Big job cuts in US bank, auto, oil and retail sectors

Our correspondent
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American corporations shed jobs and workers in the last week of July, as the relentless drive to cut costs continued to take its toll.

The impact on workers when giant corporations merge operations is a major factor. The Bank of America announced July 28 that it was eliminating 9,000 to 10,000 jobs over the next year, some 6.7 percent of its workforce. Principal targets of the job slashing include middle-level and senior managers, along with workers whose positions will be eliminated by new technology. By the end of this new round of job-cutting, 34,000 positions will have been done away with since Nationsbank of Charlotte, N.C. and the BankAmerica Corporation of San Francisco merged in September 1998. The bank has $65 billion in assets.

DaimlerChrysler, the giant auto firm formed in 1998, has registered “disappointing” earnings in the eyes of Wall Street investors. Its stock has fallen to below the level of Daimler-Benz alone before its $36 billion purchase of the third largest US automaker. In response Chairman and Chief Executive Officer Juergen Schrempp is apparently committed to a cost-cutting plan designed to save $6.7 billion over the next three years and lead to the loss of up to 6,000 jobs. The company, which employs approximately 475,000 workers, will cut its world headquarters staff—in Stuttgart, Germany and Auburn Hills, Michigan—by about 25 percent, or some 1,500 jobs, primarily through attrition.

Exxon Mobil Corp, the largest US oil company, announced that savings from the mega-merger of its two component companies would exceed those initially forecast. Annual savings from the merger are expected to rise to $4.6 billion, up from a previous estimate of $3.6 billion. As part of its cost-cutting program, the company reported plans to destroy 3,000 more jobs than the 16,000 originally planned, or about 15 percent of its workforce.

The Kmart Corporation, the retailer based in Troy, Michigan, announced July 25 that it was closing 72 stores and eliminating 5,000 jobs, or 2 percent of its staff. The plan is one of the first fruits of the installation of Charles C. Conaway as chairman and chief executive two months ago. Conaway said Kmart needed to demand a “higher return on all its assets,” and that as a result the company was closing stores that were profitable, but not profitable enough. The store closings did not satisfy Wall Street, where Kmart stock fell 18.55 cents the day after the announcement. The company's stock has fallen more than 30 percent since March.

At Conseco, the insurance and finance company, another new executive, Gary C. Wendt, revealed plans to eliminate 2,500 jobs from its finance operation and sell numerous assets in an effort to raise cash to meet debt payments. The company reported a loss of $404.7 million for the second quarter, compared with a profit of $213.3 million in the same period in 1999. Asked if the finance unit was for sale, Wendt replied, “Everything is for sale. My top priority is to sell the holding company. If you know anyone who would like to buy that puppy, we can make a really good deal for them.”

The First Data Corporation, whose primary business is processing credit cards, announced its intention to slash nearly 2,000 jobs in Tucson, Arizona and Pensacola, Florida. The jobs will be lost when the company closes its teleservices operations. The Tucson and Pensacola call centers have been providing long-distance operator and customer support for WorldCom, which is not renewing its contract with First Data.

The second-largest consumer electronics chain in the

US, Circuit City, will close eight distribution centers and do away with 1,000 jobs, it was reported July 25. Circuit City is remodeling its superstores and no longer selling appliances. The company's shares fell 19 percent on news that it expected second-quarter earnings of 32 cents, less than the 43-cent average predicted by analysts.

Delco Remy, the auto parts manufacturer, plans to eliminate 860 jobs, or 12 percent of its workforce as part of a reorganization plan affecting operations in the US, Canada and Britain. The Anderson, Indiana-based firm makes starter motors and alternators and remanufactures engines, transmissions and other auto systems.

On July 31 Peterbilt Motors Co, the truck manufacturer, began laying off nearly 20 percent of its managers, less than a week after cutting the jobs of nearly one-third of its hourly workers. As many 60 managers were affected, as well as 370 of the 1,150 assembly line workers at the company's heavy truck facility in Madison, Tennessee. Industrywide sales of large trucks are down 6.5 percent from a year earlier. Rising diesel prices are one factor.

Officials at defense and aerospace giant Lockheed Martin reported July 27 that the decision by NASA to send a rover, similar to the 1997 Mars Pathfinder, on its 2003 Mars mission will mean layoffs at the company's space systems division. Lockheed Martin had hoped to build an orbiter spacecraft for the mission. The company's stock was down from a 1998 high of $55 a share to $27.19 on Thursday.

The soaring price of natural gas has hit the fertilizer industry in the US, leading to layoffs and plant closures. A 63 percent increase in gas prices has pushed the cost of the industry's main feedstock from 70 percent to 80-85 percent of its overall production cost. Among the many casualties was a Blytheville, Arkansas fertilizer plant, which laid off 60 workers and shut down operations in June.

According to a revealing report issued by the Chicago-based employment firm, Challenger, Gray & Christmas, 122 dot-com companies have laid off nearly 7,600 workers since December. Twenty-four, or 20 percent, of those firms have gone under. “As we forecast in our first report last month, the dot-com period of survival of the fittest could be expected to escalate—and so it has,” declared CEO John A. Challenger. Internet retailers have accounted for the greatest number of job losses, more than 1,800.

On July 28 sports web site Rivals.com announced that it was cutting 40 employees, or 21 percent of its staff, including three vice presidents, in order to reach profitability more quickly.