Lucent Technologies to cut 15,000 to 20,000 more jobs

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Lucent Technologies, the US's largest manufacturer of telecommunications equipment, plans to lay off 15,000 to 20,000 workers by the end of this year, in addition to the 24,500 it had announced earlier this year. In addition to these layoffs, the company will also eliminate another 10,500 jobs through the sale of its fiber unit and two manufacturing plants.

Since January the company—a spin-off of AT&T, which until recently had been highly profitable—has laid off 10,500 workers, forced another 8,500 to take early retirements and fired 5,500 contract employees. When the job cuts and selling of the two units are complete, Lucent will be left with fewer than half of the 123,000 employees it had when the year began.

The Lucent announcement comes just a little more than a month after Nortel, the world's largest telecommunications equipment manufacturer, reported a $19.2 billion loss and the layoff of 10,000 workers, bringing its total job cuts to 30,000 since January. The same week Lucent announced its layoffs, tens of thousands of layoffs were announced throughout the slumping international telecom industry, including by France's Alcatel, which eliminated 10,000 jobs in addition to the 5,800 cuts made earlier this year.

"Nobody knows what will happen to them," said Randy, a Lucent technician in Pittsburgh. "I don't care how many years you have or how much you know, nobody is safe."

The company gave laid-off workers 30 to 60 days to find another job, "but given the tight budget constraints of all departments that was not very likely," said a company spokesperson Bill Price. Workers who took the early retirement had less than a month to make up their minds to leave the company or take a chance that their jobs would remain.

"It was a hard decision for people," said Randy. "Many of these people had put their whole lives into this company, yet they are too young to retire and too old to start a new job."

In a separate deal, Lucent announced that it is selling two of its manufacturing plants, one in Oklahoma City and the other in Columbus, Ohio. Under the deal with Canadian-based, Celestica Inc., Lucent will sell the two plants and then buy back the products. Celestica, a company that specializes in running manufacturing operations, will be given a free hand in cutting costs to make the plants profitable.

In a further blow, hundreds of thousands of current and retired AT&T and Lucent workers have seen the value of their 401K retirement plans sink as the price of both stocks have dropped sharply. "People have lost most of what they saved up," said Randy. "Guys who would have had some money when they got laid off will now have to go looking for another job."

Lucent was formed in 1996 when AT&T spun off its equipment manufacturing and research facilities into a separate company. For the first few years, Lucent reported record profits and its stock skyrocketed in price as demand for telecommunications equipment mushroomed. Beginning last year, however, orders and revenues began to fall.

Lucent lost $3.25 billion during the second quarter in revenues, which fell 22 percent from last year. Reflecting the severe slump that has overtaken the telecommunications industry in the US, revenues from domestic sales were down a staggering 38 percent.

In a teleconference with Wall Street investors and journalists, Chief Executive and Chairperson Henry Schacht refused to project revenues for the third quarter. He warned that further job cuts and restructuring may be coming. "I am pleased with the progress we have made on all points of Phase I of our restructuring program," Schacht said. "However, we intend to go deeper with a new phase of our restructuring to reshape Lucent for future growth and profitability even more quickly."

Lucent stock has lost more than 90 percent of its value since its high in December 1999. Last month both Moody's and Standard & Poor's investment services downgraded the company's bond rating to junk status, with S&P putting the company on its negative credit watch.

Considered a shining example of the vast profits to be made in telecommunications only two years ago, Lucent has fallen prey to a sharp reduction of capital spending by businesses being hit by the worldwide economic slowdown. At the same time, the slumping telecom sector has become a major force in a further undermining of the global economy.

Since the beginning of the year, telecom service providers and equipment makers have announced 225,000 job cuts, according to a tally compiled by the *Wall Street Journal*. This far surpasses the 134,000 jobs destroyed at dot-com companies since December 1999 and represents one fifth of all job cuts in the US.

During the 1990s the telecom industry saw a rapid expansion as it moved to meet growing demand, particularly in data and wireless services. Hundreds of billions of dollars were poured into the industry. The industry is now suffering from a crisis of overcapacity due to the unplanned and chaotic growth each manufacturer, long distance service and Internet provider went through to capture market share from their competitors. The fall-off in production and profits has produced an exponential decline in orders for telecom equipment and new services, leaving much of this additional capacity idle.

As part of the restructuring plan, Lucent also announced it was selling its fiber cable business for $2.75 billion. Last year this was valued at $9 billion and just this past March, Lucent rejected a $4 billion bid for it. Earlier this month Corning, the largest producer of fiber optic cable, announced multibillion-dollar losses and mass layoffs. The company recently stopped work on a half-finished plant in Scranton, Pennsylvania.

The combined market value of telecommunications providers and equipment manufacturers is down $2 trillion since its high in March of last year, representing 90 percent of the net loss of stocks during that period. The drop in the value of AT&T and Lucent stocks—two of the most widely held in the country—has not only wiped out the savings of hundreds of thousands of telecom retirees, but also the savings of millions of other small investors.

Another aspect of the collapse of the industry is the squandering of vast amounts of scientific knowledge. Many of the best scientific minds, recruited during the period of hothouse growth in the industry, have been dispensed with. Bell Labs—once one of the leading research institutions, not only in the field of telecommunication but all physical sciences—has become a shell of its former self under Lucent management and its singular drive to boost profit by cutting costs.