Job cuts continue as US economic growth slows to lowest rate in five years

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The US Commerce Department reported Thursday that the nation's economy grew at an annual rate of just 1 percent in the last three months of 2000, the weakest performance in more than five years. The decline in the growth rate of Gross Domestic Product—down from a 2.2 percent increase in the third quarter of 2000—occurred as US corporations continued to announce lower corporate profits and mass layoffs.

According to a preliminary survey of economists, growth in the first quarter of 2001, now ending, probably slowed to a 0.7 percent increase. If that prediction is accurate, growth over the last two quarters will have been the slowest since the 0.1 percent pace during the first half of the recession year of 1991.

The Commerce Department also reported that after-tax profits for US corporations fell in the fourth quarter by 4.3 percent, the first decline since 1998. Third quarter profits had risen by 0.6 percent. A series of major corporations—from auto parts makers, to paper producers, to entertainment and technology companies—issued lower profit warnings this week, citing the slowing economy, weaker consumer spending and higher energy prices.

A report released Friday by the Chicago purchasing managers' index said manufacturing in the heavily industrialized Great Lakes region plunged in March, to its lowest level since the recession year of 1982. The report underscored the fact that the US manufacturing sector is already in a recession

The Big Three automakers idled their plants a combined 56 weeks in the first quarter, and are on track for 17 weeks in the second quarter. March auto sales, to be reported next week, are expected to be at an annual rate of 16.3 million, said Goldman Sachs analyst Gary Lapidus, well below the 17 million rate in the first two weeks of the month, and the record 17.5 million in 2000. The combination of reduced demand from the Big Three, plus the car makers demands for price reductions, have put a squeeze on parts manufacturers who are reporting losses and workforce reductions.

Delphi Automotive Systems, the world's largest auto parts maker, announced Thursday that it would eliminate 11,500 jobs this year, or 5.5 percent of its workforce, mainly by not hiring replacements for retirees in the US, but also through layoffs. Delphi, which was spun off by General Motors two years ago, said 7,600 jobs—including 2,000 salaried workers—would go at its US plants.

Delphi said it could suffer its first loss, as much as $50 million in the first quarter. Announcing the cuts, Chief Operating Officer JT Battenberg—who made $5.9 million in salary and stock bonuses last year—said the move was necessary to boost shareholder confidence in the company. Wall Street responded by increasing Delphi shares by 58 cents to $14.52 on Thursday.

The company will close nine plants, including three in the US, four in Europe (in France, Germany, Italy and the United Kingdom) and two in Brazil. The American plants to be shut this year are an aircraft wiring factory with 475 employees in Robertsdale, Alabama; an automotive electrical wiring factory with 57 employees in Fort Defiance, Arizona; and a factory that makes pickup truck steering gears in Saginaw, Michigan. Reductions in the workforce will take place in 40 other facilities.

Job cuts in Dayton, Ohio, where Delphi employs 10,000 workers, include: 500 workers at its Harrison Thermal plant; 140 jobs at the Energy & Chassis plant in nearby Kettering, Ohio; 120 jobs at A & D Engine Mounts; and 240 jobs at its two brake plants. Employment in the Dayton area had increased over the past two years, as Delphi took advantage of the lower wages negotiated for new hires by the United Auto Workers and the International Union of Electronic Workers.

As one retired Delphi brake worker from Dayton told the *World Socialist Web Site*, “Delphi is getting rid of older workers who make $24 an hour and keeping the younger workers who are getting between $9 and $15 an hour, under the two- and three-tier wage agreements, negotiated by the unions.” This point was substantiated by Delphi's chief financial officer Alan Dawes, who announced that the company wants to reduce its worldwide labor costs to an average of $16.25 an hour, down from $19 when the company was spun off from GM.

In addition to the 7,600 jobs in the US, Delphi will cut another 3,900 jobs outside the country. In Mexico—where Delphi is the largest private employer—the company had previously announced the elimination of 7,600 jobs.

Sean McAlinden, an automotive economist at the Center for Automotive Research in Ann Arbor, Michigan, said Delphi also is intent on getting out of some business lines that yield a low profit and is cutting employment in those areas. “They are getting out of things like forging and foundry work and going more toward high-tech electronics,” McAlinden said.

Ford Motor Co. will cut one shift, or about 830 jobs, from a highly profitable sport utility vehicle factory in Wayne, Michigan in response to slowing sales. Sales of the Expedition and

Navigator, two of Ford's highest-profit vehicles with margins that had been near $15,000 per vehicle, were down 15 percent through February as competition in the glutted full-size SUV market intensified.

