Layoffs mount as US economic slowdown continues

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A report issued by the US Commerce Department on Friday confirmed economists' predictions that the US economy is in the midst of a slowdown, with speculation and fear developing as to how far the downturn will go. Substantial profit losses and layoffs have been reported in the auto, office equipment and US defense industries, as the dot.com sector of the economy reports record failures.

DaimlerChrysler AG announced that its third-quarter profits had fallen nearly 80 percent, due largely to losses at its US Chrysler division. The losses were the first the US division had experienced in nine years. Due to a decline in spending, the company sold 14 percent less cars during the third period and had sought to preserve its market share by offering millions of dollars in buying incentives.

Acknowledging the difficult economic conditions in the US, DamilerChrysler AG chief executive Jurgen Schremp said, “Tough market conditions in the US are expected to intensify.” Schremp admitted that if the company only had the Mercedes-Benz brand they would be making more money.

Beginning Monday, October 30, the company closed seven plants for a week, involving 20,000 workers, in an attempt to reduce its inventory of cars. The US division has an average 71-day supply of cars, including a 97-day supply of Dakota pick-up trucks and an 82-day supply of Ram trucks. The industry average is 60 days.

Ford Motor Company and General Motors Corporation are also offering low interest loans or cash rebates to reduce stocks of 2000 model cars.

Gross Domestic Product, the sum of all goods and services produced in the US, dropped during the third quarter to an annual growth rate of 2.7 percent, less than half the 5.6 percent pace of the second quarter. The Commerce Department gave three reasons for the decline in the GDP: a drop in government spending as temporary workers hired for the census tally were laid off, lower business capital spending on new plants and equipment, and retailers selling stockpiled merchandise rather than newly ordered goods.

During the past quarter business spending on new plants and equipment dropped in half, from 17.9 percent in the second quarter to 8.5 percent in the third. The decline in this segment of the economy is particularly noteworthy because capital investment was a key aspect of the expansion of the last decade.

The giant copier manufacturer **Xerox Corporation** has announced a major corporate reorganization after the company announced a loss of $167 million in its third-quarter report, its first loss in 16 years. While the company has not stated a firm number, analysts have calculated that for the company to carry out the plan to cut $1 billion in costs, as many as 8,000 jobs would have to be cut, including manufacturing and service operations jobs, as well as management positions.

The plan also includes proposals to sell off parts of the company with the aim of raising $2 billion to $4 billion. Included in the proposal is the possibility of selling the company's research and development division, which was responsible for inventing the computer mouse, the laser printer, and other innovations that were a part of the personal computer revolution.

The new job cuts will be in addition to the 5,100 jobs eliminated by Xerox in March. Xerox shares have lost 80 percent of their value during the past year and the company has had to deny rumors that it faces the possibility of bankruptcy.

Lenmark International, the second-largest maker of inkjet and laser printers, plans to cut 900 jobs and move some production to Mexico and China. Most of the jobs will be eliminated at its plant in Lexington, Kentucky, where its headquarters is also located.

Paccar, a truck manufacturer best known for its Peterbilt and Kenworth brand names, sent 300 workers layoff warning slips because of the slump in the trucking industry. More 500 workers have already been laid off this year at the Renton, Washington plant near Seattle. The company has laid off more than 1,000 workers during the past year in a drive to remain profitable. Last year Paccar made a record $583 million in profits, and this year it expects to make $450 million.

On October 24 **Tenneco Automotive Inc.**, a leading maker of exhaust systems and shock absorbers, announced the elimination of 285 salaried workers' jobs in Illinois, Michigan and Ohio. The cuts were part of a plan to cut 700 jobs worldwide. Spokesmen for the company said they had already cut 140 salaried positions this year, primarily through attrition.

Tenneco, which operates 70 facilities in 21 countries, also stated that its latest quarterly reports showed a decline in operating profits. The cuts are expected to save the company $45 million a year.

Lockheed Martin Corporation, the world's largest military contractor, reported October 26 that its third-quarter profits fell by 37 percent due to fewer rocket launchings and lower sales of military aircraft.

Alcoa, the aluminum manufacturer, announced 90 workers will be laid off at its Pennsylvania plant because of slow sales. The plant produces parts for trucks and tractor-trailers. The company also fired 77 workers at its Mississippi plant.

The most notable job cuts have taken place among e-commerce companies. On October 23, Challenger, Gray & Christmas, Inc., an outplacement firm that follows job cuts, announced that the dot.com industry has now witnessed five consecutive months of increased job cuts, totaling a record 22,267 jobs eliminated since December 1999.

In October the dot.com industry recorded the highest level of layoffs in a single month, 5,677, with no indication that the cutbacks will abate in the coming months. According to Challenger, 44 out of 274 dot.com companies (16 percent) have failed since last December. The losses are the largest number of failures Challenger has seen since they began tracking job cut trends.

Visual Networks, a maker of network software, announced plans to cut 140 jobs as a part of “broad realignment.” Most of the jobs will be cut in Sunnyvale, California, and Ottawa, Canada.

The San Francisco-based online greeting card company **Egreetings Network** announced that it was laying off 60 employees, 34 percent of its workforce. The layoffs were prompted by a drop in advertising on its web site.

Stamps.com, an Internet seller of mailing and shipping services, announced it was cutting 234 jobs, or 40 percent of its staff, in an effort to make the company profitable.

Drugstore.com laid off 60 employees last week.

Petopia, an online pet supplies retailer, announced it had laid off 120 workers, 60 percent of its workforce, in order to save dwindling cash reserves. Petopia is the second of four online pet supply companies to face drastic cuts. Petstore.com closed in June and sold its assets to its rival, Pets.com.

Eve.com, a high-profile health and beauty company, closed October 20, laying off its 164-member staff.

The job cuts in the e-commerce industry have particularly hit areas like Seattle, Washington, a hot-bed of the dot.com industry, where 279 people lost their jobs last week. According to figures compiled by the *Seattle Post-Intelligencer*, 2,000 people have lost technology-related jobs in the Seattle area since May.