Campbell's Soup to close California plant

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New Jersey-based Campbell's Soup Co., the world's largest soup maker, announced September 27 it will be closing its Sacramento, California plant by July 2013. The closure will axe some 700 jobs at the 65-year-old facility, which at its peak employed more than 2,000 workers.

A smaller spice factory in South Plainfield, New Jersey will also be shuttered by March of next year, eliminating 27 positions. The layoffs amount to about 3.7 percent of the company's 19,900 global workforce.

A company press release cites declining canned soup sales and high production costs at the Sacramento plant as reasons for the layoffs, part of an ongoing effort to cut costs and strengthen corporate profits. A previous round of layoffs last year, under current CEO Denise Morrison, cut 10 percent of the workforce at Campbell's New Jersey headquarters and closed a Michigan manufacturing plant. Seven hundred and seventy workers in the US and abroad lost their jobs. Morrison was well paid for her work, bringing home nearly $8.8 million in total compensation during her first year as CEO. The current round of job cuts is expected to save the company $21 million in fiscal year 2014.

Along with the age of the plant, built in 1947, wages no doubt figured into Campbell's assessment of the high production costs at its Sacramento factory. At upwards of $20 per hour, wages are reportedly the highest of any US Campbell's manufacturing facility. "What I can tell you is that our cost to produce products in California at a plant here in California are more than at a plant in Paris, Texas," a Campbell's spokesman told reporters. "So, you know, I think we'll leave it at that."

The layoffs at the Campbell's plant show that, in the race to the bottom to deliver the cheapest labor and highest productivity to corporate America, workers in California are pitted against not just workers in Mexico or China, but against workers in other US states. When the California and New Jersey plants ultimately close in 2013, production will be shifted to three existing Campbell's factories in Texas, Ohio and North Carolina. None of the laid-off workers, many with decades of experience, will be rehired or transferred to other Campbell's operations.

Despite an average of $400,000 a year in tax incentives from Sacramento County to Campbell's over the last 15 years, figures from both big business parties have responded to the planned closure by demanding an even more staunchly pro-business policy from California's state government. "There's high cost of doing business," Sacramento's Democratic mayor, Kevin Johnson, told CBS13. "There's regulations and tons of additional challenges here in California." Former Republican assemblyman Roger Niello sounded the same theme, criticizing "our levels of taxation that aren't encouraging to a lot of businesses."

Like the Obama administration on the national level, California's Democratic governor, Jerry Brown, has answered years of mass unemployment with demands for sweeping spending cuts and an insistence that the private sector drive the state's job growth. Brown's chief jobs advisor, Mike Rossi, a former CEO of Aozora Bank and chairman of GMAC Residential Capital, is tasked with "finding out what doesn't work for business in this state and how to fix it."

The job losses in Sacramento, which could ultimately extend to industries impacted by the plant closure, inflict more damage on a state still suffering from the third highest official unemployment rate in the nation, with 43 consecutive months of double-digit unemployment. According to a report from the California Budget Project, less than two out of five of the 1.4 million jobs lost between 2007 and 2010 have been regained in California's nominal recovery. Some 75,200 jobs would need to be added each month—double California's current rate—in order to return to pre-2007 employment levels by 2015.