Motorola to eliminate 15,000 jobs

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Illinois-based Motorola announced June 4 that it was cutting ten percent of its work force, or 15,000 employees, as part of a broad restructuring plan aimed at saving $750 million through the closing of plants and the selling off of less profitable businesses over the next year.

Motorola, which produces semiconductors and consumer electronic devices, has been hit hard by the financial crisis in Asia. The demand in the region for Motorola cellular phones, pagers and other products, has slowed. At the same time, the company is facing stiffened competition from Asian manufacturers who are desperate to sell their products and benefiting from the devaluation of local currencies.

The company announced that it would take a $1.95 billion charge against second-quarter earnings and warned Wall Street that it would report a operating loss, its first since the semiconductor industry slump of 1985.

“This clearly shows that the semiconductor industry is suffering from overcapacity exacerbated by the economic crisis in Asia,” said Charles Hill, director of a research firm that tracks corporate earning estimates of Wall Street analysts. Motorola’s announcement followed other warnings from chip makers and suppliers like National Semiconductor, Analog Devices, Applied Materials and AMP, Inc., that Wall Street’s profit projections were too high. One analyst from Bank America applauded Motorola’s move to stem the decline it is stock values, saying “It needed to take drastic action.”

Since the beginning of the year more than 8,400 computer industry workers have been laid off. In April alone 5,400 job cuts were announced at Intel, National Semiconductor and Silicon Graphics.

The low official unemployment rate in the United States masks the fact that corporate downsizing and economic insecurity are continuing unabated. Tens of thousands of better-paying jobs are being replaced with low-paying, substandard employment.