Citigroup to cut 11,000 jobs

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On December 5, financial giant Citigroup announced the layoff of 11,000 employees worldwide in the first major steps in its reorganization under new CEO Michael Corbat. The intent is to save the company as much as $1.1 billion a year.

"These actions are logical next steps in Citi's transformation," Corbat said in a press release, adding, "we have identified areas and products where our scale does not provide for meaningful returns. And, we will further increase our operating efficiency by reducing excess capacity and expenses, whether they center on technology, real estate or simplifying our operations."

In what Citigroup describes as "repositioning," 6,200 of the total job losses will be carried out in its Global Consumer Banking business, which includes Citibank, Citi Cards, Citi Retail Services, Citi Commercial Bank and Citi Mortgage. As a result of the announced actions, the company states, "Citi expects to either sell or significantly scale back consumer operations in Pakistan, Paraguay, Romania, Turkey and Uruguay."

Job cuts in Citigroup's Institutional Clients Group amount to 1,900, over half of which are in "Operation and Technology" functions. The company says it is seeking to streamline operations to improve productivity.

Investors have responded enthusiastically to the announcement, with share values rising six percent by the afternoon of the announcement.

In another major job-cutting move announced the same day, Canadian Pacific Railways revealed they will cut 23 percent of its workforce over the next four years. Of a total workforce of 19,500 employees and contractors, 4,500 will have their jobs eliminated by the end of 2016. CEO Hunter Harrison—backed by hedge fund manager William Ackman—was appointed in June of this year on a promise to stockholders to cut operating costs. Since then share values have risen 26 percent. After today's announcement, they rose another four percent.

Citigroup and Canadian Pacific's announcements come at a time when several reports on US economic indicators produced dismal results:

• Manufacturing contracted to the lowest level since July 2009

• Consumer spending fell in October for the first time in five months

• Wages and salaries fell 0.2 percent in October

• November consumer sales fell short of predictions

• Factory employment declined 3.7 percent—to the lowest since September 2009

The continued economic downturn in the US, takes place as the executive body of the European Union issued a report last week stating, "The economic and employment outlook is bleak and has worsened in recent months and is not expected to improve in 2013." Unemployment reached a record high of 11.7 percent in the euro zone.

As millions remain jobless in the US, companies have taken advantage of the economic crisis to extract more profits from the workforce. New Labor Department figures released yesterday showed hourly productivity rose at an annual rate of 2.9 percent. This is the highest rate in two years.

The continued slump provides conditions for corporations to extract more profits from the working class. A UBS Securities economist, Kevin Cummins, glibly forecasts, "There's going to be continued downward pressure on labor costs given the high rate of unemployment."

The job cuts by Citigroup and Canadian Pacific will only deepen the slump in the economy and add to pressure for austerity. The myth of the "slow recovery" being promoted by the Obama administration, is a cover for the real processes going on. Major corporations, sitting on cash hoards of trillions of dollars, refuse to hire and instead demand the slashing of wages and the dismantling of vital social programs.

Meanwhile, the only "recovery" is in profits and the stock market.

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