Ford CEO Jacques Nasser told industry analysts during a meeting in New York on Thursday that he expected auto sales to taper off in the second half of the year from their stronger than expected level in the first quarter. The company also announced that next week it will idle its car assembly plant in Wixom, Michigan, where the Lincoln Continental, Lincoln LS, and Lincoln Town Car luxury sedans are manufactured, to cut back on inventories. Ford said 2,700 workers would be on temporary layoff next week. Several analysts have predicted that Ford's sales were down about 20 percent this month from a strong performance last March.

DaimlerChrysler management has quietly added another 500 jobs to the 19,000 hourly jobs it had previously announced it would cut as part of the “turnaround” plan for its US Chrysler Group, which lost $1.8 billion in the last six months of 2000. Thousands of white-collar workers' jobs have already been eliminated. In addition to the previously announced plant closings in the US, Canada and Latin America, company executives made it clear that they plan to sell off or close a plant in Dayton, Ohio that makes air conditioning and heater units.

In addition to the auto industry, other major US corporations announced mass layoffs this week. Citing weaknesses in the economy, **Walt Disney Co.** announced Tuesday that it would cut 4,000 jobs worldwide, or 3 percent of its workforce. Disney officials said the bulk of the cuts will come in the company's theme-park division, where as many as 1,650 jobs have been targeted. This includes as many as 1,400 at the company's four theme parks and other attractions in Florida and 250 in Anaheim, home of Disneyland and the newly opened Disney's California Adventure. The cuts come on the heels of previous reductions at Disney's Internet operations, where 535 workers have been laid off since January, as well as the consolidation of its ABC television group near Burbank, California.

Among entertainment companies, Disney in particular is vulnerable to any softening in tourism that the economic slowdown brings because so much of its health is tied to its theme parks, which generate nearly $3 of every $10 in operating profit. Disney spokesman John Dreyer said advance bookings for spring and summer are softer than projected at the theme parks, but the company still expects results to grow for the year.

In announcing the first across-the-board job cuts at Disney since the recession of 1974-75, CEO Michael Eisner, who cashed in $50 million in stock options in 1999, told employees that the cuts were necessary to “uphold our investors' confidence in our future.”

Palm Inc. shares fell 48 percent Wednesday after the maker of hand-held computing devices said it would report a fourth-quarter loss and cut 250 jobs. The company also said it would postpone building its new headquarters in San Jose, California.

Canadian-based **Nortel Networks** warned late Tuesday that its first-quarter loss could triple from earlier forecasts because of the sluggish US economy. Nortel said it would slash another 5,000 jobs this year, on top of the 10,000 job cuts already announced.

Kellogg Company announced it was cutting 620 jobs. It will eliminate 470 jobs by shutting down a Denver bakery run by the Keebler Food Company, the snack food maker which the company recently acquired, and another 150 jobs through the continued consolidation of Kellogg's Battle Creek, Michigan headquarters.

Lockheed Martin said it would cut 600 jobs from its satellite and spacecraft production centers to reduce costs because of a decline in commercial satellite launchings. The job reductions, about 12 percent of the workforce at the unit, based in Littleton, Colorado, are already under way.

Phelps Dodge, the world's second largest copper producer **,** announced that it would cut back operations in Arizona, New Mexico and Colorado in the coming months and warned that addition layoffs were coming this summer, partly because of higher electricity costs. The company laid off 85 workers as it suspended its milling operation and part of its mining operation in Hurley, New Mexico. The company also renewed its layoff notices for 2,265 other employees at facilities in Tyrone, New Mexico; Green Valley, Arizona and Bagdad, Arizona, where the company will being reducing operations this June.

The athletic and footwear retailer **Venator Group** announced it would close 323 Northern Reflections stores in the US, eliminating the jobs of 700 full-time and 2,300 part-time employees. The company will also eliminate 100 jobs at its Northern Group corporate office in Toronto.

Other layoffs announced this week include: 47 jobs at Texas-based **Panja Inc**., maker of software for delivery of Internet content to televisions and stereos; 80 jobs at investment firm **Robertson Stephens**; between 90-95 jobs at Virginia-based **Cysive Inc.,** a developer of e-commerce sites and other business software; and 370 jobs at **PRI Automation**, whose factory automation systems and software are used in the production of semiconductors. Three months after laying off a quarter of its workforce, the San Francisco-based professional Web services company **Organic** announced it will lay off an additional 35 percent, or about 300 workers, of its remaining employees as a result of the slowdown in the Internet industry.

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