

Thousands of job cuts in the US

Our correspondent
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Amid signs of a slowing economy, large and small corporations in the US have announced significant layoffs and other job cuts in the past two weeks.

Testifying before the Senate Banking Committee this week Federal Reserve Chairman Alan Greenspan suggested that there was substantial evidence of a slowing economy. The central banker pointed to higher interest rates, the leveling off of stock prices, growing household debt and the jump in oil prices as factors increasing the likelihood of a slowdown. He noted that the rising oil prices amounted to a \$75 billion tax on US consumers, an amount equal to 1 percent of after-tax income.

The US Commerce Department announced July 20 that housing starts fell 2.6 percent in June, the second straight monthly decline and the lowest rate on starts since May 1998. Building permits declined to their lowest rate since December 1997.

The Conference Board, a leading economic research firm, reported in early July that its composite of economic indicators declined by 0.1 percent in May, after no change in April and a 0.1 percent increase in March. Only three of its ten indicators rose in May. One of its economists noted, "The modest pace in the Leading Indicators in recent months clearly indicates some loss of momentum in the pace of economic activity."

The job losses in recent weeks have taken place in a number of different sectors, including high technology, financial services, entertainment, auto parts and heavy equipment.

* On July 10 manufacturing giant Honeywell Inc. announced plans to eliminate 6,000 jobs worldwide within the next year after registering a weaker than expected second quarter. The company, formed by the merger of Honeywell and AlliedSignal last December, reported earnings of 75 cents a share based on its second-quarter figures, whereas analysts had hoped for

78 cents a share. Honeywell officials revealed plans to merge its polymers and specialty chemical businesses and close a semiconductor chip packaging plant in California to streamline "underperforming units." The company employs 120,000 people worldwide, including about 2,500 in New Jersey at its headquarters and an aerospace plant.

* Officials at CNH Global NV (the result of a merger of Case Corp. and New Holland NV), the farm and construction equipment manufacturer, said they were cutting 1,800 jobs July 18. The company plans to close plants in Fargo, North Dakota; East Moline, Illinois; and Racine, Wisconsin. In Europe CNH will close a facility in Kissing, Germany by September of this year. Five thousand of an expected 7,200 job cuts have been announced so far. CNH had 36,000 employees before the cutting began. The United Auto Workers, which represents many company employees, criticized the move in a toothless statement.

* Delphi Automotive Systems, the world's largest auto parts supplier, announced July 12 that it planned to cut 900 jobs in France, Britain and Poland. It also reported plans to restructure its South American operations and eliminate positions at its Troy, Michigan headquarters.

* The maker of Hush Puppie shoes, Wolverine World Wide, will close factories in five North American cities and slash 1,400 jobs, or 25 percent of its workforce. The facilities set to close are located in two US states—New York and Missouri—Puerto Rico, Costa Rica and Ontario, Canada.

* Consolidated Papers announced July 19 that it plans to reduce its workforce by 10 percent, about 700 workers, in a move to cut costs. The firm, headquartered in Wisconsin Rapids, Wisconsin, said the layoffs had already begun. Salton, a maker of household appliances, is cutting 470 employees at a toaster and toaster oven plant in Macon, Missouri.

Production at the plant will be shifted to “lower-cost overseas vendors,” the company reported.

* On July 12 medical device manufacturer Boston Scientific said it was cutting 1,000 jobs and moving 900 more to sites in Miami and Ireland in an effort to rationalize its operations. Boston Scientific is closing plants in Minnesota, Washington and Massachusetts. Less than a week after the announcement, on July 18, the company reported a 12 percent gain in second-quarter earnings.

* As part of an ongoing wave of job cuts in the music industry, Sony Music Entertainment announced July 17 that it was shedding 500 workers worldwide. In a marvelous example of bureaucratic double-talk, a company statement read: “As part of an ongoing effort to maximize organizational effectiveness, Sony Music Entertainment today confirmed it is redirecting its resources on a worldwide basis to more effectively and efficiently transition the company to meet the new challenges brought about as the industry continues to evolve.”

The recent merger of Seagram Co. Ltd.'s Universal Music and PolyGram resulted in 3,000 jobs being eliminated and the pending merger of Time Warner's Warner Music Group and EMI is expected to produce thousands more.

* The giant brokerage firm Merrill Lynch & Company announced July 18 that it was planning to eliminate approximately 1,800 jobs, mostly at its operations in New Jersey. Nine hundred jobs in the brokerage unit and 400 consultancy and independent contracting positions will go; another 500 jobs will be eliminated by attrition. Merrill Lynch just reported its second-biggest quarterly profit, but took in only \$11 billion in new money from customers in the US, less than half the \$27 billion reported by its rival, Charles Schwab.

* The sixth largest US banking company, First Union Corp., has cut 90 positions, mostly in its capital markets unit, and closed offices in Boston and San Francisco. The capital markets department is located in Charlotte, North Carolina. First Union announced the closure of The Money Store, its consumer finance unit, on June 26.

* Software maker Datastream Systems is planning to cut 100 employees, or 10 percent of its US workforce. Pervasive Software Inc., which develops mobile

software programs, announced restructuring plans July 13 which will also result in the loss of 100 jobs, about 28 percent of its staff. The cuts will take place in its Toronto office and its Austin, Texas headquarters.



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