US unemployment claims hit nine-year high

Kate Randall
28 August 2001

US corporations continued to cut thousands of jobs last week amid further signs that the American economy is not rebounding from its yearlong slowdown, despite seven interest rate cuts by the Federal Reserve Board.

For the week ending August 4, the number of jobless workers drawing benefits rose to 3.18 million, the highest level since September 1992, when the country was in the throes of the last recession. New claims for state unemployment insurance also increased to the highest level since mid-July, rising by a seasonally adjusted 8,000 to 393,000 new claims.

In another sign of slumping business investment, orders for new capital goods dropped sharply again in July. New orders of durable goods fell $1.2 billion to $182 billion, or 0.6 percent. Orders for semiconductors dipped 26 percent, or $1.6 billion, to $4.6 billion.

Consumer spending, pointed to by some economists in recent months as a sign that the economic downturn was not plunging into a full-scale recession, is beginning to show signs of slowing. Consumer spending accounts for two-thirds of Gross Domestic Product. Auto sales, which had remained strong for the first half of the year due to rebates and low interest rates, have begun to slide. Overall auto sales are down about 15 percent from a year ago.

Ford Motor Company, which earlier this month announced white-collar job cuts of between 4,000 and 5,000, has said it plans an extensive restructuring of operations in the US and worldwide. Planned temporary shutdowns of Ford assembly plants in August will affect close to 8,000 workers.

As the consequences of the job cuts in the manufacturing and high-tech sectors began to be felt, the construction industry shed 61,000 jobs between March and July. Business spending on factories and other structures shrank at an annual rate of 11 percent in the second quarter of 2001. The national office vacancy rate, which analysts had expected to level out at 5 percent, has shot up to 11.5 percent, and is expected to hit 14 percent later this year, due in large part to downsizing and job-cutting in the high-tech and financial sectors.

In another indication of the slumping economy, bankruptcy filings in the second quarter of 2001 rose 25 percent over the same period last year. Between April and June, 400,394 individuals and businesses filed for bankruptcy. “It’s borderline shocking, actually,” said Sam Gerdano, executive director of the American Bankruptcy Institute.

Last weekend, Japanese high-tech transnationals Toshiba and Hitachi announced massive job cuts. Computer chip maker Toshiba will slash 20,000 from its global workforce and electrical machinery manufacturer Hitachi is expected to shed a similar number of jobs. Economists predict tens of thousands of jobs to be eliminated worldwide with financial services and high-tech companies feeling the first shocks of the global downturn.

“This is the first recession in the modern era of globalization,” commented Stephen S. Roach, chief economist of the New York investment bank Morgan Stanley. “We’ve gone from boom to bust faster than any time since the oil shock” of the 1970s, he said. “When you screech to a halt like that, it feels like getting thrown through the windshield. The bubble we had in this country was really a global bubble. Now it has popped.”

J.P. Morgan Chase, the second-largest US bank, has raised the number of jobs it plans to eliminate by about 3,000, to 8,000. The additional job cuts will be spread out over the new few months, targeting bankers and support staff. The bank has already slashed about 5,000 of its 100,000 workforce among trading, merger, private banking, asset management and venture capital personnel.

Bank One Corp. has announced 100 new job cuts, in addition to 1,000 positions eliminated in the first half of the year. The bank has trimmed its workforce by more than 2 percent so far this year.

Citigroup, the nation’s largest financial-services company, announced more layoffs in mid-August, for a total of 4,700 jobs eliminated this year. Wall Street firms Goldman Sachs, Morgan Stanley, Merrill Lynch and Charles Schwab are also reducing their staffs.

Accenture, the world’s largest consulting firm, is cutting 1,000 consulting positions, mostly in the US. It also plans to eliminate about 500 support positions worldwide. Company spokespersons said the job cuts were necessary to reduce

© World Socialist Web Site

overhead in the slowing economy.

Korn/Ferry International, a leading executive-search firm, plans to lay off 500 employees, or 20 percent of its workforce. The firm reported a quarterly loss, and company demands for new managers have dropped off as corporate executive positions are reduced.

