US layoffs up 41 percent since February 1998

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The number of layoffs last month jumped 41 percent above the February 1998 level as US companies continued to reduce their work forces to slash costs, according to Challenger, Gray & Christmas. The international outplacement company said 43,919 employees lost their jobs in February. That brought the total job cuts since the beginning of the year to 141,537, 22 percent ahead of the total announced in the same period in 1998, the biggest downsizing year of the decade.

The apparel industry led the list of total job cuts by sector in February with 10,896 layoffs. The commodities sector was second, with 10,315 cuts, followed by the healthcare (8,647), industrial goods (6,168) and food (5,445) sectors. The hardest hit region of the country was the West/Southwest which saw the loss of 22,984 jobs last month, followed closely by the eastern states with 21,025 layoffs.

The layoff announcements coincided with the release of the latest economic indicators, which show that companies are continuing to assert pressure on workers to increase productivity although wage levels continue to stagnate. Productivity grew by 4.6 percent in the quarter ending in December, according to the Labor Department, the biggest increase since a 6.2 percent jump in the fourth quarter of 1992. Unit labor costs fell 1.1 percent in the fourth quarter, the department said.

Last year average hourly wages and benefits rose by only 2.6 percent, leaving wage levels well below the level they were before the current eight-year economic expansion. After reviewing last month's negligible wage rises in the manufacturing and service sectors, Federal Reserve Bank of Richmond economist Raymond Owens boasted, "Inflation is never completely off the radar screen. Obviously the wage picture though is very favorable, especially given the stage of the business cycle."

The current surge on the stock market, which has brought the Dow Jones near the 10,000 mark, has been fueled by suggestions that continued low inflation, i.e., minimal wage rises, will make it unnecessary for the US central bank to raise interest rates in the near future.

The Producer Price Index fell 0.4 percent last month, the steepest since a decrease of 0.6 percent in January 1998. The economic problems in Asia, Russia and Latin America have exerted a downward force on US prices by depressing demand for farm products and raw materials such as oil. They have also led to cheapened imports, putting pressure on US producers of cars, electronics and other goods to keep down their prices.

As the recent Challenger report noted, companies have responded by intensifying their downsizing and cost-cutting efforts. "Rising costs, combined with the inability to raise prices or risk losing customers, have prompted companies to focus on payroll cost-containment."

Fluor, the nation's largest engineering and construction company, announced that it would eliminate 5,000 jobs, largely because of the impact of the Asian economic crisis which has derailed many large projects. The decline in oil prices has slowed capital spending by oil companies, which are a prime Fluor customer, and the influx of lower cost steel from overseas has hurt Fluor's AT Massey coal production subsidiary.

Global overcapacity and falling prices led French telecommunications equipment maker Alcatel to announce Thursday that it will cut an additional 12,000 employees in the US and Europe, in addition to the 25,700 positions it has slashed since 1996. Alcatel recently announced more than $5 billion in acquisitions in US networking and telecom equipment companies, including the $2 billion purchase of Xylan Corp. and the $350 million purchase of Assured Access Technology last week. Illinois-based communications product maker Andrew Corporation also announced

400 jobs cuts this week.

Manufacturing jobs continue to be hit hard. On Friday, 1,175 out of 2,300 hourly workers were laid off at GM's Buick City Assembly Center in Flint, Michigan, the first step in the complete phasing out of the facility scheduled for July 2. This is the latest blow to the industrial city, the birthplace of the number one automaker and the United Auto Workers, which having lost 50,000 GM jobs since the late 1970s expects to lose another 9,000 in coming years.

Boeing cut 1,600 jobs in the state of Washington last month, bringing the total number of jobs cut in the last six months to 16,200 nationally, about one-third the 48,000 jobs the company said it would cut by the end of this year. Most of the cuts are in the Seattle area.

The textile industry, which has been weakened by lower costing foreign imports, shed another 650 jobs--nearly all in North Carolina--when Cone Mills more than doubled previously announced cutbacks last week. The layoffs by Cone follow six weeks of textile industry cuts that have taken 3,000 jobs in North and South Carolina alone.

Coal mining companies also announced layoffs, including Arch Coal (300), Island Creek Coal (230) and Consol (320) at West Virginia mines, citing mild winter weather in the Northeast and low energy prices overall.

General Electric Company announced it would lay off 225 jet engine production workers at its Lynn, Massachusetts plant after failing to win a large contract from UPS to produce engines for its cargo planes.

Other announcements this week include:

• University of California-San Francisco and Stanford hospitals may cut as many as 1,800 jobs after the $11 million in losses in the first quarter of their newly-merged operations.

• Trans World Airlines (TWA) will cut about 1,000 jobs and may make other cost-reduction moves this year, following a tenth straight year of losses.

• Chemical producer Kerr-McGee Corp. will lay off more than 800 workers , while moving ahead with its planned $1.1 billion acquisition of Dallas-based Oryx Energy Corp.

• Philip Morris Co. will close one of its three US cigarette manufacturing facilities.

• Credit card giant MBNA Corp. will eliminate 650 jobs when it shuts down early this summer, resulting in Charlotte, North Carolina's greatest one-time loss of employment in more than a decade.

• Ford Microelectronics Inc. will lay off 220 employees by the end of the year as it ends production of an auto part used in air bag systems in Colorado Springs.

• Vanport Manufacturing Inc. in Idaho will lay off 180 workers and close its sawmill in Boring by mid- to late April.

• Chevron Chemical Co. LLC, an arm of US oil giant Chevron, will eliminate 300 jobs by mid-2000 as part of a plan to trim $76 million from costs.

• Semiconducter manufacturer Advanced Micro Devices will cut 300 jobs worldwide.

Massive job cuts were also announced this week in Japan where Sony Corporation, the world's number two consumer electronics company, said Tuesday it would cut 17,000 jobs or 10 percent of its work force. The company is turning three subsidiaries, including Sony Music Entertainment, into wholly owned units to bypass Japanese legal protections which have traditionally made it more difficult for profitable companies to downsize. By establishing a holding company system, Sony will be able to declare money-losing units unfeasible and carry through US-style mass layoffs. Shares of the Tokyo-based company soared 6 percent at the announcement.