Whirlpool layoffs latest in US corporate assault on jobs and wages

Jerry White
11 May 2006

Whirlpool Corp. announced Wednesday that it will carry out 4,500 job cuts in North America and close three factories and several offices, including the Iowa headquarters of its recently acquired competitor, Maytag. The world's largest appliance manufacturer is the latest company to carry out mass layoffs as corporate America continues to slash thousands of jobs and cut wages even as the stock market booms and the Bush administration and the news media hail the supposedly improving economy.

The Maytag plants targeted to close include a washer and dryer plant in Herrin, Illinois, which employs 1,000 workers and is the largest employer in the former coal-mining town in southern Illinois. Also closing is a dryer-manufacturing plant in Newton, Iowa, where the 113-year-old Maytag Corp. will also shut its headquarters. One thousand workers remain at the Iowa factory, which employed 2,600 workers just four years ago. Another dryer factory in Searcy, Arkansas, will close, eliminating the jobs of 700 workers.

In addition, another 1,800 salaried jobs will be cut as Maytag's headquarters and administrative offices in Canada, Mexico and the US are closed. Thousands more jobs are threatened as Whirlpool, which bought its smaller rival for $1.7 billion in cash and stock in March, is considering plans to sell Maytag's Hoover vacuum cleaner unit and various commercial businesses, including Dixie-Narco vending equipment and Jade commercial appliances.

The Newton, Iowa, Maytag factory has been the center of bitter conflict over the last few years. In June 2004, the company laid off hundreds of workers on the eve of a three-week strike by 1,500 members of United Auto Workers (UAW) Local 997. After workers ratified a four-year agreement, management sacked one third of the workforce, defining the fired workers as "unreinstated strikers" in order to cheat them out of severance and other benefits. During this period, local television stations reported that the tensions were so high that the Jasper County Emergency Management Team was practicing riot training in anticipation of resistance by workers.

The UAW bureaucracy, which has conducted no struggle against mass layoffs on behalf of appliance workers or autoworkers, had nothing to say about Whirlpool's announcement. In late March, the UAW hailed the takeover of Maytag, with Dennis Williams, director of UAW Region 4, saying Whirlpool's acquisition would offer "new opportunities for workers, consumers and communities." Reiterating the union's commitment to labor-management collaboration, Williams added, "We're looking forward to working with the new management of the combined company."

Big Wall Street investors, who anticipated that layoffs would follow the merger, were unimpressed with the number of plant closings and job cuts, and company stock fell 92 cents to $92.17. Eric Bosshard, an analyst with FTN Midwest Securities, told Reuters News Service, "I thought Whirlpool would have done more," adding it was hard to speculate on whether more Maytag-related closures would take place.

The ruthless elimination of thousands of jobs by US corporations is continuing unabated. The day before Whirlpool's announcement, Internet provider AOL said it would cut 1,300 customer service jobs and shut its Jacksonville, Florida, call center. Service centers in Ogden, Utah, and Tucson, Arizona, will also be affected, as the Time Warner unit eliminates roughly 7 percent of its global workforce. The company cut 700 jobs several months ago.

Announcing the job cuts, AOL spokesman Nicholas Graham said, "There is never an easy time to do this, but the steps we take today will help ensure that AOL meets the needs of our members, meets our strategic corporate goals and sustains the growth of our business.”

Before these latest announcements, large US corporations had eliminated 315,566 jobs in 2006, led by the auto industry, which has announced 55,732 job cuts—nearly three times as many as a year ago, according to the outplacement firm Challenger Gray & Christmas. Hundreds of thousands of workers who lost their jobs at smaller employers are not counted in the company’s monthly survey.

The pace of layoffs by major employers declined in April by 8.1 percent over the previous year, according to the Challenger report, falling to “only” 59,688 job cuts in April. John Challenger attributed the slowdown to the “strong economic performance” of US corporations in the first quarter of the year. Despite the “improvement in the labor market, workers aren’t getting higher wages,” Challenger said. “The expectation that a tight labor market automatically means higher wages is not working now,” he concluded.

A study by the AFL-CIO-affiliated Labor Research Association confirmed that major employers were still slow to hire more workers, despite rising profits, and that whatever meager wage gains workers have made were being eaten up by higher gas prices and other inflationary costs. Overall, Fortune 500 companies increased their number of employees by just 2 percent in 2005, but revenues rose 10.2 percent and profits jumped 18.8 percent.

The stagnation of wages has not only affected production workers but salaried employees as well. New data from Mercer Consulting shows that the pay for salaried workers at 350 large companies barely kept pace with inflation in 2005. The average increase of 3.6 percent was wiped out by the 3.4 percent rise in the cost of living, but profits rose by 13 percent.

While companies offering higher-paying positions such as IBM and General Electric did little or no hiring between 2003 and 2005, Wal-Mart added 400,000 jobs during the same period and remains the largest employer in the US, with 1.8 million employees working at low wages. McDonald’s, the second largest employer, added 29,000 workers, for a total of 447,000 employees in 2005.

American workers are among the most exploited in the world. According to a recent report by PricewaterhouseCooper’s Saratoga Institute, corporate profits per full-time equivalent employee jumped 190.7 percent from 2001 to 2004, while the costs for each worker dropped 2.2 percent. For every $1.00 companies spent on wages and benefits in 2004, they collected $1.82, the highest return on the investment in labor ever reported, and one third higher than the return on labor in Europe.

US corporations, however, are expressing concern that greater business activity will lead to more hiring and higher wages. According to minutes of the Federal Reserve Board’s last meeting, a major factor behind the body’s decision to raise interest rates—its 16th hike since June 2004—was to slow the economy in order to check the risk of “inflation,” a term that is often used as a euphemism for higher wages. Fed officials have long used rising rates and the consequent rise in unemployment to put downward pressure on wages.

At the same time, several corporations are using the bankruptcy courts to force workers to accept massive wage and benefit cuts. Earlier this month, Northwest Airlines pilots acceded to the company’s demand to extend a “temporary” 24 percent pay cut agreed to last November, which will save the airline $358 million a year. Their counterparts at Delta Air Lines are facing similar wage-cutting demands. Auto parts maker Delphi Corp. is asking a bankruptcy judge to tear up its labor agreements so it can cut wages from $27.00 an hour to as low as $12.50, slash retiree benefits and eliminate 23,000 jobs.