

US: Circuit City fires 3,400 better-paid store workers

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In a ruthless move to slash worker compensation costs, electronics retailer Circuit City announced March 28 that 3,400 in-store employees, 9 percent of the company's workforce, would be fired. The company is specifically targeting experienced workers because after years on the job they had accumulated relatively higher wages. According to the *Washington Post* those affected were notified Wednesday morning and immediately escorted out of the stores by management.

The retailer, which operates 640 outlets in the US, is cutting \$775 million in costs over the next seven years by replacing its better-paid store clerks and outsourcing its information technology department. Stocks rose by 2 percent on news of the firings, to \$19.23 a share.

Like most of the US retail sector workforce, Circuit City employees are not unionized, and are subject to high job insecurity. According to a Bloomberg report, average pay for Circuit City store employees is a modest \$10 to \$11 an hour. The company has said that those fired this week were "well above the market-based salary range for their role."

"This was a cost containment measure that occurred in our stores today," Circuit City spokesman Jim Babb declared in an interview with the Vermont-based newspaper *Burlington Free Press*. Absurdly, Babb insisted that employees were fired without notice because "if something like that is hanging over their head for two weeks, it doesn't benefit the employee or the company."

While claiming they cannot afford to pay more than \$22,000 a year—barely above the official poverty rate for a family of four—Circuit City executives are continuing to rake in the cash. According to *Forbes.com*, president and chief executive Philip Schoonover received \$4,514,975 in compensation and an additional \$5,459,409 in stock options in 2006.

Executive vice-president George Clark drew \$1,949,733 in compensation and \$4,083,013 in stock options last year.

These workers now have the option of reapplying after a severance period at what the company's executives call "current market range" wages. And while the new wage range has not been announced, Babb tellingly announced that hiring was to start immediately, and applicants need have no sales experience.

Aside from the cost cutting, the firings and pay caps are also a brazen attempt to intimidate the workers into accepting worsening conditions. The Los Angeles based *Daily News* interviewed workers at a local Circuit City who explained that the firing comes two weeks before performance reviews, which often come with pay raises.

One employee, who did not give his name because of a store policy against speaking to the media, told the *Daily News* he was afraid to take a raise on top of his \$10.50 an hour. "You're going to walk in the [manager's] door, and for the first time you're going to say, 'I don't want a raise,'" he said. "If you take the raise, will you lose your job?"

"This store has probably lost all its good salespeople," Richard O'Neal, who was among those fired, told the paper. "This morning we were all really pissed, but now I laugh about it. What can you do?" O'Neal was told he could reapply for his job after 10 weeks if he was willing to work for minimum wage. Currently in California minimum wage is \$7.50 an hour, an outrageously low wage for the high cost of living in Los Angeles.

Alan Hartley, a car stereo installer at a Charlotte, North Carolina Circuit City, told local television station WCNC that he and other top employees thought they

had been called in to a special meeting because they were going to be recognized for outstanding job performance. Instead, they were handed termination letters and told to leave. “We just bought our first house about two or three months ago, and I’m afraid I’m going to lose it,” he told the reporters. “I’m not sure what I’m going to do. I’m hurt mainly because I love this company. I planned on retiring from it. I feel I’ve taken very good care of them, and I can’t believe they did this.”

“Now they are going to hire people that aren’t properly trained for the jobs to take care of their customers,” Hartley said. “All the employees that were the best, they just fired . . . I’ve consistently outperformed the other people in my department. I’ve gotten raise upon raise, and the other people who got fired today [were] the same way.” He added, “I haven’t told my kids yet. They don’t know I just got fired for doing a good job.”

The firings are the most abrupt and brazen manifestation of a trend by corporate America to push out older and better compensated workers and replace them with a smaller, younger, uninsured and underpaid workforce. Other major retailers have put a multi-tiered wage system in place whereby new workers are paid significantly less than their predecessors. Wal-Mart has implemented such a system, with frozen wages for the longtime employees.

One Asheville, North Carolina Circuit City employee among the fired, 24 year-old Steven Rash, told the *Washington Post* that he earned \$11.59 an hour after working for the company for seven years. Rash, who works another job full-time, explained that he worked 15 to 20 hours a week at the store in order to manage his student loan debt. “It’s not just a part-time job,” he told the *Post* “It’s about paying the bills.” He told the paper he was given four weeks of severance pay.

“I’m ticked off that they can just come at you from one day to another, no warning, and oh, you’re gone,” Jose Macias, 27, of San Diego, California, told the *Post*. “I dedicated seven years to them. Loyalty gets you nothing.” Macias said he had been told that Circuit City was firing all employees who were paid more than 51 cents over pay caps that were set for departments. The cap for the computer department, where he worked, was \$15.50 an hour.

In Roanoke, Virginia, Channel 10 news interviewed

two fired Circuit City employees. Bobby Young, who had just been awarded a certificate in recognition of 20 years of excellence with the retailer in January, said he was handed a termination letter addressed “to whom it may concern” when he got to work Wednesday morning. “I don’t know what I’ll be doing tomorrow morning,” he told the station. “What they did as a company to me, it’s not the American way.”

Another fired Roanoke employee, Douglas Burnette, worked at Circuit City for 19 years. He earned about \$35,000 a year. “You say you pay me too much,” he said, “but I’m coming to work everyday. I’m reliable. I’m honest . . . Circuit City kicked me out. We gave these people our lives. We went there, we gave them honesty, and that’s a slap in your face.”



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