

New unemployment claims at five-year high as US companies slash thousands of jobs

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US companies are shedding tens of thousands of jobs as signs mount that the economic downturn may develop into a full-blown recession. Among those companies announcing big job cuts in the past week were Eastman Kodak, Cisco Systems, Honeywell and Hewlett-Packard.

In the first week of April new claims for unemployment benefits rose to 392,000, a 46 percent increase from last year and the highest weekly level in five years, according to the University of Michigan. The figures indicate a continued pattern of heavy job losses, following a net decrease of 86,000 jobs in March.

The outplacement firm Challenger, Gray & Christmas reported that job cuts in April have already surpassed 100,000. This marks the fifth consecutive month that layoffs in the US have exceeded 100,000. The firm reported that layoffs in the first quarter of 2001 totaled 406,806 compared to 141,853 during the first quarter of 2000.

Workers who are laid off are also having a harder time finding new jobs. One survey showed that currently 57 percent of the unemployed had gone five weeks or more without a job, compared to 52 percent one year ago. According to the Economic Cycle Research Institute, hours worked have dropped to their lowest levels in 19 years.

Noting the signs of an economic decline, the US Federal Reserve cut interest rates April 18, in advance of its scheduled May 15 meeting, the fourth one-half point rate cut this year by the central bank. A statement issued by the Federal Reserve said it decided on the rate cut because of lower corporate profits and investment, dampened consumer spending due to the recent fall in the stock market and the impact on US exporters of an economic slowdown overseas.

There are indications that the cut in interest rates may be too late to prevent a sharp growth in unemployment. An article in the April 20 edition of the *New York Times* was headlined, "Fed Medicine: Some Patients Are Too Sick to Be Helped by the Fed." It pointed out that many companies are in no position to borrow, despite rate cuts. "No interest rate is low enough to persuade a company to build a plant to produce products it cannot sell," it observed.

The April 18 edition of *Businessweek* magazine quoted a Harvard economist who warned that even with economic growth of 2 percent this year "unemployment will go up to 5 percent or 6 percent." The National Federation of Independent Businesses is predicting that the unemployment rate will rise from its current level of 4.3 percent to 5 percent by the fall.

Many signs point to serious trouble ahead for the US economy. Five of the six largest US airlines reported losses for the first quarter of 2001. A host of corporations have reported lower profits, including Ford, Honeywell, Yahoo! and Cisco Systems. The US Commerce Department reported that retail sales fell .2 percent in March, while the University of Michigan's consumer sentiment reading fell to 87.8, its lowest level since November 1993.

The initial phase of the downturn is taking its hardest toll on low wage and minority workers. The unemployment rate for African Americans has jumped from 7.2 percent to 8.6 percent since last September.

The average starting wage for single women on welfare fell to \$7.54 an hour, a 3 percent decline since last June, according to a survey taken in January and February by the Welfare to Work Partnership, a nonprofit group set up by employers with the support of the Clinton administration.

With unemployed still at a low level by historical

standards, wage increases for blue-collar workers have come to a virtual halt. In the latter part of last year wages for nonsupervisory workers went up just .1 percent.

One of the largest job cuts this week came at **Honeywell**, a diversified company that manufactures automobile and aerospace-related products. Citing slow sales and lower income, company executives announced they will ax 6,500 jobs. Profits at the company, a component of the Dow Jones industrial average, fell for all of its product lines.

Over the past week major high tech companies have announced layoffs. **Cisco Systems**, the computer networking company, said it would increase its planned job cuts to 8,500, citing a projected 30 percent drop in revenue. Cisco chief executive John T. Chambers declared, "We never built [financial] models to anticipate anything of this magnitude. This may be as fast as any industry our size has ever decelerated."

Computer maker **Hewlett Packard** says it will eliminate 3,000 management jobs as part of a cost-cutting move. The company said both profits and revenue would fall short of projections for the first quarter of 2001.

Texas Instruments, a manufacturer of computer chips, plans to lay off 2,000 workers, according to a report in the *Wall Street Journal*. The company has projected that its revenue will decline 20 percent this quarter over the final quarter of 2000.

Facing a net loss of \$2.58 billion during the first three months of this year, Canadian-based **Nortel**, a maker of communications equipment, has announced an additional 5,000 layoffs on top of 15,000 job cuts announced earlier this year.

In the manufacturing sector, **General Motors** announced that it would temporarily shut down two plants in Michigan and Canada, laying off 3,200 workers at its Lake Orion, Michigan plant and another 1,200 for the second consecutive week at its plant in Saint Therese, Quebec.

Eastman Kodak, a manufacturer of film and photographic equipment, says it will lay off 3,000 workers. The company's profits were down 48 percent this quarter. Executives blamed a slow US economy, citing a drop in the sales of film.

Ball bearing maker **Timken** says it will eliminate 1,500 jobs as part of a cost-cutting plan. The Canton,

Ohio-based company says that it plans to close two of its factories.

A number of Internet related companies have announced recent job cuts. Online convenience store **Kozmo** says it will shut down operations and lay off all 1,100 of its employees. The company was founded three years ago by a pair of former college roommates in their twenties.

Internet portal **Yahoo!** said it would cut 420 jobs after reporting a loss for the first quarter. The layoffs were the first since the company was founded six years ago.

E-mail software company **Critical Path** is cutting 450 jobs, 43 percent of its workforce. Among those being fired is the company president.

Other recent layoff announcements include:

- * KPMG Consulting, 450-550 jobs;
- * LSI Logic, 500 jobs;
- * Dow Jones & Co., 202 jobs;
- * Daleen Technologies, 200 jobs;
- * Guide, 138 jobs;
- * Chadwick's, 300 jobs.



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