Mass layoffs in the US as states face unprecedented budget crisis

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A growing number of mass layoffs across the US point to greater economic hardship for millions as the deadly coronavirus pandemic resurges. Major corporations recently announcing cuts include Walt Disney (28,000), Raytheon (19,000) and Boeing (7,000).

Temporary furloughs related to lockdown measures are giving way to permanent job cuts as it becomes clear that there is no end in sight to the economic crisis triggered by the pandemic. Among the sectors hardest hit by mass layoffs are aviation, travel, entertainment and the oil industry. Meanwhile, state and local governments are facing unprecedented budget shortfalls greater than anything seen since the Great Depression and portend devastating cuts to jobs and social services.

While new unemployment claims fell to 751,000 last week, the lowest level since March, the number is still enormous, three times higher than the pre-pandemic average. Overall, the economy has lost 10.7 million jobs since the start of the recession. The number receiving unemployment benefits in the week ending October 10 was 22.7 million. Some 14 million workers out of that total were receiving benefits under Pandemic Emergency Unemployment Compensation or Pandemic Unemployment Assistance. Both are set to expire at the end of the year.

The $600 supplemental unemployment payments have long ago expired and the additional $300 weekly benefit allocated by the Trump administration has also been exhausted.

Drastic declines in revenue due to the pandemic have created massive state budget shortfalls. According to Moody Analytics, state budget deficits from 2020 through 2022 could amount to about $434 billion. This would of necessity lead to huge state workforce reductions and the elimination of vital services if not made up through taxes or federal subsidies.

To put the number in perspective, it is more than the entire K-12 education budget for all states combined and more than twice the amount spent on roads and transportation infrastructure.

Nevada, Louisiana and Florida have the deepest shortfalls when measured against their 2019 budgets. The state of Connecticut is projecting a total revenue decline of $8.4 billion through the 2024 budget year, which is more than twice its cash reserves built up over previous years. Already many states have begun imposing layoffs as well as instituting pay cuts.

While the unemployed face eviction and social services are starved of funds, US billionaires are enjoying a massive windfall. The Institute for Policy Studies reported the wealth of 643 of America’s richest billionaires rose from $2.95 trillion to $3.8 trillion between March 18 and September 15, almost $1 trillion. This figure is more than twice the entire budget deficit facing the states.

The largest announced layoff this week was by Walt Disney Company, which plans to cut 28,000 jobs at its theme parks. Ten thousand of those cuts will hit the city of Anaheim, California. About 135,000 are employed at theme parks in California and most of those workers have been furloughed since the start of the pandemic due to restrictions on large gatherings.

Defense contractor and aerospace company Raytheon Technologies is cutting 19,000 jobs, including 15,000 staff and 4,000 contract positions. Most of the cuts will come at its Pratt & Whitney and Collins Aerospace divisions that have suffered due to the sharp decline in air travel. However, despite the downturn in aircraft orders Raytheon still made $264 million in profits for the third quarter of 2020, beating analysts’ expectations.

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Aircraft maker Boeing is laying off another 7,000 workers on top of the 19,000 slashed earlier this year. The company said it intends to reduce overall staffing to 130,000 by the end of 2021, which would mean an additional 7,000 job cuts on top of normal attrition. The job cuts have come despite the fact that the aircraft and defense giant received $17 billion in federal bailout money.

The company said this week that it expects to get the OK from federal regulators to resume shipments of its 737 MAX airliner that was grounded due to a deadly design flaw tied to crashes that killed 346 passengers and crew.

Oil giant ExxonMobil is cutting 1,900 jobs, a move it says is due to the impact of the pandemic. Most of the cuts will come at the company's Houston, Texas management offices and will be carried out through "voluntary and involuntary programs." It cited efforts to improve efficiency and reduce costs as the driving force behind the reductions. Earlier in October the company announced 1,600 job cuts at its European affiliates. ExxonMobil says job cuts could total 15 percent of its 88,300 global workforce.

Petrochemical companies have been the beneficiaries of some $5 billion in handouts under the CARES Act, the money not tied to any specific requirements to preserve jobs. Marathon Oil, for instance, plans to cash in an extra $411 million in tax refunds under the CARES Act while it laid off 2,000 workers September 30.

San Francisco-based Wells Fargo bank and financial services firm has begun issuing layoff notices to employees. In a statement to the media, Steve Carlson, vice president of corporate communications, said, "the company has been transparent about a multi-year effort that will include workforce reductions in nearly all of the company's business lines and locations."

Wells Fargo employs 266,000 people. According to an anonymous source speaking to the website Pensions & Investments, the company plans an overall 20 to 25 percent workforce reduction or, 50,000 to 66,000 jobs worldwide. Many of the cuts would come through the closure of branches and a heavier reliance on online and telebanking.

According to one report, New York state alone, with a population of 19 million, has lost 1 million private sector jobs over the past year. The cuts have been concentrated in the New York City metropolitan area, with the counties of Nassau, Suffolk, Orange, Rockland and Westchester as well as New York City itself accounting for 60 percent of the total.

All told, New York state has seen more job cuts this year than during the last six years combined. The list of layoffs includes 2,220 separate filings, all but 54 occurring in the eight months of the pandemic. Layoffs peaked in April as the death toll from the pandemic exploded.

More recent layoffs include 585 workers at Remington Arms in Ilion, New York. The company was recently purchased by Roundhill Group after going into bankruptcy under its previous owner. The United Mine Workers said the company is refusing to pay severance and vacation time as required under the collective bargaining agreement. Remington is the oldest US gun manufacturer.

Both parties in Washington have sought to place the cost of the COVID-19 pandemic on the working class while effecting a further mass transfer of wealth to the super rich. While the ruling class has responded to the pandemic with criminal negligence and incompetence it has been extremely efficient in looking after the needs of the billionaires. The resources exist to fight the pandemic and provide for pressing social needs. This requires the working class to adopt a socialist strategy directed at expropriating the wealth of the billionaires and utilizing society's resources on a rational and scientific basis.

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