Layoffs continue to mount in US

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With almost daily announcements of mass layoffs and other indications that the US economy has already entered a recession, Federal Reserve Chairman Alan Greenspan and the news media have made an effort to downplay the extent of the slowdown and sooth the fears of investors, businesses and consumers.

In testimony before the House Financial Service Committee on Wednesday, Greenspan said signs of the dramatic slowdown of late 2000 were "less evident" in January and February and that "the degree of retrenchment will presumably be limited." The Fed chairman, nevertheless, acknowledged that the economy remained "on a path inconsistent with satisfactory economic performance" despite two interest rate cuts in January.

During a question-and-answer session with Congressional lawmakers, Greenspan said that booming stock markets had been a major factor behind economic growth in the last five years but it was too soon to say whether recent sharp falls could cause a recession. "Whether it in and of itself is enough to actually induce a significant contraction which in retrospect we will call a recession is yet too early to make a judgment on," he said.

Greenspan's failure to suggest that the Fed would reduce interest rates again prior to its March 20 meeting, coupled with lower than expected earnings reports and projections from technology firms and the brokerage industry, led to a further sell-off on Wall Street.

Earlier on Wednesday, the Commerce Department released a revised estimate of fourth-quarter growth, showing that the economy grew at an even weaker annual pace of 1.1 percent compared to a previously reported 1.4 percent rate. The downward revision, which expressed the most sluggish growth since the spring of 1995, reflected weaker imports and exports of goods and services and lower inventory investment, the Commerce Department said.

On Tuesday the Conference Board reported that Americans' confidence in the economy had dropped to its lowest level in over four and a half years. Citing growing unemployment and declining business conditions, the report said the index had declined for five consecutive months, signaling expectations of a severe economic downturn.

Reports released earlier this week on housing and sales of durable goods reflect similar fears about the economy. The National Association of Realtors reported that sales of previously owned homes dropped 6.6 percent in January, the second decline in two months. A report released by the US Commerce Department on February 26 said new orders for durable goods—costly US manufactured goods—dropped 6.0 percent in January, to the lowest level since June 1999.

The decline in consumer confidence has developed for good reason. A new report released by the US Department of Labor's Bureau of Labor Statistics states that 374,320 workers were laid off in the fourth quarter of last year, with 32 percent of these job cuts occurring in manufacturing industries.

To allay fears about layoffs several articles have appeared in leading newspapers stating the job cuts are not as bad as they look. A front-page *New York Times* article, titled "Behind Layoffs, Reality is Often Less Severe in US," argued that American workers should not worry too much because the majority of the layoffs announced by DaimlerChrysler, Goodyear and Whirlpool were to take place outside the US. The article made light of the thousands of jobs in the US that were being cut, and suggested, furthermore, that US workers should feel no empathy for their co-workers in other countries whose jobs were being axed.

The *Times* article says corporate executives are deliberately inflating their layoff figures to please Wall Street investors and bolster share prices, and that many companies actually rehire laid-off workers. The article fails to report, however, that many of those rehired are employed as lower-paid, contract workers, not full-time employees.

The *Times* claims that while corporations cut over 140,000 jobs last month, more than 200,000 new jobs were added across the country, and that laid-off workers could easily find other employment. This sentiment was echoed in an article in the latest issue of *US News & World Report* entitled "Job Jitters? Stay Calm. Hiring Still Outstrips Firing," which argues that professional, skilled job applicants will have little problems finding work in the "new economy."

Despite the best efforts of the media to cover up the social impact of the job cuts, real people, including both white-collar and blue-collar workers, are being affected. Thousands of professional workers at DaimlerChrysler were given just weeks to pack up their bags and accept early retirement or severance packages under the company's "turnaround plan" announced in January.

Others—including low-skilled manufacturing workers, and women formerly on welfare who found jobs in the service industry because of the tight labor market—are now facing the prospect of lower-paying jobs or permanent unemployment. Many minority workers, who were the last to be hired, are now the first to lose their jobs. The unemployment rate for blacks in the US is currently double the national rate, or 8.4 percent. The jobless rate for Hispanics presently stands at 6 percent.

In February the slowdown resulted in job cuts across broad areas of the economy, from manufacturing, to telecommunications, to retail and the e-commerce industry.

The Big Three auto manufacturers continue to slash jobs, with

General Motors announcing it will idle 14 of its 29 North American plants through a series of temporary shutdowns between February and June. Ten plants will be closed this week alone, involving 21,900 workers. Last week GM indefinitely laid off 980 workers—850 production and 130 skilled trade employees—at its Lake Orion Assembly plant outside of Pontiac, Michigan, and hinted that it may phase out the facility by 2004 if new models are not found to replace those being phased out.

