

Rochester, N.Y.: Kodak cutting health benefits for 56,000 retirees

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Kodak is seeking to eliminate health benefits for 56,000 retired workers. Last month, the company, which is operating under bankruptcy protection, asked bankruptcy court approval to offload retiree health benefits in an effort to shed the \$1.2 billion worker benefit. The company had hearing a last week to consider the proposal and a decision could be made at any time.

This action will affect 56,000 retirees, dependents and survivors. All those who are not eligible for Medicare will lose their health benefits and everyone will lose vision, life insurance and other benefits. This was not an unexpected move. Many companies utilize bankruptcy as a means to abolish pension benefits for retired workers.

The company has discontinued manufacturing its line of printers and also announced the related layoff of 200 workers at the end of September. This brings the number of layoffs to 755 in the past three months and 2,700 since the beginning of the year. The company will cut another 1,000 workers by the end of the year.

If the steep downward trend continues, sales this year will be more than 50 percent lower than last year. Kodak lost \$312 million during the third quarter. Total losses for the 132-year-old company, once a pioneer in technology, have totaled \$3 billion since 2008.

The upstate New York economy has been losing industries with good paying jobs for decades. Rochester was once known as the imaging capital of the world. The city's high technology companies—Kodak, Xerox, Bausch & Lomb, Delphi—for years gave this part of western New York a sense of invulnerability to the fate endured by other nearby cities like Buffalo, Cleveland,

Detroit and Chicago, which lost steel mills and auto plants to the outsourcing of jobs. The US Census Bureau released Rochester's 2011 poverty rate, which at nearly 34 percent ranked the eighth worst in the nation.

With the announcement of roughly 4,000 layoffs expected this year worldwide, Kodak's workforce will be reduced to 14,800.

Kodak's decline reflects the general decline of industry within the United States and increased competition from low-wage production in the global economy. In particular, Kodak suffered greatly from the move away from film to digital photography. On top of this, the fortunes of the company generally suffered from shortsighted management decisions.

CEO Antonio Perez, a veteran executive from Hewlett-Packard, attempted to revive the company with risky ventures in the printer business that have proven unsuccessful. Kodak missed the boat early on in digital imaging, although they were the original pioneers and patent holders. The company withheld action on digital imaging as long as they could for fear that it would undercut their film division, which was the eventual outcome.

Some business analysts at this point have begun to warn that Kodak does not have a viable business plan. The company had spent hundreds of millions of dollars on the development of a new consumer and commercial printing business, which is now defunct. The company has discontinued manufacturing its line of printers and also announced the related layoff of 200 workers at the end of September.

Another hope for breathing room has been the sale of

1,100 patents in an auction, which has been postponed several times ostensibly for lack of decent bidding. The company is now seeking to lease the patents instead.

Kodak's course, one generally followed by large company liquidations, will be to break off and sell the sectors that other companies would find attractive to acquire. Those workers that remain will also suffer the threat of job insecurity from further downsizing due to redundancy.



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