US unemployment figures show decline in job growth and stagnating wages

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Though the official US unemployment rate fell to a 30-year low of 4.1 percent in October, the pace of job growth last month slowed and workers' average hourly wages rose by only 0.1 percent, according to a US Labor Department report released Friday. The week of the report major companies such as computer makers NCR Corp. and Packard Bell announced thousands of new layoffs.

Wall Street rallied on the news that wages, which rose by 0.5 percent in September—a 16-year high—barely rose last month despite the continued tight labor market. Investors hope the “market friendly” report will persuade the Federal Reserve Board to hold off on any increase in interest rates when its meets on November 16.

During a speech last week Fed Chairman Alan Greenspan again expressed corporate America's concerns that the falling unemployment rate was encouraging workers to press for substantially improved wages. Greenspan said the gap between the supply and demand for labor must “eventually be closed if inflationary imbalances are to continue to be contained.” He reaffirmed the Fed's willingness to drive up unemployment to prevent a push on wages.

The economy added 310,000 jobs in October. Even with the rise in October payrolls, however, job growth is gradually slowing. Companies added an average of 160,000 jobs a month since August, compared with 211,000 for the year so far and 244,000 a month in all of 1998.

Of the 310,000 jobs added last month, 293,000 were in the generally lower-paying service sector, although the number of retail store jobs fell for the third straight month in October. Manufacturing employment decreased by 15,000.

Corporate America continued to slash tens of thousands of jobs last month because of cost-cutting measures and mergers. Traditionally the downsizing pace accelerates in the last quarter as companies seek to shed costs before the beginning of a new calendar year.

US companies will fire as many as 210,000 workers in the fourth quarter as they size up prospects for 2000, said John Challenger, chief executive of Challenger, Gray & Christmas, Inc., a Chicago-based outplacement firm.

Last year companies got rid of 678,000 workers as part of restructurings, including 250,000 in the fourth quarter. Through September 30, job cuts rose 29 percent to 557,000 from 431,000 in the same period in 1998, Challenger said. US companies are cutting 55,000 to 70,000 jobs per month, a rate “that's probably going to continue through December,” he said.

The number of layoffs in 1999 is expected to surpass last year's total. Retail and computer industries have cut the most jobs this year, followed by health care and financial services.

In the last two weeks a number of major US corporations announced downsizing plans. Packard Bell NEC is closing its Sacramento, California plant, as part of a larger reorganization that will result in the layoff of some 80 percent of the division's employees, and the withdrawal of the Packard Bell brand from the US consumer PC market. The Sacramento plant, which employs 1,600 workers, will be shut by January and the company will outsource PC manufacturing operations.

NCR Corp. will eliminate 1,500 jobs worldwide, about 4.5 percent of its work force, as its leaves bank automation services and focuses on automatic teller machines, retail store automation and data warehousing.

Lucent Technologies, the phone-equipment maker, announced plans to cut 1,680 jobs, or about 1 percent

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of its work force, to reduce costs.

Layoffs were also announced outside of the technology sector. PricewaterhouseCoopers, the world's largest accounting and consulting firm, is cutting 1,000 jobs in the US, to reduce costs as it prepares to invest billions to expand its services. Storage Technology Corporation, a storage product maker that is exploring a possible sale, said it would cut as many as 1,750 jobs, or 20 percent, of its workforce.

Other major job cuts included Arch Coal, the second-largest US coal producer, which announced that it would cut 622 jobs and close two southern West Virginia mines after a US District Court ruling blocked the company from expanding at two sites for environmental reasons. Houston-based El Paso Energy announced 607 job cuts after its acquisition of Sonat Inc. Donna Karan International, a New York-based fashion company, will layoff 175 people, or 8 percent of its work force.

In a major restructuring move that will affect thousands of jobs outside of the US, the Dole Food Company, the world's largest fruit, vegetable and flower producer, on Thursday announced plans to cut 9,000 jobs globally and close facilities at its banana operations to slash costs and boost earnings. The US-based company said it would cease all operations in Nicaragua and Venezuela, close 15 business locations in Europe and operate with seven fewer vessels next year. Management said the moves were necessary, in part, because of banana import restrictions imposed by the European Union and a “dramatic fall in Russian purchasing power.”

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