Also last week, GM halted work on the third production shift at the Pontiac East truck assembly plant in a move that will idle about 1,000 GM workers indefinitely in the next several weeks. Pontiac East builds GMC and Chevrolet pickups. Overall, GM has set a goal of eliminating 15,000 jobs while **DaimlerChrysler** announced plans in January to cut 26,000.

The cuts in the auto industry are having a ripple effect in related industries and compounding the slowdown of the national economy. **Federal Mogul**, the world's largest maker of engine bearings and seals, announced plans to lay off 1,100 employees, or 8.6 percent of its workforce, to cut costs. **Dana Corporation**, an auto parts supplier, announced that it had cut 10,000 jobs during the past several months—12 percent of its workforce—to counter the slowdown in the auto industry. **Onkyo America**, the maker of sound speakers for automotive companies, said it will cut 70 jobs, 16 percent of its workforce, because of the downturn.

Goodyear Tire & Rubber, headquartered in Akron, Ohio, announced plans to eliminate 7,200 jobs, primarily overseas, because of the drop in tire orders from the Big Three automakers. “We are in a recession in the manufacturing industry,” said Samir Gibara, chief executive officer of Goodyear. Gibara said the company has been hit hard by cuts in the auto industry as well as the rising cost of raw materials.

Both the telecommunications and the computer industry have reported major job cuts with the expectation that some companies will not survive. Telecommunications company **Alltel Corporation**, citing a slower economy and stiffer competition, announced it will cut 1,000 jobs. **Verizon Communications**, the largest US local phone company, announced earlier this month that it planned to cut 10,000 jobs to reduce costs. On February 21, Verizon announced it planned to close a customer-service call center in Woburn, Massachusetts, affecting 350 jobs.

Motorola Inc, the second-largest mobile phone maker in the world, announced cuts of 300 jobs in its handset unit. The cuts are in addition to the 4,000 jobs cut in its semiconductor unit earlier this month. Canadian-based **Nortel Networks Corporation**, a leading telecommunications company, announced the elimination of an additional 6,000 jobs, for a total of 10,000 cuts this year. Nortel and Lucent Technology supply nearly every major US carrier and many emerging carriers.

SCI Systems, maker of base stations for cell phones and personal computers for other companies, announced plans to cut 3,800 jobs, or 10 percent of its workforce. Based in Huntsville, Alabama, the company said they would close an unspecified number of plants because of slow sales.

On February 15 **, Dell Computer Corporation,** considered the leanest and most profitable computer maker in the world, announced that it was firing 1,700 employees. Dell stated it made the cuts in an effort to stay ahead of the slowing economy. **VA Linux**, the company that established the Linux computer operating system, announced it was laying off 25 percent of its staff of 556 employees, nearly 140 workers.

A three-month dot.com job-cutting effort, topped off by 11,649 layoffs in February, has affected nearly 35,000 Internet-related workers, 12 percent more than the previous 12 months combined, according to the international outplacement firm Challenger, Gray & Christmas, Inc. So far in 2001, Internet-related firms have announced plans to cut 24,477 workers. By contrast, 406 jobs in this sector were cut in January and February 2000 combined. Challenger said it has tracked a total of 65,992 Internet job cuts in the last 15 months.

One of the biggest increases in dot.com job cuts came from online retailers. Job cuts in this category grew 57 percent, from 1,829 in January to 2,874 in February, making it the top category for job cuts for the month in this sector. It was followed closely by firms that build and maintain the technological elements of the Internet, which announced 2,721 layoffs. On Monday, **eToys Inc.** filed for Chapter 11 bankruptcy protection. During the same week the Internet magazine ***The Industry Standard*** laid off 69 employees, 16 percent of its workforce

“Probably the biggest threat to Internet firms right now is a dramatic decline in revenue from online advertising,” said John A. Challenger, chief executive officer of the company which tracks layoffs. Challenger pointed out that portals, sites like **Yahoo!** and **Excite.com** that serve as the jumping off points for Net users and do not sell products or services, announced 1,516 job cuts in February, up from 945 in January.

Other layoffs include: **Polaroid Corporation**, based in Cambridge, Massachusetts, which announced plans to lay off 950 employees. **Samsonite Corporation**, the luggage maker, said it would cut the remaining 340 jobs in its hard-plastic luggage plant in Denver, Colorado and shut down the facility. **Borders Group, Inc**., owners of Borders Books and Music, announced the elimination of 250 community-relations positions, coordinators who arrange speakers and reading events. **Tyco International**, a manufacturer of electronic components, placed 5,000 workers on unpaid furlough for two to three weeks for inventory adjustment.