

Airlines, auto companies cut pay even as US government bails out corporations

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Citing the impact of the COVID 19 pandemic, major employers in the US are announcing significant pay reductions and other cost-cutting measures despite the billions corporations are slated to receive from the recently enacted stimulus package.

Workers at major US-based airlines are having their hours and pay reduced and pay cuts and pay deferments are spreading to other sections of industry as well as state and local governments. The loans and grants provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES) stipulate that to be eligible businesses must not reduce their workforce before September 30, 2020.

The CARES Act earmarks \$58 billion for airlines; \$29 billion in loans and \$29 billion in grants, which is essentially free money.

An ABC News/Washington Post poll found that one-third of Americans reported a job loss by themselves or a family member and one half experienced a pay cut or reduction of hours due to the coronavirus pandemic. Further, the poll found a higher impact of job losses or pay cuts on lower income workers.

At United Airlines flight attendants will be paid the minimum required under the terms of their union contract, normally 71-78 hours a month. Typically, a flight attendant would work 85-110 hours or more. Management is therefore, in effect, cutting pay by 20-35 percent.

In a letter to employees, United CEO Oscar Munoz said staff cuts would likely be imposed after September 30.

Delta is imposing a cut in the workweek to three or four days instead of the normal five. CEO Ed Bastian told employees the cuts would impact ground employees. Invoking demagoguery about “shared sacrifice,” Bastian—who made \$15 million in total compensation last year—said he would take a 100 percent cut in his base pay, although he will not forgo stock awards, option awards, and other types of compensation.

Some 21,000 of 91,000 Delta employees have reportedly taken voluntary short-term unpaid leaves.

While Bastian framed the reduction in hours as

“voluntary,” managers were reportedly telling employees the cuts were mandatory. In effect the company is furloughing workers, despite preparing to accept federal bailout money stipulating no job reductions.

Southwest Airlines has imposed similar measures and American Airlines is expected to follow the lead of United and Delta.

While going hat in hand to the US treasury, it is reported that the top six US airlines spent 96 percent of free cash flow over the past 10 years, not to reinvest in the business or improve employee pay, but on stock buybacks and dividends to benefit top executives and wealthy investors.

One angry Delta worker posted on Facebook “Call it whatever you want, but if your check is 25% smaller, it’s a PAY CUT.” Another wrote, “They will keep the bailout \$\$\$ for CEO bonuses and shareholders. It will be a miracle if workers actually see it.”

Underscoring the hazards faced by airline workers, CNN reported last week that a Philadelphia-based flight attendant with American Airlines, Paul Frishkorn, died of suspected coronavirus infection. Frishkorn was in his 60s and had won awards from American Airlines for customer service.

The Detroit-based US auto companies have announced partial salary deferments for their white-collar workforce. In a letter to employees, Fiat Chrysler CEO Mike Manley said that salaried workers not already affected by layoffs would be asked to take a 20 percent salary deferral, supposedly to be repaid by March 15, 2021. The move affects some 15,000 employees in the US.

The FCA boss hauled in \$14.4 million in compensation in 2019, including a \$1.3 million bonus and “incentive” of \$9.6 million.

General Motors previously announced similar pay deferments for all of its 69,000 salaried employees. In addition, the company will furlough 6,500 salaried workers who are not able to work from home, paying them 75 percent of regular pay. Ford said it would cut pay for 300 executives and take other measures to try to generate cash. The company said that job cuts may be in the offing as

conditions warrant.

These measures come on top of the savage job cuts already imposed in the auto industry on engineers and other white-collar employees as well as hourly workers. Last year Ford announced the cuts of 7,000 salaried workers from its global operations. Those job reductions were far short of demands by analysts for even more ruthless cost cutting.

The cuts to white collar workers presages inevitable demands by the auto companies for “shared sacrifice” by hourly workers including layoffs, wage and benefit cuts and attacks on already seriously eroded working conditions.

Demands for pay cuts are not limited to auto and airlines, but are spreading across the economy.

General Electric has announced it will cut 10 percent of jobs in its aviation division. The company also announced a hiring freeze, the cancellation of merit pay increases and will furlough half of its maintenance, repair and engine overhaul workers for 90 days. The layoffs will impact 2,600 hourly and salaried workers.

Aircraft maker Boeing last month announced it plans to cut 10 percent of its aviation division workforce. It has cancelled a scheduled salary merit pay increase and will cut non-essential spending while laying off its contingent workers. The company, meanwhile, had requested a \$60 billion bailout by the government. Boeing has spent \$43 billion on stock buybacks since 2009 and was responsible for hundreds of passenger deaths with its defective 737 Max aircraft.

The past weeks have seen state legislatures in a number of states, including Florida, Georgia and Tennessee, reducing scheduled pay raises for teachers. The state of Kentucky seems poised to eliminate a promised \$2,000 pay raise for teachers. Many other states appear ready to follow.

Planned protests by teachers demanding pay raises in Tennessee and South Carolina had to be cancelled because of concerns over coronavirus. In Kentucky, teachers drove their cars around the state capitol, horns blaring.

Even though the federal government has provided billions to bail out corporations and Wall Street, it has provided little to state and local governments whose tax revenues, as in the 2008-2009 financial crisis, stand to be devastated. In the wake of the Great Recession, state budgets were decimated and hundreds of thousands of teaching positions eliminated as the Obama administration provided no aid. Many states and localities never fully recovered.

In a sign of what is coming, Utah’s biggest healthcare provider, Intermountain Healthcare, announced cuts to the pay of some 2,400 doctors and nurse practitioners even as the coronavirus pandemic explodes in the US. In justifying the cuts, management said it needed to be “flexible” because the company wasn’t bringing in as much money due to

cancelled appointments and the cancellation of elective surgery. One medical worker told the *Salt Lakes Tribune* the cuts were a “slap in the face” to workers who were risking their lives “on the front lines.” The company is not providing hazard pay to those working with coronavirus patients.

A former Intermountain patient Debra May wrote, “I am livid that the hospital organization I have used for years has chosen at this time when doctors and nurses are risking their lives to save others that your organization would have the audacity to begin cutting salaries,” calling the move “despicable.” Tara wrote, “What you have shown is that you are money hungry and you put your bottom line above the health and welfare of your workers.”

Over the past several days there have been a spate of announcements by smaller companies asking for sacrifice from employees. CEO Paul Bascobert of newspaper company Gannett in a companywide e-mail Monday called for “sacrifice” speaking of furloughs and other unspecified cuts. Gannett publishes *USA Today*, the *Detroit Free Press* and many other regional newspapers.

Other recently announced austerity measures include Kentucky-based Lexmark with pay cuts for all of its 8,200 global employees; small engine manufacturer Briggs & Stratton is cutting the pay of salaried employees by 25-30 percent and ending its 401(k) match; and the National Hockey League will temporarily cut the pay of league office employees by as much as 25 percent, starting April 1. The Philadelphia Orchestra said musicians are taking a 20 percent pay cut through the middle of September along with other staff.



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