Thousands of jobs cut amid signs of US economic slowdown

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The pace of downsizing by US companies has accelerated over the last several months amid growing signs of an economic slowdown. The outplacement firm Challenger, Gray & Christmas said last month that job cuts in July and August reached their highest rate since the company began tracking job losses in 1993.

Challenger reported that companies were shedding jobs at a rate of 2,818 per day during the two summer months, up 63 percent from the first six months of the year and 10 percent higher than the monthly average recorded in 1998. More than 121,000 jobs were cut during this period. The job cuts affected several key sectors of the economy, including banking and financial services, auto and the technology and computer industry.

By all appearances layoffs increased in September, particularly in the overly inflated dot.com sector, which has experienced a wave of bankruptcies. In late September Challenger reported that dot.coms had eliminated 5,000 jobs, the largest one-month total ever reported. This did not include, however, the 1,500 jobs wiped out by Internet companies in the last week of September. So far this year nearly 18,000 dot.com jobs have eliminated.

To a great extent the economic slowdown is the result of the deliberate efforts by the Federal Reserve Board to use unemployment as a means of undermining workers' demands for improved wages and benefits. The Fed has raised interest rates nine times since June 1999 and officials have warned that another rate hike is probable early next year.

Fed officials have repeatedly warned about the dangers of the tight labor market, and Chairman Alan Greenspan stated that he would hike rates to fight so-called wage inflation. Michael Prell, retired research director for the Federal Reserve, recently said, “Scarce workers are beginning to exploit their leverage by demanding more money, not merely assurance of job security.” Prell added that “employers' hesitancy in price competition of workers may be breaking down,” and that a further intervention by the Federal Reserve was required.

On top of the interest rate increases, however, other factors beyond the control of the Federal Reserve are threatening to bring an end to the record-long US economic expansion. These include rising oil prices and the falling value of the euro, which has hit the profits of US companies doing business in Europe.

Last week a whole series of major US companies—including Intel, United Airlines, Apple Computer and Chrysler—made warnings that their third quarter profits would not reach expectations. In a number of instances, even though profits may have been only 3 to 5 percent below projections, investors punished the companies with a major sell-off of stocks. Apple Computer stocks fell 50 percent; Eastman Kodak, 25 percent; Intel, 20 percent. Among the dot.com companies Priceline.com lost 42 percent. Commenting on the trend one business analyst called it “hell week.”

“There has been a rather substantial slowdown in the economy from earlier in the year,” stated William Griggs, an economic consultant of Griggs & Santow and former undersecretary for the US Treasury Department. A number of economists, including Griggs, say the downturn is not a temporary, but more prolonged state of affairs.

Another negative indicator is the fall in consumer spending. Long cited as a major factor in fueling the economic expansion, consumer spending fell for nondurable goods from .83 percent to .70 percent. At the same time spending on durable goods, such as cars and appliances, fell even more sharply, from .88 percent to .38 percent.

A number of technology companies announced layoffs last month. **Novell Inc**., once known as the “powerhouse of networking software,” announced plans to eliminate 900 jobs, 16 percent of its workforce. **AltaVista Co.,** an Internet search service and media network, will cut 225 jobs or 25 percent of its staff. **US Interactive**, an Internet professional services company, will lay off 700 employees, 15 percent of its workforce. **StarMedia Network**, an Internet media company aimed at Spanish- and Portuguese-speaking audiences around the world, has cut 125 jobs, 15 percent of its staff. **WebMD** Corporation, which runs an Internet web site for health care, announced the elimination of 1,100 jobs as the first phase of its reorganization, affecting 18 percent of its workforce.

Garden.com, an online gardening retailer, will eliminate 93 jobs. **MTVi**, the Internet division of Viacom-owned MTV Network, will shed 25 percent of its staff—105 employees. The president of **Gear.com**, an online sporting goods company, resigned and the company eliminated 22 jobs.

Significant job losses were also announced in the manufacturing sector, particularly in the auto and truck industry. Toledo, Ohio-based **Dana Corporation** is cutting 3,000 production jobs in its automotive and trucks parts divisions. Dana was hit hard by the three-week production stoppage of Ford Motor Company's Explorer sport utility vehicle following the Firestone tire recall, as well as cuts in production by DaimlerChrysler AG, General Motors, Mack Trucks, Freightliner and Kenworth. **Navistar International Corporation**, owner of International Truck and Engine Corp. that manufactures trucks, school buses and diesel engines, is laying off 500 employees.

KeyCorp, a banking and financial services company based in Cleveland, Ohio, has announced plans to cut 2,300 jobs during the next 15 months. **Mattel,** the giant toy maker, plans to sell its Learning Company unit and cut 350 jobs.

The $34 billion bank merger of **J.P. Morgan** and **Chase Manhattan Corporation** will result in the elimination of 3,000 jobs. In 1995 Chase Manhattan purchased Chemical Bank resulting in a cut of 12,000 jobs.

Becton Dickinson and Company of Franklin Lakes, New Jersey, a medical devices maker, announced plans to eliminate 1,000 jobs.

Marathon Oil Co. announced plans to eliminate 200 jobs by consolidating parts of its US oil exploration and production divisions and closing a research facility in Colorado and an office in Tyler, Texas.

JC Penny Company, Inc., the fifth largest US retailer, said it has completed most of its restructuring plans announced in February and has already closed 36 JC Penney stores and 270 Eckerd drugstores, for a total cut of 2,085 related jobs.

The *Los Angeles Times* announced the elimination of about 125 editorial jobs in its community news operations. The cuts include plans to close 14 local news section inserts that had been a cornerstone of its former publisher's plans to boost circulation.