

Layoffs soar throughout US economy

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US companies eliminated nearly 200,000 jobs in the weeks prior to September 11, according to a report released by the Labor Department last Friday. The number of jobs cut in late August and early September—nearly twice as high as most analysts expected—indicates the US entered a recession even before the September 11 attacks, which have deepened the economic crisis.

The Labor Department considered anybody working during the week beginning Monday, September 10 to be employed in September. Nevertheless, 199,000 jobs were cut from the month before, the highest number since February 1991, the last time the US was in a recession.

Jobs were slashed throughout the US economy, including in the service sector, which accounts for 80 percent of US jobs and had until recently escaped the type of downsizing the manufacturing sector has experienced for more than a year. The Labor Department reported services—including restaurants, supermarkets, clothing stores, movie theatres and temporary job agencies—shed 102,000 jobs in late August and early September.

Manufacturers cut another 93,000 positions in this period. Factory employment fell in September for the fourteenth consecutive month and has declined by 1.1 million jobs, or 6 percent, since July 2000.

Because of the timeframe of the Labor Department's jobless survey, the official unemployment rate remained at 4.9 percent. Analysts expect October's jobless rate to jump to at least 5 percent—the highest mark since early 1997—when the job losses since September 11 are added.

The job report also confirmed that the slowdown is now hurting low-paid and less-educated workers harder than before. After staying steady for most of the year, the jobless rate for workers without a high school diploma has risen to 7.8 percent, from 6.6 percent,

since July. The jobless rate for college graduates also rose, to 2.4 percent, from 1.6 percent in December.

According to the international job outplacement firm Challenger, Gray and Christmas, since September 11 US corporations announced another 200,807 job cuts. This would bring the September 2001 total to nearly a quarter of a million, a 77 percent jump from August and a staggering 421 percent higher than September of last year.

In the last nine months, Challenger reports, US companies have announced 1.37 million job cuts. Transportation companies, led by US airlines, cut 96,333 jobs in September.

“It's very clear that we're in a recession,” said Kurt Karl, chief economist at Swiss Re in New York. “The employment numbers imply that a 6 percent unemployment rate is on the horizon although it may be three to four months away.”

In the weeks since the terror attacks, the number of people filing for jobless benefits has surged to 528,000 from 431,000, its highest level in nine years.

The sharp payroll reductions, prior to September 11, underscore the negligible effect the Federal Reserve's repeated interest rate cuts and the Bush administration's tax cuts have had in reviving corporate investment or preventing a decline in consumer spending. Since the attacks the Fed has cut rates by a full percentage point, to the lowest level since the early 1960s.

Even before September 11 consumer confidence and personal spending—which kept the economy out of recession—was falling sharply. “The consumer had hung in there and hung in there, shrugging off a lot of adversity, like the decline in the stock market,” said Stephen Slifer, an economist at Lehman Brothers. But in the few weeks before September 11, he added, the consumer “was suddenly worried about his job, and that's a horse of a different color.”

In addition to the fears about job losses, a decline in earnings has also undermined consumer spending. In September, average hourly earnings rose 0.2 percent, to \$14.44, while an index that tracks the hours worked by a large number of employees fell 0.3 percent, its fourth consecutive decline. Until recently wages had increased at a faster pace because of the tight labor market.

Auto sales fell sharply in September despite zero-interest financing plans that dealers started after last month's attacks. Sales have fallen 9.1 percent since September 2000, and analysts believe the industry's slump will last into the middle of 2002. DaimlerChrysler's US group suffered the highest sales drop among domestic automakers, seeing car sales decline by 22 percent and truck sales fall 30 percent. Chrysler responded by idling five plants in North America.

Corporations have continued to reduce investment on new buildings, equipment and technology. Businesses, which expanded rapidly in the 1990s, have since slashed spending because they do not want to take on new debt in an atmosphere of declining profits, glutted markets and deflated prices.

The *Wall Street Journal* recently commented, "the growth in business borrowing has ground to a halt, and consumer credit growth has slowed sharply.... All this raises a troubling question: Are the headwinds facing the economy so great that no interest rate, even one approaching zero, can turn things around?"

Since September 11 airlines have eliminated 106,290 jobs, defense aerospace companies 38,900 positions and technology firms 29,451.

Companies announcing job cuts last week included: **Nortel Networks** of Canada, which will eliminate 20,000 positions in addition to the 30,000 jobs it said it would cut earlier in the year, and California-based computer maker **Sun Microsystems**, which will eliminate 4,000 jobs. Las Vegas resort **MGM Mirage** said it would cut 6,000 jobs and retailer **Nordstrom** announced it will eliminate 1,600 jobs.



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