More than 275,000 layoffs in the US in the last two months

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12 February 2001

Most economic indicators now point to slowdown and slump in the US economy. While financial analysts report and comment upon the latest indices, the mounting layoffs threaten the most serious consequences for thousands of working class families.

On February 6 the international outplacement firm, Challenger, Gray & Christmas, reported that US companies laid off 142,208 workers in January, the highest monthly total since the firm began tabulating monthly job cuts in 1993. December and January combined for 275,921 layoffs, also the largest two-month total since 1993. It was first time that cuts exceeded 100,000 for two consecutive months. The January 2001 total was 181 percent higher than that of January 2000. It took an entire quarter in 2000 to reach the number of job cuts recorded in the first month of 2001.

John A. Challenger, the firm's chief executive officer, commented: “Job security has suffered a severe shock, plunging seemingly out of the blue from a let-the-good-times-roll economy to 275,000 announced job cuts in 60 days. Can there be any doubt that consumer confidence collapsed with each job-cut announcement, particularly the sudden large cuts made by big name employers?”

The automotive industry led the way in January, with more than 34,000 layoffs, followed by telecommunications with 22,000 and retail with some 15,000. There were also more than 10,000 job losses in both the e-commerce/Internet and computer fields. Michigan suffered the sharpest cuts, nearly 32,000, considerably ahead of its nearest rivals, New Jersey, with some 19,000 layoffs and Illinois with 15,500.

It is widely being acknowledged that the US economy has entered into recession. In the last half of 2000 it grew at an annual rate of only 2 percent, and, according to Britain's *Financial Times* (5 February), “estimates for the first half of this year suggest growth could be as low as zero, or even less.”

The National Association of Purchasing Managers (NAPM) reported February 5 that its measurement of the economy's non-manufacturing sector declined to its slowest pace since the organization's survey began in 1997. Its monthly index of non-manufacturing business activity fell 11 points to 50.1 in January; a reading above 50 suggests growth, anything below indicates contraction. The NAPM's manufacturing index, published a few days earlier, indicated that sector was already in recession, having contracted for the sixth month in January.

In another sure sign of economic nervousness, one with potentially ominous significance, US bankers are tightening their lending standards. They are doing it, according to the Federal Reserve's latest survey of senior loan officers, at a faster pace than at any time in the past decade. They are also charging higher interest-rate premiums to those considered risky borrowers. The survey indicated that in the past three months, 60 percent of domestic banks had tightened standards for large- and medium-sized companies, a jump from 44 percent in November, and the biggest proportion since early 1990. About half the banks surveyed also reported weakening demand for loans from medium and large firms, as companies scale back capital spending and plans for acquisitions.

Reports of layoffs are almost too numerous to track. On Friday **Motorola**, the world's third largest maker of semiconductors and second largest producer of cellular phones, announced plans to cut as many as 4,000 jobs, or about 3 percent of its workforce. The cuts, in the firm's semiconductor operations, represent the third round of layoffs the company has announced in 10 weeks. “While job reductions are extremely painful, they are a necessary part of our cost-reduction needs,” said Fred Shlapak, a Motorola official.

The same day **Delphi Automotive Systems**, the world's largest auto parts maker, said it would temporarily lay off 3,700 hourly employees, or nearly 7 percent of its US workforce. The layoffs, to last at least one week, will affect workers at plants in Ohio, Michigan and New York. Recent slowing vehicle sales have eaten into Delphi's profits.

Lechters, the housewares retailer, also announced major cuts Friday, through the closure of 166 stores and the reduction of its workforce by some 30 percent, or 725 jobs.

One day earlier **Federated Department Stores** said it would shut down its Stern's department store division, laying off about 2,600 workers.

Verizon Communications, the Northeastern regional telephone giant, reported February 7 that it would eliminate 6,000 jobs, many through attrition, and further cut costs by reducing employee overtime as well as the use of outside contractors. Verizon currently employs some 260,000 people, 200,000 of them in the telecommunications unit. Company officials said that its savings on labor costs will add up to the equivalent of 10,000 jobs.

