the fiscal year ending in March from a \$90 million profit to a \$90 million net loss. It plans to cut costs by \$1.8 billion.

* According to *Der Spiegel*, "high-ranking employee representatives" of Siemens warned that 10,000 jobs would be cut out of 164,000, most of them in Germany. The

company announced on September 19, plans to cut as many as 7,000 jobs. Siemens wants to reduce its annual costs by \$1.8 billion.

* Hewlett-Packard announced September 12 that it would cut 5,900 European jobs—1,240 of 4,800 jobs in France and 968 in the UK. This is part of a plan announced in July to cut 14,500 jobs worldwide in order to save \$1.9 billion a year. HP eliminated 15,000 jobs in 2002 after it acquired its competitor, Compaq.

* Volkswagen announced it had "several thousand" surplus employees, which it would most likely eliminate through attrition. *Der Spiegel* reported that 10,000 jobs were at risk in Germany, out of a workforce of 103,000.

* Chrysler and the Canadian Auto Workers (CAW) reached a deal to eliminate an unspecified number of jobs through incentives to early retirement. Chrysler earlier sought to eliminate 2,500, or 22 percent, of the 11,440 CAW members through layoffs and contracting. On September 12, the CAW agreed to give up 1,100 jobs at Ford, or 8.8 percent of the union's 12,460 members at the company.

* The *New York Times* announced it would shed 500 jobs, or 4 percent of its workforce, atop 200 other jobs that were cut earlier this year. Forty-five would come from the *Times*'s newsroom, in addition to 35 from the *Boston Globe* as part of 160 throughout its New England division.

* Knight Ridder Inc. said it would cut 100 newsroom jobs. The company publishes both the *Philadelphia Inquirer*, which will eliminate 15 percent of its staff, from 500 to 425, and the *Philadelphia News*, which will cut its staff by 19 percent, from 130 to 105.

* *Newsday* also expected to reduce its staff, but did not provide a specific number of job cuts.



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