US job cuts continue at record pace

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US companies carried out 54,709 job cuts in July, 8 percent higher than the same month one year ago, according to a report released Monday by the job placement firm Challenger, Gray and Christmas.

While the job cuts were 14 percent below the June figure of 63,397 layoffs, the yearly cuts are substantially ahead of the record set in 1998. So far this year US corporations have eliminated 438,257 jobs, 36 percent more than were eliminated during the same period in 1998.

"If job cuts continue at their current pace, we will surpass the 1998 record-breaking total by at least 10 percent," said John Challenger, chief-executive officer of the company.

Challenger warned that if recent trends hold, job cuts would accelerate in the fourth quarter. According to the report, during the past four years fourth-quarter job cuts have been 48 percent higher than the third.

For 11 consecutive months through July, job cuts have exceeded 50,000. The heaviest cuts have taken place in the service industry, where 10,742 jobs were eliminated, and in the West/Southwest region, where 27,239 job cuts took place.

Last Friday the US Labor Department released a report showing a modest increase in both job creation and wages, developments viewed by Wall Street and the Federal Reserve, the US central bank, as dangerous to the stock market boom now more than eight years old. As a result, many economists believe the Federal Reserve will raise interest rates when it meets on August 24—a measure designed to slow the economy and undermine workers' jobs and wages.

The Labor Department reported that 310,000 new jobs were created in July, far higher than the 199,000 predicted by economists. The job rise came on top of the 273,000 jobs created in June. The July figure was the largest increase since an April gain of 310,000 jobs.

Average hourly earnings rose 0.45 percent in July to $13.29, up from $13.23 in June. The increase was larger than the predicted 0.3 percent rise and is being taken by the Federal Reserve as a sign of inflationary dangers.

On August 5 the Labor Department released reports showing a drop in the growth of worker productivity for the second quarter of the year, an increase of 1.3 percent compared to an increase of 3.6 percent in the first quarter. The growth of US worker productivity, the result of massive downsizing, speedup and job cuts, has been the highest in the world and is primarily responsible for the rise in corporate profits.

On the same day, the department released the July unemployment figures which held steady at 4.3 percent.

A chief economist from Moody's Investors Service in New York expressed the feeling of Wall Street declaring, "It's a lock, Fed rate hike August 24, no ifs ands or buts about it."

On August 11 the Dow Jones industrial average dropped 52.25 points, reflecting continuing investor fears about rising interest rates. Since July 16, when the stock market peaked, the Dow Jones has fallen 4.9 percent and the more broadly based Nasdaq composite has fallen 13.1 percent.

The last week has seen thousands of additional layoff announcements, led by United Technologies, whose new president Louis Chenevert specializes in cost cutting and downsizing. The company is considering plans to cut 2,000 jobs at the Hartford, Connecticut jet engine plant run by Pratt & Whitney. The president's plans are to boost profits by subcontracting work to parts suppliers.

Chenevert, 41, succeeded Karl Krapek as president of Pratt when Krapek was named president and chief operating officer of United Technologies. Under Krapek, Pratt & Whitney's profit margins increased annually, from 2.9 percent in 1993 to 13.0 percent last year. He has reportedly told Wall Street that he plans to boost profit margins to 16 percent by 2003.

Other divisions of United Technology have come under similar assault. Since July the Sikorsky helicopter and Carrier air conditioner units have faced layoffs. In September Otis elevators and Hamilton Sundstrand aerospace components are expected to report restructuring plans.

Clothing designer Jones Apparel Group announced plans to lay off more than 1,900 workers, closing several Nine West shoe manufacturing plants, as it absorbs the purchase of the nation's top maker of women's shoes. The planned layoffs include 550 workers at its Kentucky and Indiana facilities, as well as 1,170 workers in the Dominican Republic. Another 190 employees at the St. Louis office, which is slated for closure, will also lose their jobs. Most of the closings are expected to take place by the end of the year, saving Jones $7 million by the beginning of 2000.

SGI, formerly Silicon Graphics, says it will lay off up to 1500 workers and sell or spin off several businesses. The company specializes in sophisticated graphical computers such as those used to create special effects for movies. Management says the restructuring is needed because of continuing losses and low market share.

Sears, Roebuck and Company, the second largest US retailer, reported plans to eliminate 1,400 jobs at its Chicago headquarters by October 31. The cuts include 10 percent of the 6,000 workers on payroll, and all 800 temporary and contract workers working at its offices.

Property and casualty insurance company St. Paul Company, Inc. announced plans to also cut 1,000 jobs, 10 percent of its workforce, as a means of cutting $100 million in costs in 2000.

Other measures announced by the company include the sale of its personal insurance operations to MetLife Auto and Loan, and the merger with Baltimore, Maryland-based insurer USF&G. While 1,700 personal insurance employees will be transferred to MetLife, 500 to 600 others will lose their jobs. Company spokesmen expect the savings to reach $50 million.

St. Paul plans to save an addition $260 million by eliminating 2,000 jobs in the merger with USF&G.

RPM, the manufacturer of Rust-Oleum paints, plans to close 23 plants and eliminate 730 jobs, about 10 percent of its workforce. The announcement followed reports of record profits for the fiscal year ending May 31.

Other recent US job cuts include:

* Hutchinson Technology—the world's largest maker of suspension systems for computer disc drives is cutting 500 jobs in Minnesota.

* Oakwood Homes—the largest US retailer of manufactured housing has cut 695 jobs in six states.

* Stride Rite—the shoe manufacturer is cutting 125 jobs, about 13 percent of its workforce.

Internationally, Spain's biggest bank, BSCH, announced plans to reduce its workforce by 10,000 this year. Six thousand jobs will be cut in Spain and the balance in Latin America.

Several major Canadian companies have announced layoffs, including:

* Placer Dome Inc. of Vancouver, Canada—2,900 jobs, 40 percent of the workforce of its South African gold mine joint venture.

* The Canadian Finance Ministry—2,900 layoffs due to a proposed merger of Toronto Dominion Bank and Canada's last major independent trust company.

* Nortel Networks, based in Ontario—1,000 job cuts due to a reorganization and a plant closings.