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Pay Freezes Spread _ Even White House Hit

By THE ASSOCIATED PRESS**Filed at 10:44 a.m. ET**

WASHINGTON (AP) -- What do Tropicana Casino and Resort, Avis and the White House now have in common?

They're all freezing the pay of some of their workers. It's part of a growing trend by employers facing the fallout -- economic and political -- from a brutal recession.

For companies, pay freezes are a key cost-cutting tool for surviving hard times.

For President [Barack Obama](#), who ordered a pay freeze for White House employees earning over \$100,000 a year, the move on his first full day in office sent a message to a nervous country: We're in this together.

"During this period of economic emergency," Obama said, "families are tightening their belts, and so should Washington."

The unemployment rate has bolted to a 16-year high of 7.2 percent. Last year, 2.6 million jobs vanished, the most since World War II. The jobless rate is expected to march upward and layoffs to pile up even with a multibillion-dollar [stimulus package](#) being crafted by Obama and Congress.

More squeezed employers, though, are seeking an alternative to layoffs. They're turning to pay freezes, pay reductions and other cost-cutting options, such as ending their contributions to [401\(k\)](#) accounts.

"All of that hurts, but nothing hurts more than losing a job," said Allen Sinai, chief global economist at Decision Economics Inc. "It is a growing trend as companies try to cut costs. Going forward, we will see more of this, absolutely."

The Federal Reserve has taken notice. In a recent survey of economic conditions, it observed that in some parts of the country, companies were resorting to "pay freezes or reductions in compensation."

A wide range of employers have followed suit. In some cases, they're imposing pay freezes or cuts to avoid immediate layoffs, though economists say such steps tend to lead to layoffs anyway. In other cases, employers are cutting or freezing pay and laying off workers.

"It's a real tectonic shift," Terry Connelly, dean of Golden Gate University's Ageno School of Business, said of pay freezes and cuts. Such steps, which once affected mainly union workers, are spreading to white-collar industries, he said.

"The extraordinary pace of layoffs has shifted people's internal calculations to the point where they are not only willing to take a pay cut to save their own job but also take a freeze to save their co-worker's," Connelly said.

Tropicana Casino and Resort of Atlantic City, N.J., said Wednesday it's freezing pay for those making \$50,000 and up and capping raises for lower-paid workers. But the company said more than 100 employees could still lose their jobs.

"We're working our way through a very difficult economic situation and attempting to avoid layoffs," said casino President Mark Giannantonio. "We're trying to do other things like reduced work weeks and altering schedules to keep people employed so that when the economy does improve, we'll still have them around."

Car company [Avis Budget Group Inc.](#) late last year announced a management salary freeze and cut more than 2,200 jobs to reduce costs.

Engine maker [Cummins Inc.](#) last week said it is freezing salaries and will cut 800 workers worldwide by the end of February. USA Today publisher [Gannett Co.](#) has imposed one-week unpaid furloughs for most of its U.S. employees, saying it wants to minimize the need for layoffs amid a severe advertising downturn. USA Today also declared a one-year freeze on wages.

"Employers are battening down the hatches," said John Challenger, president of Challenger, Gray & Christmas, a placement firm. "I think pay freezes are going to be widespread as companies struggle to hold on and wait out the recession."

And though he foresees more layoffs, too, Challenger said companies are aware that layoffs

carry their own costs, financial and otherwise.

"You can lose company know-how," Challenger said. "Important relationships disappear that make cuts much more costly. You can't just get that back when you hire new people when times get better."

Fresh unemployment data out Thursday underscored the grim reality facing workers.

The number of newly laid off Americans signing for unemployment benefits last week jumped by 62,000 to 589,000, the Labor Department reported. The total matches a 26-year high reached four weeks ago. The number of people continuing to draw benefits climbed to 4.6 million, and both figures were worse than economists expected.

The Cleveland Clinic in Ohio imposed a hiring and salary freeze across its 33,000-worker health system in December. Aluminum producer [Alcoa Inc.](#), which this month said it was slashing 13,500 workers worldwide, has also imposed a salary and hiring freeze.

Luxury retailer [Saks Inc.](#) is axing 1,100 jobs, eliminating merit raises and suspending matching contributions to its 401(k) plan.

[Caterpillar Inc.](#), the world's biggest maker of mining and construction equipment, in late December said it was cutting [executive compensation](#) by up to 50 percent. It's also suspending merit pay increases for managers and support staff.

Earlier that month, [FedEx Corp.](#) said it was cutting pay for senior executives and freezing 401(k) contributions for a year. And [AK Steel Holding Corp.](#) is cutting pay for salaried employees.

At the White House, those affected by Obama's decision to freeze pay for the roughly 100 employees who make more than \$100,000 include the chief of staff, the national security adviser and the press secretary.

Connelly called Obama's announcement "tone-setting leadership" and offered a new twist on an old saying: "Saving the buck starts here."

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