The share prices of **Dell Computer Corp.** fell nearly 6 percent on word Friday that the company plans serious job and expense cuts of up to 10 percent. Newspaper reports suggest that as many as 4,000 of its 39,000 full-time positions could be slashed. In January **Hewlett-Packard** announced the elimination of 1,700 positions and **Gateway** reported it would cut about 3,000 jobs.

ShopKo Stores, a regional discount chain in the Midwest, said February 6 that it would close 23 of its 400 stores and cut 2,300 jobs as part of a “revamping program.” The closings include stores in Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri and Nebraska. Jobs will also go at the firm's headquarters in Green Bay, Wisconsin.

The *San Francisco Chronicle* reported February 6 that Bay Area Web companies had cut 2,100 workers in January, bringing the total to 4,400 job cuts from local Internet firms in two months. The same day **Cnet**, a San Francisco-based Internet company, and one of the few to turn a profit, announced 190 job cuts. New York's “Silicon Alley” has experienced its own round of job cuts recently. **Razorfish** announced it would cut 400 jobs, **Barnesandnoble.com**, 350 jobs. **GoRefer.com** went out of business and **RCN** of Princeton, New Jersey, reported cutting 65 jobs. **Motley Fool**, an online personal-finance advice company, laid off one-third of its workforce, 115 people, on February 8. **Etoys**, the Internet toy retailer, said on February 5 it was laying off its remaining 293 workers and closing its doors April 6. On February 7 **Stamps.com**, which sells postage online, laid off 150 employees “in an attempt to achieve profitability.”

In other high tech-related cutbacks and layoffs, **Applied Materials Inc**., the world's largest chip equipment maker, has asked its US employees to take most Fridays off without pay, at least until the end of April. The company is also expected to cut the number of permanent and temporary workers it employs at a manufacturing facility in Austin, Texas, where 5,000 people now work. The company employs about 7,000 in the San Francisco area and 22,000 worldwide. The chip equipment industry, valued at $43 billion, grew 90 percent in 2000, but is expected to grow only about 5 percent in 2001.

Connectivity provider **PCTEL** announced that cut 11 percent of its staff worldwide on February 8. The firm will restructure its operations to concentrate on broadband, embedded and wireless sectors. Communications services provider **Comdial Corp.** intends to sell its Charlottesville, Virginia manufacturing facility to Grove Street Properties LLP, which will mean the firing of 360 workers. **Viatel**, a provider of telecommunications services based in New York City, announced plans to cut 30 percent of its workforce, after indicating that its fourth quarter revenue would disappoint investors.

In other sectors, **Amwest Insurance Group Inc.** said February 7 it was planning to reduce its workforce by 26 percent and shut down an undisclosed number of branches. The company underwrites surety bonds nationally and commercial car insurance in California.

The world's second largest toy manufacturer, **Hasbro**, posted a loss of $58.4 million for the fourth quarter of 2000 and promptly announced it was cutting 850 jobs. **Play-By-Play Toys & Novelties**, based in San Antonio, Texas, plans to lay off more than 50 employees after a financial restructuring plan fell through.

On February 6 **Toshiba America** said it would eliminate 500 assembly and engineering jobs at its computer manufacturing operations in Irvine, California and shift much of the work to plants in Asia. The cuts amount to about 25 percent of the workforce at Toshiba America Information Systems, an independent unit of the company. The Irvine facility, which opened in 1987, assembles desktop and portable computers and data servers for the US and Latin American market.

The world's largest paper and forest products company, **International Paper**, said February 8 that low prices and foreign competition would force it to close two lumber mills in Maine in April. The plants, in Passadumkeag and Costigan, currently employ 263 workers. The company blamed the closure on prices “at their lowest level in more than a decade.” The company has recently closed facilities in Washington and Waycross, Georgia.

WestPoint Stevens, a leading maker of bedding and towels, announced this week that it would lay off 125 workers at three sites in North Carolina. The company announced last week that it would close a plant in Seneca, South Carolina.