Pay cuts, layoffs mount in US

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The US government loans to the auto industry, conditioned on a massive attack on the wages and jobs of auto workers, are being used as a spearhead for broader attacks on the working class throughout the country. This attack has already begun, with numerous companies recently announcing pay cuts and layoffs for the coming year in response to the deepening economic crisis.

Many of the new pay cuts affect salaried positions. While cuts to the pay packages of top executives are largely designed to lend the impression of "shared sacrifice," the salaries and pensions of wider layers of managerial and professional personnel—a large component of the US "middle class"—are being significantly reduced.

On December 18, FedEx Corp., one of the largest US parcel delivery services, announced plans to cut pay for more than 35,000 salaried employees. It will also indefinitely freeze its contributions to over 140,000 employee 401(k) retirement accounts. In announcing the pay cuts, Frederick W. Smith, FedEx founder and CEO, said that the corporation was "being challenged by some of the worst economic conditions in the company's 35-year history." Only one month ago the third largest US parcel delivery service, German-owned DHL, announced the suspension of its US operations and layoffs totaling 9,500 workers.

Caterpillar, the leading manufacturer of construction vehicles, has announced pay cuts ranging between 15 percent and 50 percent for all levels of management. It is also offering voluntary buyouts to its American workforce until January 12. Last week, Caterpillar announced 814 layoffs from its Mossville, Illinois, engine factory.

On Monday, Kemet Corp., a digital parts maker based in North Carolina, said it would cut pay for salaried employees by 10 percent percent beginning January 1 and will indefinitely suspend contributions to its 450 workers' 401(k) retirement plans. It will also make permanent cuts to insurance benefits for its retirees and fire 1,500 workers in China, Europe, and Mexico, the *Greenville News* reported.

Last week, Motorola Inc. announced plans to freeze salaries and suspend payments to employee retirement accounts, and Agilent Technologies Inc. said it will cut pay by 10 percent for its global workforce of 20,000. Atlas World Group Inc., the second largest US moving and storage company, based in Evansville, Indiana, said it would cut the pay of its salaried personnel by 5 percent across the board.

On December 16, the nation's largest electronics and appliance retailer, BestBuy, tendered buyout offers to virtually its entire corporate workforce. The Minnesota-based corporation has seen a sharp decline in sales and profits. Rival Circuit City filed for bankruptcy in early November.

The take backs have emerged as a widespread trend. According to a *New York Times* report published December 21, "a growing number of employers, hoping to avoid or limit layoffs, are introducing four-day workweeks, unpaid vacations and voluntary or enforced furloughs, along with wage freezes, pension cuts and flexible work schedules. These employers are still cutting labor costs, but hanging onto the labor."

"The rolls of companies nipping at labor costs with measures less drastic than wholesale layoffs include Dell (extended unpaid holiday), Cisco (four-day year-end shutdown), Motorola (salary cuts), Nevada casinos (four-day workweek), Honda (voluntary unpaid vacation time) and The Seattle Times (plans to save $1 million with a week of unpaid furlough for 500 workers). There are also many midsize and small companies trying such tactics," the *Times* reported.

Similar measures are being carried out by state and municipal governments, and by colleges and universities.

The city of Galveston, Texas, has demanded a 3 percent pay cut from its municipal workforce of more than 700. The city faces a current budget shortfall of $3.6 million, which is expected to expand by about $2 million when in April property tax appraisals are expected to show a sharp decline in revenue.

Tehama County in California has ordered a pay freeze for its employees, and has indicated it will also furlough workers in the coming months.

The state of California, which faces an acute budget crisis, has ordered a new round of pay cuts and layoffs. On Thursday, Governor Arnold Schwarzenegger issued an Executive Order calling for mandatory furloughs of two days per month for state workers beginning in February and lasting through June of 2010.

The Pennsylvania State University system recently joined the large number of colleges and universities that have enacted pay as well as hiring freezes, canceling job searches for vacant positions. The cancellation of numerous academic job searches, coupled with growing numbers of professors delaying retirement due to declines in their retirement accounts, have combined to create one of the worst job markets for recent PhDs in years.

Analysts consider pay cuts and hiring freezes as a first response for many companies to the economic crisis. A survey carried out by the labor relations firm Mercer in early November—well before the full brunt of the financial crisis had registered in the real economy—found that 35 percent of 1,028 companies it surveyed are planning “significant” workforce reductions in 2009, and that most “are likely to curtail overall hiring, [and] reduce 2009 salary increases and cut bonus payouts.”

Patricia A. Milligan, Mercer’s Chief Markets Officer, said that thus far in the economic crisis most companies “have refrained from … deep workforce cuts, across-the-board salary freezes, reductions in defined contribution plan contributions, or elimination of certain health benefit programs,” but that these decisions will be reconsidered after corporations look at their year-end books and worsening business forecasts. It is likely that an intensification of layoffs and pay cuts will emerge in January.

Another survey conducted in early December by the consulting firm Watson Wyatt Worldwide Inc. among 117 employers, found that 5 percent had already reduced salaries as a response to economic crisis and another 6 percent said they would follow suit in the coming year. On the other hand, 52 percent have already made job cuts or intend to do so by the end of 2009.

Mass layoffs continue to mount in the US and worldwide. The global advertising giant Omnicom has announced plans to fire up to 5 percent of its 70,000 global workforce. Two insurance corporations recently announced mass layoffs: Aetna will cut 3 percent of its workforce of over 36,000, while Genworth Financial will lay off 1,000 workers, over 13 percent of its employees. Newell Rubbermaid, a manufacturer of household storage products, has announced it will cut as much as 10 percent of its salaried labor force and will put in place a wage and salary freeze for 2009. The hard-drive maker Western Digital Corp., will eliminate 2,500 jobs, approximately 5 percent of its global workforce.

The financial services firm Northern Trust Corp. will cut 450 jobs in 2009. Baldor Electric Co. will eliminate 900 jobs by June. Microcontroller producer Atmel will purge 11 percent of its workforce in North America, while pharmaceutical firm Bristol-Myers Squibb will cut 10 percent through 2010, according to the AP, including 800 immediate layoffs.

The video game maker Electronic Arts Inc. has announced layoffs of 1,000, about 10% percent of its workforce. One of its rivals in the video game industry, Midway, will cut 25% of its employees.

It is also rumored that Microsoft, the giant software producer controlled by Bill Gates, the world’s richest man, will shortly announce major layoffs.