

Layoffs hit Silicon Valley

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Between January and April of 1998 nearly 8,400 computer industry workers have been laid off in the Silicon Valley. In April alone 5,400 job cuts were announced at Intel, National Semiconductor and Silicon Graphics. (See chart below)

The layoffs stem in large part from the effects of the Asian financial crisis on computer and communications based industries. Loral Space & Communications Limited and Lam Research directly attributed poor earnings to the Asian currency crisis.

Financial analysts, however, said that a slowdown in this sector of the economy had already developed before the onset of the Asian crisis. Also contributing to the layoffs are a drop in personal computer sales, the transition to sub-\$1,000 computers, as well as growing fears by investors of a slowdown in the US economy.

“This is a volatile sector,” said Stephen Levy at the Center for the Continuing Study of the California Economy, “and one in which you know there will be losers.” Computer-related industries are carrying out layoffs both as a means of offsetting loses as well as preventive measures to maintain profitability.

Intel, IBM, and Compaq announced lower than expected first quarter sales with the expectation that current quarter sales will be similar. Out of the top six US chip makers—AMD, Motorola, Texas Instruments, Micron, Intel and National Semiconductor—only two, Intel and National Semiconductor, were profitable, due to cost-cutting measures and layoffs.

California has seen a significant drop in the rate of employment growth in the computer, electrical equipment and electrical instruments sector. Employment grew by 9,000 jobs to 533,000 workers between March 1997 and December 1997, for an annual rate of 2.2 percent. Between December 1997 and March 1998, only 700 jobs were added, an annual growth rate of .05 percent.

“These are troubled times,” said Paul Weinstein,

networking industry analyst for Deutsche Morgan in San Francisco. “Rates of hiring are slowing down in all sectors.”

The semiconductor equipment companies have been the sector of the computer industry hardest hit by the Asia economic crisis. Lam Research and Applied Materials have both laid off workers or placed them on short time due to the decision of Korean companies to postpone indefinitely plans for new fabrication lines or the purchase of chip-making machines.

A great concern is the impact of the economic crisis in Japan and a slowdown of the US economy. While southeast Asian companies buy a relatively small share of finished high-tech products, Japan buys a significant 17 percent of computer industry goods. It is widely recognized that a depression in Japan will have an ominous impact on Silicon Valley.

Layoffs in Silicon Valley

Company Layoffs % of Workforce Month

Intel (chips)	3,000	5%	April
National Semiconductor	1,400	10%	April
Silicon Graphics (computers)	1,000	10%	April
Apatec (PC cards)	250	7%	April
Spectrian Corp (wireless com.)	200	25%	March
Lam Research	700	16%	February
Sybase (database software)	600	10%	February
Cypress Semiconductor Corp	320	8.4%	March
Apple (computers)	300	3%	January
Loral Space & Communications	300	9%	January
Netscape	300	10%	January

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