Growing signs of US economic downturn—job cuts hit auto and technology sectors

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2 December 2000

The assault on jobs in the US is continuing at a record pace as economists openly worry that the slowdown, now widely recognized, could lead to a recession.

The Commerce Department has reported that the economy grew at the slowest annual rate recorded in the last four years, 2.4 percent for the period between July and September. The rate reported in the second quarter was 5.6 percent, twice the rate of the third.

In October, orders for durable goods—goods that last at least three years—fell 5.5 percent, a decline more than twice as steep as expected, according to the US Commerce Department.

Capital spending, money spent by corporations on new computers, software, industrial machinery and buildings, grew at an annual rate of 7.8 percent in the third quarter, half of the 15 percent pace of the second quarter. It is now expected that this rate will continue below the 8 percent level in 2001, the lowest rate seen since 1992. “We've got a recession in smokestack America,” said Richard B. Berner of Morgan Stanley Dean Witter, explaining why companies are not investing in new capital equipment.

Computer giant Gateway announced that its sales had fallen 30 percent during the crucial Thanksgiving Day weekend period, further indicating that American consumers were cutting back on spending and that fourth-quarter profits would fall. The news prompted declines on the stock market on Thursday, with the NASDAQ down 216 points and the Dow down 109 points.

Job cuts from July to October were 43 percent higher than layoffs during the first six months of the year. For the week ending November 25, the number of people applying for first-time jobless benefits rose to 358,000, the highest level in two years. The previous week 339,000 new claims were filed.

US corporations cut 43,799 jobs in October, 92 percent higher than those announced in October 1999. According to the job placement firm Challenger, Gray & Christmas, 436,095 jobs have been cut in the first 10 months of this year.

Challenger's reports consist of permanent layoffs. However many corporations in heavy industry, such as auto and steel, have announced temporary layoffs, suggesting that many jobs could be permanently cut with a drop in fourth-quarter profits announced at year's end.

The announced layoffs have included a wide range of industries, including DaimlerChrysler, the Kellogg cereal company, Bridgestone/Firestone tires and apparel manufacturer VF Corporation.

“The slowdown has arrived,” stated Jerry Jasinowski, president of the National Association of Manufacturers. “The remaining question is how hard the landing will be.”

The Internet sector has recorded six straight months of decline. In November a record 8,789 dot.com job cuts were announced, 55 percent higher than the 5,677 jobs eliminated in October. Since December 1999, 31,056 Internet-related jobs have been eliminated.

The NASDAQ has fallen 40 percent since March and the Internet index is down 70 percent. Of the 383 technology firms followed by Challenger's firm during the past 10 years, 75 of them—or 20 percent—have failed.

Industries announcing job cuts include the following:

DaimlerChrysler announced Friday that it would idle two plants next week (in Newark, Delaware and Hazelwood, Missouri), one plant the week of December 11 (in Windsor, Ontario) and five plants the week of December 18 (Belvidere, Illinois; Detroit; Hazelwood, Missouri; Toledo, Ohio; Brampton, Ontario), affecting a total of 26,700 workers. Chrysler sales were down 5 percent in November, with sales of the minivan down 16 percent, despite the introduction of all-new models.

Delphi Automotive Systems announced the layoff of 1,700 hourly employees—3 percent of its hourly workforce—at its Michigan, New York and Ohio facilities.

Bridgestone Corporation said it was scaling back production at its tire plants in Oklahoma City and Lavergne, Tennessee, involving 1,100 workers. Bridgestone/Firestone is completing the recall of 6.5 million tires following allegations that faulty tires were responsible for accidents resulting in 159 deaths.

Weirton Steel Corporation of Weirton, West Virginia laid off 3,200 workers for 10 days to reduce inventory caused by declining US sales and an increase in imported steel into the US market.

Chase Manhattan Corporation announced that as it completes its merger with J.P. Morgan & Company the number of employees to be laid off will rise to 5,000, not the 3,000 previously forecast. In 1995 Chase eliminated 13,000 jobs after merging with Chemical Bank

Kellogg Company, the second largest cereal maker in the US, announced plans to cut 300 jobs in the US, the closure of a plant in Malaysia and unspecified job cuts in Eastern Europe after purchasing Keebler Foods Incorporated for $4.3 billion. Kellogg has eliminated 700 jobs since April 1999.

VF Corporation, the world's largest maker of jeans, announced proposals to cut 2 to 3 percent of its 73,000 employees, 1,460 to 2,190 workers, as part of its restructuring plan. VF is the maker of Wrangler and Lee jeans as well as intimate apparel brands for Vanity Fair and Bestform in the US, and Bolero and Carina internationally.

Ames Department Store Inc., facing depressed sales and a tough retail climate, announced the closure of 32 stores, permanently eliminating 2,000 jobs. The 480-store chain, based in Rocky Hill, Connecticut, caters primarily to low-income and elderly shoppers.

Frozen Foods Corp. announced 250 workers would lose their jobs at its pea-processing plant in Burlington, Washington, a small rural area outside of Seattle.

Furniture maker **O'Sullivan Industries Inc.** announced the closure of its Cedar City, Iowa plant and the elimination of 350 jobs.

The Marathon Group, the oil unit of USX Corporation, announced the elimination of another 250 jobs in the US, Canada and the United Kingdom. A retirement plan announced earlier already cut its staff by 500, a move the company says will cut costs by $150 million.

In the Internet and technology sector:

Internet consultancy company, **iXL**, fired 850 employees, 35 percent of its workforce, in an attempt to reach profitability by early 2001.

Teligent, which is building a telecommunications network using rooftop antennas, announced it was cutting 22 percent of its workforce, 780 employees, after it posted third-quarter losses larger than Wall Street expected.

MarchFirst, an Internet consultant agency based in Chicago, announced it was cutting 10 percent of its workforce, 1,000 jobs, in order to reduce costs.

ReplayTV, the pioneer manufacturer of personal digital video recorders, said it is cutting its staff almost in half to concentrate on licensing its technology rather than selling it. The layoffs will affect 120 employees out of a total workforce of 260. ReplayTV has faced severe competition from rival TiVo, and decided to move out of selling its own product after Microsoft Corporation announced it was investing in the same field.

Broadband DSL provider **Covad Communications** announced November 27 that it would lay off nearly 400 full-time employees, 13 percent of its US workforce, in a bid to cut costs.

Discovery.com, the web company of the cable TV company, announced the layoff of 200 full-time employees. **Youbet.com**, an online wagering company, announced it was cutting 34 jobs.

Online advertising company **24/7 Media**, of New York City's Silicon Alley, announced third-quarter earnings lower than expected and stated it planned to lay off more than 200 employees. More than 3,500 jobs have been eliminated in New York's dot-com industry since September, with some companies shutting down altogether.