Jobs destruction continues in US

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US firms in a variety of sectors announced job cuts and downsizing in recent days, as the slowdown works its way through the economy. In addition to the layoffs, numerous corporations announced bleak corporate earnings or warned of slower revenue growth in coming months.

On July 12 the world's largest forestry products company, **International Paper**, announced it was cutting back production and eliminating 655 jobs—two weeks after it announced 3,000 cuts. From the company's Stamford, Connecticut headquarters, CEO John Dillon blamed the cutbacks on the strong US dollar and soft demand.

On the same day **Motorola**, the giant cell-phone and semiconductor manufacturer, reported the elimination of 4,000 more jobs, bringing the proposed total by the end of the year to 30,000, for a savings of nearly $2 billion. The announcement came the day after the firm reported its second consecutive quarterly loss. An analyst with J.P. Morgan Chase H&Q told the *Chicago Tribune* that Motorola was now "really out-of-room from a cost-cutting point of view."

Motorola lost $759 million in the second quarter of 2001, compared with a profit of $204 million a year ago, nearly a $1 billion-dollar turnaround. Semiconductor orders declined 51 percent from the same period in 2000. CEO Christopher Galvin said his company had made the cuts necessary to weather any economic turbulence. "All of us know how to manage in a recession," he said.

Officials at **Amtrak** have revealed that a 15 percent reduction in management positions has been ordered as the government-run passenger train corporation attempts to meet a congressional deadline for breaking even on operations by the end of the year. Amtrak had a loss last year of $561 million. Similar cuts, of 10 to 15 percent, among unionized employees are also under consideration; train service may be curtailed as well. Amtrak has some 23,000 employees.

Coca-Cola Enterprises, the world's largest Coca-Cola bottler and owned 40 percent by the beverage manufacturer, announced plans July 17 to eliminate 2,000 jobs, about 3 percent of its worldwide workforce. Coca-Cola Enterprises has about 57,000 workers in North America and 10,000 in Europe.

American Express, the financial and travel-related services company, announced July 18 that it would cut another 4,000 to 5,000 jobs in an effort to lower costs. This comes on top of previous plans to eliminate about 1,600 jobs. The total represents a cut of at least 7 percent of American Express's worldwide workforce.

The No. 2 supermarket chain in the US, **Albertson's**, reported July 18 that it planned to close 165 stores in 25 states and cut an undisclosed number of jobs. The firm, headquartered in Boise, Idaho, currently has about 235,000 employees and 2,541 stores that operate as Albertson's, Jewel Osco, Sav-on and Osco Drug.

The job slashing is the first major initiative launched by Chairman and CEO Lawrence Johnston, who joined the company in April after heading General Electric's appliance division. Johnston told analysts in a conference call, "There's no sacred cows. We're turning over every stone in the company. The environment I came from at GE is pretty notorious for ongoing productivity and continuous improvement. That's exactly what we're pushing for at Albertson's."

Jo-Ann Stores, the fabrics and craft retailer, announced 55 layoffs on the same day, most of them at its corporate headquarters in Hudson, Ohio.

Executives at **Safeco**, the insurance and financial products firm, revealed plans to lay off 1,200 employees, including 250 at its corporate headquarters in Seattle. The job cuts began July 18 and will not be completed for two years. They will affect approximately 10 percent of the company's workforce. The layoffs are part of a restructuring plan aimed at reviving the insurer, which, according to an industry analyst, has “severe and deep-seated problems.”

Northwest Airlines, the fourth largest airline in the US, announced July 19 that it would lay off 500 employees, including 130 managers. In total, the airline is eliminating 1,500 positions, many of them through attrition, voluntary leaves and retirement. Northwest is struggling with the slump in business travel that has affected the entire industry.

A number of high-tech and Internet companies announced job cuts in the past week. On July 12 **Microlog**, a maker of software that manages customer-service call centers, reported that it was firing 20 percent, 12 workers, from its shrinking workforce. **Blackboard**, a Washington, DC company that sells software to allow colleges and universities to provide online materials as part of their courses, announced a cut of 8 percent of its workforce, or 40 out of 490 employees. **GE Global Exchange Services**, known as GXS, revealed plans July 16 to lay off about 300 workers, or nearly 12 percent of its employees. The GE unit helps businesses conduct transactions with suppliers and customers over the Internet.

Storage Networks, which leases data storage capacity to large firms, announced July 19 that it would lay off 220 workers, or nearly 30 percent of its staff. The company reported a second-quarter loss of $32.2 million. Most of the cuts will take place at its Waltham, Massachusetts headquarters, but some jobs will be lost in other parts of the US, as well as Germany and Britain. Also on July 19 **Cypress Semiconductor** of San Jose, California reported plans to cut 650 jobs, or 18.6 percent of its workforce. For the quarter ending July 1, Cypress reported a net loss of $18 million, compared with a profit of $66 million in the same period in 2000. Data storage and consumer electronics firm **Iomega** also reported a second-quarter loss July 19 and a 35 percent revenue drop amid slumping sales of its products. Company officials announced a restructuring plan that could cut over 25 percent of its employees—800 to 1,100 workers.

Software giant **Microsoft** reported a profit that fell within Wall Street predictions on Friday, but warned that revenue growth would slow in the current quarter as demand for personal computers remains sluggish. Other high-tech firms, including **Nortel**, **Gateway** and **Vitesse Semiconductor**, reported poor earnings reports or outlooks.

The continuing destruction of jobs, with all that entails in the form of disrupted lives and hardship, has profound social and political implications. Albertson’s Lawrence Johnston may believe that the policy of “turning over every stone in the company” will have no consequences, but history suggests otherwise.

The *Grand Rapids (Michigan) Press* was obliged to take notice recently of a particularly callous incident of downsizing. The newspaper’s July 10 editorial warned of “corporate irresponsibility” and a lack of “empathy” in the case of **Michigan Bulb**, a top mail-order garden supply firm, whose parent, Illinois-based Foster & Gallagher Inc., shut it down “with no advance notice,” according to the *Press*. “Terminated workers were let go with little more than a pink slip and a goodbye—no severance package or other benefit was offered. The closing left hundreds of employees with no health insurance or retirement plan, and no time to make contingency plans to deal with their unexpected predicament.” This episode speaks volumes about the real state of social relations in the US.