As official US unemployment rate remains low

Further job cuts sweep North American economy

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While January's official US unemployment rate remained at a 28-year low of 4.3 percent, the wave of new layoff announcements in North American, particularly in higher wage jobs, continued unabated. Over the last week cutbacks affected a wide range of industries, from breweries and telecommunications, to air travel, rubber, oil and hospitals. Economists cited falling commodity prices, mergers and restructuring, as well as the impact of the Asian economic crisis, as causes of the new announcements.

The government's first major economic report for this year, issued last Friday by the Labor Department, showed that 245,000 new jobs were created in sales, construction, computers and other fields. "It's a great time to be an American worker," said economist Bill Cheney of John Hancock in Boston. "The job market, except for manufacturing, remains remarkably vibrant."

In reality, American workers have never faced such job insecurity in the postwar period. While service sector and other generally lower-paying and contingent jobs increased last month, manufacturing payrolls fell by 13,000 jobs, bringing the drop since March to 285,000. Mining reported a drop of 9,000 jobs in January.

Last week Goodyear Tire and Rubber Co. announced plans to lay off between 2,500 to 2,800 workers as part of a major restructuring operation. At the same time, it has purchased a portion of Japan's Sumitomo Rubber Industries, making Goodyear the largest rubber manufacturer in North America and the second largest in Europe.

Goodyear's 70-year-old Gadsden, Alabama plant will eliminate 1,320 out of 1,550 employees, saving the company $100-150 million dollars a year. One report on the layoffs cited the dramatic effect they will have on local public school revenues in the area.

BP Amoco Oil Company said it plans to cut 1,500 management and nonmanagement jobs, one out of four, in the Chicago area over the next 18 months. The company stated that the reason for the layoffs was the merger of British Petroleum Co. and Amoco Corp. in 1998 and the continuing slump in oil prices. Only six months ago the company had announced the merger would add new jobs to the Chicago area.

Another oil business, Baker Hughes, of Houston, Texas, announced a further 2,500 layoffs in addition to the 4,000 workers cut last year. Reports state the company's fourth-quarter earnings were off 95 percent compared to this time last year.

Stroh Brewery Company of Detroit is expected to announce its sale to Pabst Brewing Company for $400 million. It is anticipated that several breweries owned by Stroh will be closed, but it is not yet known how many of its 3,000 employees will lose their jobs. Stroh's has breweries in Allentown, Penn.; Portland, Oregon; Longview, Texas; Seattle, Washington; Winston-Salem, North Carolina and a corporate headquarters in Detroit. The company closed its brewery in Tampa, Florida last January.

In the Detroit metropolitan area hospital layoffs are continuing, with St. John Health System announcing 500 job cuts to be implemented by June. The slashing of jobs was prompted by a $5 million drop in operating income for 1999. A spokesman for St. John cited a $15 million drop in federal and state Medicare and Medicaid payments as a major source of the income loss.

The Detroit Medical Center (DMC), another hospital system in the Detroit area, announced that it expects to lose an additional $53 million this year. In January the DMC announced plans to cut 2,000 jobs, including the possible closure of several hospitals, because of $53 million in losses in 1998. Patients have lodged complaints that St. John has already eliminated their doctors without notification.

Other layoffs announced this week include:

• 241 workers at Bilmar Foods of Zeeland, Michigan;

• 230 coal miners at Vandalia Resources, and its affiliate, Molly Mining, of Bickmore, West Virginia;

• 150 workers at Texaco's New Orleans plant. Those affected include engineers, scientists and administrators. (Louisiana lost 2,000 oil industry jobs in 1998.)

The wave of downsizing has included Canada where companies announced 18,000 job cuts in January. Two companies account for 10,400 jobs to be eliminated in the telecommunications industry. Northern Telecom Ltd. said it planned to cut 8,000 jobs over the next three years, and Bell Canada said it would transfer 2,400 telephone operators to another undisclosed company.

Air Canada said they will cut 450 jobs as part of a cost-cutting plan to save $200 million over the next three years. The new layoffs are in addition to the 1,275 jobs eliminated last year.

In addition to the US layoffs, falling unemployment figures are again prompting calls for the Federal Reserve to raise interest rates and use the threat of job cuts to suppress future wage demands. Friday's Labor Department report noted that average hourly wages of nonsupervisory workers rose 6 cents in January to $13.04, the largest monthly increase since August. Over the past year hourly earnings have increased 50 cents, or 4 percent. Last month Federal Reserve Chairman Alan Greenspan warned Congress that labor shortages might propel faster wage increases.

A recent study found that despite a 2.6 percent increase in real wages since 1996, median wages were still below their 1989 level and had not kept up with productivity gains. The typical family now has to work an average of an additional six weeks annually to make up for the long-term deterioration of wages suffered in the last two decades.

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