

Honeywell, Procter & Gamble plan big cuts

# US stock market surges in response to continued assault on jobs

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The US stock market is again approaching a record high, brushing aside fears of higher interest rates, encouraged by clear signs that the assault on jobs and living standards by corporate America is intensifying. Among the “positive” indicators detected by investors is the continued record setting pace of layoffs and job cuts, which are running double the rate of 1998, the biggest year for downsizing in the 1990s.

The Dow Jones industrial average rose 136 points June 4 following the release of a government report showing that a mere 11,000 service and manufacturing jobs were created in May, far below the predicted 216,000. Among the biggest gainers in recent days have been Procter and Gamble, Honeywell and Allied Signal, which are involved in merger and restructuring deals that will result in thousands of layoffs.

The announcement of big layoffs is seen by business as an effective means to offset demands by workers for higher wages. The potentially “inflationary” effect of relatively full employment has been cited by US Federal Reserve Chairman Alan Greenspan as a factor mitigating in favor of a rise in interest rates.

While it is certainly an important factor, the wave of downsizing does not alone explain why workers’ wage gains have been minimal despite an unemployment rate that is extremely low by historical standards. Another important factor is the prostration of the US labor movement, which, despite what would appear to be favorable conditions, continues to impose one concessionary contract after another on its membership.

There are many indications that corporate America is intensifying its attack on the working class. According to a just released report from Challenger, Gray & Christmas, the Chicago-based outplacement company,

there were 55,231 job cuts in May, double the total from one year ago. It was the ninth consecutive month in which layoffs exceeded 50,000. Layoffs are ahead 49 percent from the same period one year ago—320,151 jobs lost for January through May.

The largest number of job cuts in May came in the healthcare industry (10,316). The next hardest hit were commodities (8,358) and aerospace/defense (7,345). Year to date, the financial sector has seen the greatest number of layoffs—36,656, followed by healthcare (33,665) and commodities (30,865).

The just announced merger between aerospace and chemical conglomerates AlliedSignal and Honeywell will result in the elimination of 4,500 jobs over the next one and a half years. This will include most of Honeywell’s headquarters staff in Minneapolis, where up to 1,500 job cuts are anticipated.

In response to the deal the stock of both companies surged. Honeywell shares rose \$8.75 to \$113.75 while shares of AlliedSignal rose \$5.125 to \$63.50. The merged company is expecting a 15 percent increase in per share profits due to cost cutting and downsizing.

Meanwhile Cincinnati-based Procter and Gamble is planning a major reorganization that will result in plant closures and thousands of layoffs. Details of the job cuts have not been announced, but the company is planning a \$2-3 billion charge against earnings. Its stock rose 3 1/8 points after an article outlining the restructuring appeared in the *New York Times*.

Aircraft manufacturer Lockheed Martin is planning to lay off up to 2,000 workers at its Marietta, Georgia facility. The job cuts are being implemented in order to “streamline” operations at the factory, which makes the 130-J cargo plane. According to Lockheed President

Tom Burbage, the leading defense contractor is attempting to make its operations more “competitive.” The cost cutting is part of Lockheed's preparations for the production of the F-22 stealth fighter. The huge cost of the aircraft has come under criticism in Congress. In the 1970s the Marietta plant employed as many as 32,000 workers. It now employs less than 10,000.

Lockheed is the largest employer in Cobb County, which lies in the district of right-wing Republican Congressman Bob Barr. The congressman blamed the layoffs on Clinton administration defense policies.

Other recent layoff announcements include:

\* DuPont: The blue chip company is cutting 1,400 jobs from its polyester division. DuPont shares rose 3.6 percent following the announcement.

\* Stonecutter Mills: The textile manufacturer is shutting plants in Rutherford and Polk counties North Carolina and closing its New York office, eliminating 800 jobs. Company President Jim Cowan said the jobs were going to Mexico.

\* TruServ: The Chicago-based hardware retailer is slashing 1,000 jobs, 15 percent of its work force, as part of a merger and restructuring.



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