On August 23, **Cooley Godward**, one of the San Francisco area's leading law firms, told employees that 85 of the firm's 645 lawyers as well as 50 paralegals would be laid off. Cooley Godward has served the Bay Area's high-tech companies, and has lost business in the current slump in the Internet-related sector. The layoffs are the first economy-driven staff reductions at a large law firm in about a decade.

A Washington, DC-based research firm reported last week that US corporate spending on technology is likely to decline this year for the first time in recent history. The Precursor Group said that in the first six months of 2001, businesses spent 2.4 percent less on computers, telecommunications equipment and software than they did in the same period last year.

Precursor President Bill Whyman commented that "even in the deepest darkest recessions, the technology sector has managed to eke out some growth," but that zero growth is the best-case scenario for this year's technology spending.

Lucent Technologies, the largest US manufacturer of telecommunications equipment, handed out pink slips to 2,200 workers on August 23, as part of a downsizing plan announced last month to eliminate 15,000 to 20,000 jobs by the end of the year. Lucent said it was notifying an additional 2,500 workers outside the US that their positions were also being eliminated. The company plans to lay off another 1,000 US workers by September and 4,000 mostly foreign workers between October and March.

High-speed network provider **Equant** said August 23 that it will eliminate about 3,000 jobs, or more than 20 percent of its workforce. The cuts will take place in the United States, Europe and Asia. Equant merged last year with France Telecom, and announced plans to save $100 million by trimming the merged company's 13,300 workforce.

Agilent Technologies, which sells hardware used in making semiconductors and communications products, said it will eliminate 4,000 jobs, or 9 percent of its workforce. The Palo Alto, California-based company said it was responding to a deepening slump in sales of testing and measuring equipment. Agilent lost $219 million, or 48 cents a share, in the quarter ending July 31.

Tellabs Inc., the biggest maker of equipment to manage traffic on telephone networks, announced last week that it will eliminate 1,000 jobs, or 12 percent of its workforce. Citing a slowdown in spending by its business customers, the Illinois-based company said it will close a plant in Drogheda, Ireland and halt plans to open offices in Chelmsford, Massachusetts. Tellabs posted a $174.4 million loss in the second quarter on a 35 percent drop in sales.

Excite At Home, a combination Web portal and cable Internet access provider, announced August 17 that it was laying off about 200 workers. This is the third round of job cuts this year for the struggling company, whose payroll has been reduced to about 2,300 from more than 3,000 at the beginning of the year.

Hughes Electronics Corp., which runs the satellite television service DirecTV, said last Friday it will shed up to 10 percent of its 7,900 workforce. The El Segundo, California-based company, a subsidiary of General Motors, lost $156 million in the second quarter, more than twice as much as in the same period last year.

AOL Time Warner Inc., the world's largest Internet and media company, said August 21 it will cut more than 1,200 jobs at its AOL Internet unit, which employees about 16,000 people. AOL will also eliminate another 500 jobs in the Internet unit as part of an alliance between Netscape and Sun Microsystems Inc. This is the third major round of layoffs at the company since AOL and Time Warner merged in January. The cuts have hit workers at the news network CNN, *People* and *Time* magazines, New Line Cinema and Warner Bros. Studio Stores.

In the manufacturing sector, farm equipment maker **Deere & Co**. said Monday it would close several plants and eliminate additional jobs, including about 475 jobs in the Carolinas. The company said it will sell its Homelite division and restructure its construction and forestry division, as well as sell its factory in Chihuahua, Mexico. Deere Chief Executive Robert Lane commented, "These actions send a clear signal that we are not content to simply wait for the economy to improve in order to make our businesses more profitable."

Facing a severe drop in the office furniture business, Grand Rapids, Michigan-based **Steelcase Inc**. said it plans to eliminate 900 to 1,100 jobs, or 5 percent of its workforce. The job cuts at the nation's top office furniture maker follow the elimination of 1,450 jobs six months ago.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site