

Layoffs and corporate bankruptcies spread as US workers face mounting hardship

Shannon Jones
5 May 2020

US clothing retailer J. Crew filed for bankruptcy and US Steel and GE Aviation announced major job cuts as the economic catastrophe engulfing US workers continued to grow amidst the coronavirus pandemic. Along with a general meltdown of brick and mortar retail, manufacturing, health care and public services face deep cuts.

Despite the push by the Trump administration to abandon social distancing standards and reopen wide sections of the US economy, the official US COVID-19 death toll is holding steady at about 2,000 daily. By the latest count, cumulative US deaths are near 70,000, with over 1.2 million confirmed infections.

A report by the Centers for Disease Control published in the *New York Times* Monday contradicted the rosy official reports by the White House suggesting that the virus is in decline. It predicted that the US daily death rate would reach 3,000 by June 1, with 200,000 new cases daily as the virus spreads into less urbanized areas that previously had been only lightly impacted. While the Trump administration has distanced itself from the report, the numbers were based on modeling solicited by the US Federal Emergency Management Agency.

The health crisis is being compounded by a continuing meltdown of the US economy, with 30 million having filed for unemployment benefits and unknown millions more either not eligible for jobless pay or unable to file due to overloaded state offices. This does not take into account the millions of small businesses facing ruin due to the drying up of customers.

On top of the millions impacted by temporary business closures, major corporations are announcing permanent job cuts in anticipation of a protracted recession.

US fashion retail chain J. Crew filed chapter 11 bankruptcy on May 4, the first national retail casualty of the pandemic. It has agreed to turn over effective control of the company to its creditors in exchange for the cancellation of \$1.7 billion in debt. It said it had no plans at present to close stores, but its future, like that of many retail businesses, remains highly uncertain.

Other major retailers could follow. Neiman Marcus and J.C. Penney are reportedly struggling to raise cash and are likely considering following the examples of J. Crew.

Meanwhile, US Steel said in a filing Friday that it is

preparing for the layoff of as many as 6,500 employees, although it expects the actual number affected to be about 2,700 of the 27,500 it currently employs. Even before the coronavirus pandemic hit, the company faced slowing demand as auto sales stagnated.

The company has now idled seven out of its 10 blast furnaces in the United States. These include three at the Gary Works site in Indiana, one at Granite City in Illinois, two at Great Lakes Steel in Michigan and one at the Mon Valley Works south of Pittsburgh.

On Monday, General Electric said it planned to cut the global workforce in its aviation division by 25 percent, impacting up to 13,000 jobs. The cuts come amidst a collapse in air travel and a likely sharp fall in orders for new planes from struggling airlines. The cuts will involve both voluntary and involuntary layoffs.

GE said the cuts were permanent, as it expected a prolonged depression in air travel. In a letter to employees, GE Aviation CEO David Joyce said, "To protect our business, we have responded with difficult cost-cutting actions over the last two months. Unfortunately, more is required as we scale the business to the realities of our commercial market."

The spiraling economic crisis is forcing state and local governments to prepare for massive cuts as tax revenue dries up. According to an estimate by the National League of Cities, between 300,000 and one million public-sector workers could be furloughed or laid off, impacting areas such as education, sanitation, public safety and health. The city of Detroit has already reduced hours or furloughed 3,000 workers. The City of Los Angeles has presented a 2020-2021 budget calling for the temporary furlough of 15,000 employees.

Underscoring the irrationality of for-profit medicine, health care providers across the US have carried out massive layoffs, furloughs or pay cuts. Hospitals have seen revenue dry with the cancellation of nonessential procedures, while facing high costs for treating COVID-19 patients, including the inflated cost of supplies such as masks. Some hospitals are concerned that vendors are buying up available supplies to sell them at higher prices.

The onset of the pandemic has seen a wave of bankruptcies, as already struggling firms are pushed over the edge. Among

the recent casualties are:

- Art Van Furniture, a Warren, Michigan-based retail chain, filed for bankruptcy March 8 and closed all 176 of its retail locations, with the loss of about 3,700 jobs.

- Miami, Florida-based CMX Cinemas, a movie theater chain that also runs dine-in restaurants and bars, filed for bankruptcy April 25. All 41 of its theaters located in 12 states had been closed during the pandemic.

- The slump in oil prices and demand forced Diamond Offshore Drilling to file for bankruptcy April 27. The Houston, Texas-based company employs 2,500 people and had revenue of \$981 million last year.

- Another petroleum company impacted by the oil glut, Denver-based shale oil producer Whiting Petroleum, filed for bankruptcy on April 1, though it said it would continue to operate its business. One analyst predicted that it was only “the first domino to fall” in the US energy sector amidst the collapse in oil prices. The US shale oil sector has the highest production costs in the world and needs a \$50-\$55-a-barrel world price to operate in the black.

- Frontier Communications FTR, one of America’s largest telecom companies, filed on April 14. FTR is facing \$10 billion in outstanding debt. Private equity firm BlackRock is the company’s largest stockholder, with a 9 percent investment. Vanguard Group and Charles Schwab each hold about 6 percent. Frontier is the fourth largest telecommunications provider, but was loaded up with debt following the acquisition of Verizon wireline services in several states, including Texas, California and Florida.

- Modell’s Sporting Goods, based in New York, filed for Chapter 11 on March 11 and said it would close all 153 stores in the northeast. It had been in business since 1889.

- Auto parts maker Spectra Premium filed for bankruptcy in Canada on March 10, with a simultaneous filing in the US. The company said that its operations had been hurt by US tariffs against China.

- SpeedCast International, a satellite internet company that provides internet service to the cruise industry when ships are out at sea, filed for bankruptcy on April 23. The company

serves 80 percent of cruise brands globally.

- National fitness chain Golds Gym filed for bankruptcy Monday. It will close 30 gyms, but continue operations at its 700 other locations, including about 63 that are company-owned and operated.

An analysis by Gusto, a support platform for small business, found that young people and low-wage workers are being hardest hit by the economic meltdown. Those earning less than \$20 per hour were 115 percent more likely to be laid off than those making \$30 an hour or more. In addition, those under age 25 experienced a 93 percent higher rate of job loss than those age 35 and above.

According to their data, “the vast majority of workers in food and beverage, accommodations and salon and spa are paid hourly,” and more than 75 percent earn less than \$15 an hour. These industries being hardest hit by state lockdowns.

The so-called stimulus measures by the US government, far from addressing the crisis, have been targeted to line the pockets of the super-rich, not to alleviate social distress. Tens of millions have not received even the meager \$1,200 one-time “stimulus” check, and millions more are still waiting for unemployment benefits, assuming they can get through to overwhelmed state offices.

This is not merely the result of bureaucratic incompetence, but part of a policy. The ruling class is using the growing economic distress as a weapon to force workers back in the factories to crank out profit for the corporations, even as the pandemic continues and the death toll mounts.

Workers must oppose the antisocial, homicidal policy of the corporate elite with its own strategy, based on the unification of workers globally in the fight for socialism. The resources to fight the pandemic must be mobilized by seizing the vast fortunes of the billionaires to provide economic relief to workers and small businesses and the implementation of mass testing and other measures needed to stem the pandemic.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact