

# American Airlines to slash 13,000 jobs, demands deep concessions

Shannon Jones  
3 February 2012

American Airlines, the third largest US air carrier, is calling for massive concessions from its workforce as part of a bankruptcy restructuring. The company plans to eliminate 13,000 jobs, make draconian changes to work rules and cut wages, pensions and healthcare benefits. The measures are expected to slash labor costs by some 20 percent.

American Airlines, whose parent AMR Corp filed for bankruptcy in November, estimates that its proposals will save some \$2 billion a year. Sixty percent of the savings will come off the backs of its workers.

Management says it will seek the approval from the bankruptcy court to terminate its traditional pension plan and substitute an inferior 401(k) plan. According to the federal Pension Benefit Guarantee Corporation (PBGC), American has a \$10 billion shortfall in its employee pension account. This week the PBGC put liens on \$91 million in AMR property after the company paid only \$6.5 million of a required \$100 million into its pensions. American workers stand to lose \$1 billion if their pensions are terminated.

American and its regional carrier American Eagle employ a combined 88,000 full and part time employees. The company wants to cut the jobs of 4,600 mechanics, 4,200 ground service workers, 2,300 flight attendants, 400 pilots and 1,400 management and support workers. The company is planning to close its maintenance base at Fort Worth's Alliance Airport and outsource maintenance operations. The airline is also planning an unspecified number of job cuts for gate agents, service representatives and airline planners.

Management outlined its proposals at meetings with leaders of the pilots, mechanics and flight attendants unions earlier this week. If the unions reject American's demands, the bankruptcy court can impose a settlement.

Union executives said that the true extent of the cuts being demanded is greater than American is stating. A spokesman

for the flight attendants union said the concessions would mean an 18 percent pay cut and longer working hours. Overall, she estimated the cuts would total \$2.8 billion annually, far more than the \$1.25 billion claimed by management.

The unions have repeatedly agreed to concessions at American and other airlines, telling workers that this was necessary to save jobs. However, each give back has only paved the way for more demands.

Hassan McDowell, a fleet service crew chief who has been at American Airlines for 14 years, told the Fort Worth *Star Telegram's Sky Talk* blog, "I'm very upset. For about 10 years, all the labor groups have given back to American Airlines for a total of \$1.4 billion a year in concessions. That was to keep American out of bankruptcy. Now, the company wants more."

Sherry Lewis, a flight attendant, said, "They want to increase the length of day and the number of days in a week we can fly. They're also changing the rate we're paid, doing away with the incentive part. And they're increasing our insurance costs."

In 2003, American demanded and received more than \$1 billion in annual cuts in wages and benefits from its unions. The cuts, imposed under the threat of bankruptcy, included wage reductions of between 16 to 23 percent, changes to work rules and the elimination of thousands of jobs.

In justifying the new attack, CEO Tom Horton cited the sweeping attacks on airline workers carried out in recent years by other US-based airlines. "As you know our major competitors have used the restructuring process to overhaul their companies and become more competitive in every aspect of their business," he wrote in a letter to employees.

The cuts will undoubtedly lead to a further deterioration in

service and safety as routes are eliminated and older employees are replaced with lower paid less experienced workers with minimal benefits or job protection.

The bankruptcy of American follows a well-established pattern where corporations use bankruptcy proceedings to enforce attacks on workers. The outcome of court supervised bankruptcy proceedings at United, Delta and US Airways were cuts in jobs, wage cuts of up to 30 percent and pension cuts of up to 50 percent.

A similar process took place in the steel industry, with Bethlehem, LTV Steel and other major producers dumping their pension plans and slashing jobs and benefits. The Obama administration oversaw the bankruptcy of General Motors and Chrysler, using the courts and the unions to help enforce a 50 percent cut in wages for new hires.

American's actions are part of a global attack on airline workers. Last year Qantas grounded its entire fleet in order to press demands for worker concessions. British Airways and Japan Airways have eliminated thousands of jobs.

AMR executives will continue to reap lavish salaries and benefits. Last year Horton received \$3.1 million in total compensation, while American's recently retired CEO Gerard Arpey received \$5.2 million, despite the company's multimillion dollar losses. American reportedly lost \$900 million in December, the first month since its bankruptcy filing. It claims to have lost a cumulative \$10 billion over the past decade.

The threat to thousands of jobs at American Airlines further undercuts claims by the Obama administration that an economic recovery is taking place. It comes at the same time that a report from the outplacement firm Challenger Grey shows US companies planned 53,486 job cuts in January, a 39 percent increase from one year ago. The January numbers are a 28 percent increase from December's 41,785 jobs cuts.

Retail establishments had the largest number of job cuts at 12,426. They were followed by financial companies with 7,611. Challenger said the retail layoffs were the result of store closings and cost cutting, not seasonal layoffs due to the end of the holiday season.

Other sectors announcing large layoffs were pharmaceuticals (4,071), entertainment/leisure (3,910) and aerospace/defense (3,634). While there were only a little over 3,000 layoffs in the government and nonprofit sector,

Challenger said it expected those numbers to rise considerably in coming months as state and federal governments continue making deep cuts.

Texas led the nation in job cuts with 11,606. It was followed by Illinois with 7,601 and North Carolina with 5,980.

Recent announcements of mass layoffs include

- \* Pharmaceutical maker AstraZeneca says it will cut 7,300 jobs from its global operations. It recently announced it would cut 1,200 jobs from its US sales operations.

- \* Microsoft Corporation laid off 200 employees this week as the company restructures its marketing operations.

- \* UMass Memorial Health Care in Worcester, Massachusetts says it will layoff between 700-900 workers. It will also sell off two divisions in an effort to cut costs

- \* Sun Pacific Farming Cooperative in Bakersfield, California said it will layoff 2,100 employees in favor of a seasonal workforce provided by farm labor contractors.

- \* The Lifetouch photography company is cutting 383 jobs in Chattanooga, Tennessee and closing two recently acquired facilities

- \* The Kennedy Space center will cut 200 employees in the coming months as downsizing continues following the end of the space shuttle program



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