As US layoffs mount, Federal Reserve threatens moves to undermine workers' wage demands

Jerry White
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Federal Reserve Board Chairman Alan Greenspan told the US Congress Wednesday that the central bank was prepared to raise interest rates and slow the economy down in order to preempt any significant rise in workers' wages and benefits. The Fed chairman spoke during a week when US corporations, including Compaq computer, Kodak and General Motors, eliminated tens of thousands of jobs.

On Thursday the stock market fell sharply after the release of the US Labor Department's Employment Cost Index showing a modest increase in workers' wages, salaries and benefits during the second quarter. The index rose 1.1 percent after a 0.4 percent gain in the first quarter, the largest increase since 1991. In the 12 months ended in June, overall labor costs were up 3.2 percent, up from 3.0 percent in the year ended in March, but below the 3.5 percent for the year to June 1998.

Separately, the number of US citizens filing for first-time unemployment benefits dipped 40,000 to 275,000 in the week ended July 24, compared with 313,000 a week ago and analysts' projections of 305,000. The reports of wage increases and a further tightening of the labor market led to a nearly 200-point sell-off on the Dow Jones Industrial Average Thursday.

In his semi-annual address to Congress the day before Greenspan warned that the Federal Reserve would act “promptly and forcefully” in response to inflationary signals, including wage increases and drops in productivity. “Should productivity fail to continue to accelerate and demand growth persist or strengthen, the economy could overheat,” he said. "That would engender inflationary pressures and put the sustainability of this unprecedented period of remarkable growth in jeopardy."

The second quarter Gross Domestic Product rose at a slower than expected 2.3 percent compared with a rise of 4.3 percent in the first quarter. This was greeted by Wall Street analysts as “positive economic news.”

Corporate America has used its relentless campaign of downsizing to counter workers' demands for better wages, and to raise productivity and boost returns to investors. But the overheating economy has shrunk the pool of available labor and led to modest wage and benefit improvements. At the same time, in an atmosphere of glutted markets and intense competition for market share, companies have been reluctant to significantly raise prices. Greenspan's remarks underscore Wall Street's determination to press for even greater attacks on the jobs and living standards of the working class.

This week large technology companies led the way in the destruction of jobs. Compaq Computer Corporation said it would cut up to 8,000 jobs, or about 12 percent, of its worldwide work force, following a $184 million loss in the second-quarter. The world's number two computer services company, Electronic Data Services, will offer early retirement packages to 8,000 workers, or 11 percent of its US work force. EDS CEO Dick Brown pledged to cut $1 billion from his company's $17 billion annual costs and “run a leaner company in order to be competitive.” The company will also continue laying off other workers this year, after having eliminated 5,200 positions from its global work force of 126,000 since Brown took over in January.

Eastman Kodak Co., the world's largest photography company, announced plans to cut up to 2,500 jobs despite posting a nine percent jump in operating profits in the second quarter. Some 1,300 layoffs will come in Rochester, New York, where the giant Elmgrove manufacturing hub that produces everything from cameras to slide projectors will be shut down. About 7,000 people work at the 525-acre plant, which opened in 1967. The layoffs are in addition to the 19,000 job cuts Kodak announced in late 1997.

Under intense pressure to keep pace with the cost-cutting of rival Ford Motor Corp., General Motors announced plans cut 3,000 to 8,000 salaried workers by offering buyouts or early retirement plans. Last year Ford eliminated 2,000 salaried employees. GM has reduced its salaried ranks in the US over the last couple of years, from about 49,720 at the end of 1997 to just fewer than 49,000 at the end of 1998. GM has about 148,000 hourly workers in the US, down from about 160,000 at the end of 1997.

Also this week Preston Trucking Company announced it was shutting down after 67-years of service because it could no longer pay its bills. The Maryland based company employs 5,000 workers.

Other layoff announcements this week include:

The Foster Wheeler Corporation, one of the world's largest construction and engineering companies, based in Clinton, New Jersey, will cut 1,600 jobs or 15 percent of its work force.

Little Caesar Enterprise closed between 300 and 400 company-owned pizza takeout stores and closed regional offices in Denver and Dallas, affecting more than 3,000 workers. Company spokesmen claimed that the stores were only being shut for remodeling but industry analysts say the company is facing slumping sales and a cash crunch and is looking to downsize. Company spokespeople would not say how many stores would be reopened. The affected stores are in Colorado, Indiana, Texas, North Carolina, Pennsylvania and Florida.

United Technologies Corp.'s helicopter-manufacturing unit in Connecticut will cut its work force by 13 percent, or approximately 1,100 workers.

About 1,400 workers of First American Corp. and Birmingham, Alabama-based AmSouth Bancorp will lose their jobs as a result of the merger between the two companies.

Columbia, Maryland-based Cosmetic Center Inc., an ailing discount retailer, is closing for good, laying off 800 employees in the Washington and Baltimore areas by the end of the year.

Troy, Michigan-based Lason, a manager of computer records, announced it was laying off 300 to 400 workers, or 3.5 percent of its 11,500 person work force.