American Express to cut 5,400 jobs

Bryan Dyne
12 January 2013

Financial services corporation American Express announced January 10 that it is cutting 5,400 jobs, 8.5 percent of its workforce. This is a result of a restructuring program based on the increase of online and mobile transactions designed to keep operating expenses for the company below 3 percent of annual income.

This motive was reinforced by a press release saying that the job cuts will be primarily from positions "that do not directly generate revenue," i.e., designed to maximize profits.

In a press release, chairman and CEO Kenneth Chenault said, "Against the backdrop of an uneven economic recovery, these restructuring initiatives are designed to make American Express more nimble, more efficient and more effective in using our resources to drive growth." The statement also noted that fourth quarter revenues were up 5 percent from last year.

Involved in this is a trimming of American Express personnel who deal with paper and telephone transactions. Other cuts are taking place in the company's Global Business Travel model as it seeks to reduce the amount of personnel traveling to meet clients. Instead, the restructuring calls for more and more virtual meetings with clients. Reductions are stated to be international in scope.

Investors were pleased with the announcement, with Amex shares rising 0.8 percent in the aftermath of the news.

Morgan Stanley has also announced plans to cut 1,600 jobs, largely those involved with investment banking and trading. This follows a pledge by Chief Executive James Gorman last July to cut costs by reducing the Morgan Stanley workforce by 7 percent in 2012. Altogether, Wall Street firms announced plans last year to cut 38,135 jobs on top of 63,624 jobs cut in 2011.

Other sectors have also announced layoffs. Boeing is eliminating 160 jobs at its El Paso, Texas plant, 40 percent of the workforce, in response to planned US Defense Department budget cuts. The company's shares rose to close at $77.09 after the announcement on Thursday.

Campbell Soup Co. will cut 290 jobs February 1 and a further 470 by July 1 as it closes its 125-year-old facility in Sacramento, California.

Time Warner's Time Inc. also announced 700 layoffs, a move that will reportedly save the company $100 million annually. The company also eliminated pay raises for 8,000 staff this year.

Also striking is the large number of people looking for a small number of jobs. US Airways put out a call for 450 flight attendant jobs and got 16,500 applicants when the positions were announced last November. This mirrors a similar case last month, when Delta Air Lines Inc. announced 300 openings, attracting 22,000 applicants.

Initial jobless claims also rose slightly last week by 4,000, up to 371,000. The more or less steady level of new jobless claims, along with the reported average of approximately 153,000 net new jobs a month since early 2011, is being touted as an indicator of the strength of the US economy.

In fact, the opposite is true. These announcements underscore the fact that mass unemployment continues with no end in sight. The current policy of the Federal Reserve, with the backing of the Obama administration, is to keep interest rates at 0.0-0.25 percent until the official unemployment rate drops below 6.5 percent. According to the latest estimates, this will be in 2015 at the earliest.

This essentially means cranking tens of billions of dollars a month from the public treasury into the banks over the next two years. This money is being given to institutions that are under no obligation to put it towards any socially useful purpose, such as lending the money to small businesses or consumers. Rather, the financiers on Wall Street are sitting on cash hoards amounting to trillions of dollars even as they slash their workforces.

This is the “slow recovery” being promoted by the Obama administration. It acts as a cover for the real social processes going on—millions of unemployed while those at the top extract more and more productivity and profit out of the labor force.