Disney announces 7,000 layoffs after exceeding Wall Street profit estimates

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The media and entertainment monopoly Walt Disney Company announced 7,000 layoffs on Wednesday as part of a corporate restructuring aimed at increasing profits and improving investor earnings by cutting $5.5 billion in costs.

In an earnings call with investors, Disney CEO Robert Iger presented the jobs massacre as cause for celebration, saying, "It's time for another transformation." Meanwhile, Iger said, "I have enormous respect and appreciation for the dedication of our employees worldwide," even though 3 percent of Disney's 220,000 workers will be losing their jobs.

The layoffs are connected with a reorganization that Iger said was necessary to dramatically cut costs that will "fully materialize" by the end of 2024. Of the $5.5 billion in cost savings, $2.5 billion are in "non-content" aspects of the corporation, such as marketing (50 percent), labor costs (30 percent) and technology (20 percent).

It is significant that Disney is taking advantage of the climate of mass layoffs hitting the technology, financial and other sectors that had huge losses in the past year to go after the jobs of its employees while the company had a profitable quarter.

The 7,000 job cuts were announced even though Disney reported revenues of $24.5 billion in the quarter that ended in December, an 8 percent increase compared to last year, and earnings rose to $1.28 billion from $1.1 billion a year ago, beating analysts' projections. However, the all-important per share earnings category fell to 99 cents from $1.06 last year.

Uppermost in the minds of Disney's investors is the fact that the entertainment company's streaming service Disney+ lost 2.4 million subscribers in the last quarter, primarily with losses in India and parts of Southeast Asia, and this direct-to-consumer business lost $1.05 billion, which was also below Wall Street projections. Since it was launched in 2019, Disney+ has lost a total of $9 billion in the battle to attract subscribers in the overcrowded video streaming marketplace.

Like nearly every publicly traded company in 2022—among the exceptions are the oil and health care industries—Disney lost more than 40 percent of its stock value last year. Its major investors, such as Vanguard Group (assets under management of $8.1 trillion) and Black Rock (assets under management of $8.5 trillion), are demanding draconian measures aimed at getting their money back.

Typical of business news reports on the Disney reorganization plan is the one published by The Motley Fool which said, "But perhaps the most important piece of information from the report for dividend investors was news that the company plans to reinstate a regular cash payout later this year." The report quoted Disney's Chief Financial Officer Christine McCarthy at the investor call who said the dividend payout would occur at the end of 2023.

While thousands of employees are about to lose their only source of income, McCarthy told investors not to get too anxious about the size of their payouts. "The amount will likely be a small fraction of our pre-COVID dividend with the intention to increase it over time as our earnings power grows."

Among the areas hardest hit by the layoffs are the Disneyland Resort theme park in Anaheim, California; Walt Disney World in Orlando, Florida; Disney cruise lines and the company's international parks. In an email to hourly frontline workers, Josh D'Amaro, Disney's Parks, Experiences and Products chairman, said, "As was shared on the earnings call, the company is targeting significant savings across all businesses, and the reorganization will result in necessary reductions to our overall workforce."

The theme parks division was the most profitable of the Disney properties, with a revenue increase of 21 percent to $8.7 billion and a profit increase of 25 percent to $3.1 billion from a year ago. This was largely attributed to a 19 percent increase in theme park ticket prices in December. The average hourly wage of a Disney World employee is $18.88, according to the website payscale.com.

Iger, who has a personal net worth of $350 million, said his cost cutting plan—which reduces the structure of the conglomerate to three divisions: Disney Parks, ESPN and Disney Entertainment—will "re-establish the direct link between content decisions and financial performance."

Late Wednesday and Thursday morning, Wall Street joined in Iger's enthusiasm over the job cuts and pushed the $200 billion company's stock value up sharply. However, the stock price fell later that morning when activist investor Nelson Peltz of Trian Fund Management withdrew his proposal for a more severe plan of cost cutting.

On behalf of all the major Disney investors, Peltz had launched a campaign to win a seat on the company board of directors so that his plan to attack the workforce with layoffs and increased exploitation of the remaining workforce could be forced through any lingering opposition within management. In the end, as Peltz told the *Wall Street Journal*, "He [Iger] said all the things that we would want him to do. Now they've got to execute."

Corporate media reports have been ecstatic about Iger's return as CEO in November, after the firing of Bob Chapek, as though he had some kind of magical powers to return Disney to profitability. Actually, Iger was brought back because he was seen by Wall Street as more reliable at wielding the axe than the man he had personally picked as his own successor in 2020.

This year is the centenary of the firm, which was founded by Roy and Walt Disney as Disney Brothers Studio in Hollywood, California, in 1923. It is significant that in all the reports about stock performance, earnings, dividends, layoffs and returning "creativity to the center of the company," not a word can be found from Iger or the press about Disney's 100th Anniversary Celebration.

It is a measure of the financialization of society, in general, and the takeover of the film and entertainment industry by billionaire parasites, in particular, that the legacy of the Disney brothers, who pioneered animated film and created the first sound cartoons ever made, has not even been mentioned.

However, the truth of what is going on is not lost on the workers and public at large. Responding to the layoff announcements, one New York-area Facebook user, who is obviously familiar with Disney's treatment of its employees, known internally as cast members, said of Iger, "He needs to give himself a pay cut and increase all the cast members' pay. No reason for layoffs other than greed by corporate."

Another Facebook user said, "Greed! Disney go back to the recipe of Walt Disney and tunnel his inner vision of joy, happiness and magic!" And a former Disney employee commented, "Bob Iger I hope that includes mostly high paying executives and not the poorly paid hourly employees that do most of the work!!!"