

Citigroup, RJR Nabisco announce job cuts

Slumping sales, profits behind US layoffs

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The year is drawing to a close with a continuing surge of layoff announcements fueled by falling sales and profits at US corporations, including some of the largest. Since the beginning of December, eight of the thirty Dow Jones companies have issued warnings of lower than expected profits, including such giants as Boeing, Coca-Cola, Merck, Sears & Roebuck, Union Carbide and Caterpillar.

Reflecting concerns about falling profits the market has fallen 5 percent since its high point in November. 'There are increasing pressures on profit margins for more and more companies and that pressure is intensifying,' said a market strategist for Saloman Barney.

On December 15, Citigroup, another Dow Jones company, announced it was slashing 10,400 jobs, far more than earlier anticipated. The cuts represent 6 percent of the company's worldwide work force. Citigroup formed earlier this year through the merger of Travelers Group and Citicorp and is one of the largest financial services companies in the US. Despite the merger, recent forecasts have projected lower than expected profits.

Citigroup officials say that 65 percent of the cuts will take place overseas. A substantial number will be carried out through by means of direct layoff rather than through attrition. The biggest cuts will take place at its telephone call centers. Job reductions will also be carried out in management and among sales, marketing and product management personnel.

When Travelers and Citicorp announced merger plans in April executives downplayed the possibility of large layoffs. With the spread of the Asian crisis, management has apparently decided on the need for aggressive cost-cutting, including the sale or closure of less profitable operations.

The layoffs follow a pattern of cutbacks in the financial services field, following big job cuts at Chase Manhattan (4,500), JP Morgan (850) and Merrill Lynch (4,300).

Meanwhile, in the oil industry layoff announcements continued in the wake of slumping prices. The latest to announce cuts were Chevron and Royal Dutch/Shell Group. Chevron said it would cut employment by some 1,000 jobs and also reduce capital spending, primarily in North America, in order to reduce costs by \$500 million. It denied rumors, however, that it was planning a merger with Shell.

On December 14 Shell said it would carry out layoffs beyond the 4,000 announced earlier this year and sell 40 percent of its chemical business. It plans to close a refinery in Norway and phase out a refinery in France.

RJR Nabisco, the maker of Camel, Winston and Salem cigarettes, said it was slashing 4,000 jobs from its tobacco operations worldwide, including some 1,300 in the United States. The rest of the job cuts will take place in Russia and other former Soviet states. The company says the cuts are due to slumping sales and the recent tobacco lawsuit settlement.

Massachusetts-based Polaroid is cutting 600 to 700 more jobs over the next year and a half due to declining sales of film and camera equipment. These are in addition to the 1,800 job cuts announced earlier this year. The crisis in Russia has hit the company particularly hard, with many vendors there unable to pay for products. In some cases unsold film has simply been thrown out. The new job cuts represent about 7 percent of Polaroid's worldwide work force.

Other job cuts announced in the US over the past several days include the following:

* Bank Atlantic of Fort Lauderdale, Florida is laying off 185 workers after losing \$9 million in the third

quarter.

* Boise Cascade, the wood products company, is slashing 400 jobs through layoffs and attrition.

* Allbank of Albany, New York will lay off 350 workers as a result of its acquisition by Charter One Financial.

In a sign of the continuing economic problems in Japan, an affiliate of Japanese automaker Toyota is considering closing a car plant near Tokyo. The company is expected to cut production in Japan by 8 percent over the next three years, according to a report in the financial press. Automakers Nissan and Mitsubishi have already announced closures.

See Also:

Exxon Mobil merger to form world's biggest company
[15 December 1998]

US job cuts to hit 625,000 by year's end
[11 December 1998]

Boeing announcement brings US job cuts to 500,000 in
1998
[3 December 1998]



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