

AIG phase out means job losses

When Wilton office shuts, over 400 will be unemployed

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Lost in the fury over the AIG bonus scandal is that Fairfield County will lose more than 400 jobs and the income taxes that go with them in a couple of years when the company closes its Wilton office.

"We are winding down operations," said AIG spokesman Marc Herr on Friday. Herr, who would not speak directly on the bonus issue, also confirmed that the more than 400 people on the list of those receiving bonuses include secretaries and other support staff.

In the past, when other companies have announced the intention to close, the state scrambled Department of Economic and Community Development specialists to try to help it stay afloat and also sent Department of Labor staff to talk about unemployment benefits and programs. That doesn't appear to be happening with AIG Financial Products in Wilton as it continues to settle contracts and sell off investment portfolios worth \$1.6 trillion. On Wednesday, AIG Financial Products announced as part of its wind down, it had sold its interest in three operating Spanish solar photovoltaic plants for an undisclosed sum. The plants were valued at roughly \$406 million.

The reason appears pretty clear cut. AIG Financial Products, which is one of the businesses at the core of the current financial problems, took \$170 billion in federal bailout money and obligated \$218 million of it for retention bonuses to Financial Products employees who agreed to continue working in Wilton until the business closed down. The company is also using the billions in taxpayer funds to settle outstanding debts to major financial institutions, including JP Morgan Chase and Goldman Sachs.

Connecticut Attorney General Richard Blumenthal said his anger over the AIG bonuses is twofold. He said he's angry the same AIG executives getting millions in bonuses are the ones who drove the company into the ground, ultimately costing the state 400 jobs. Those job losses will create a lot of hardship for support workers, like secretaries, he said. But Blumenthal said all bonuses, even to secretaries, should not have been issued because that money is coming out of taxpayers' pockets.

The attorney general received information on the bonuses and found that one person at the company got a \$6.4 million bonus while six employees each received bonuses of more than \$4 million.

"Nobody is saying compensation shouldn't have been provided, but bonuses should not have been provided," Blumenthal said.

"It's a casualty of the meltdown, but it brought it on itself," said Joseph McGee, a vice president of the Business Council of Fairfield County and a former Department of Economic and Community Development commissioner, on AIG's demise.

But McGee said there's no doubt, a loss of this many jobs, especially high paying ones, will hurt the Connecticut economy.

Unemployment insurance caps the weekly amount a person can collect at \$519.

The loss of bonus awards and high salaries has hampered Connecticut tax revenues and helped create a budget gap. Income tax collections in February 2009 were \$41 million less than they were in February 2008, according to the state Department of Revenue Services. And certainly the loss of income that will eventually hit will impact retailers and other companies those workers spend their money with.

Sandy Gross, a headhunter specializing in the financial services arena, said she's not so sure the AIG Financial Products people are in as bad a predicament as people would think. Gross, the founder and partner in Greenwich-based Pinetum Partners LLC., disapproved of the bonuses. She said while AIG might be a black mark on some job applications, people who weren't directly involved in destroying the company should be able to explain their role. Second, the specialty at AIG Financial Products was apparently credit default swaps, a financial product that is not going away, she said. It is actually going to become a regulated product traded on an index, so knowledge of how the swaps work will continue to be valuable.

"Nobody's ever happy to see people lose jobs," said Rich Harris, a spokesman for Gov. M. Jodi Rell. "In this particular case, it would be better for the country and better for the state if none of these companies ever failed."