Job cuts continue to mount in US

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Corporations continued to slash payrolls and retrench their US and worldwide operations last week. At the same time, several economic indicators were released suggesting the yearlong slowdown in the US has become a full-scale recession in the aftermath of September 11.

On Friday the Commerce Department reported that retail sales had declined by 2.4 percent in September, the largest drop in nearly 10 years. The sharp falloff in retail sales was three times the size of the decline predicted by many economists. It followed a 0.4 percent sales increase in August.

Strong consumer spending—which accounts for two-thirds of total economic activity—had offset the sharp drop in business investment and manufacturing over the past year and many economists believed it was the one sector keeping the US out of a recession. Most analysts now expect economic activity—which managed a barely positive growth rate of 0.3 percent in the April-June quarter—will show declines in the July-September quarter just completed and in the final three months of the year. Two consecutive quarterly declines are considered evidence of a recession.

The Commerce Department report showed that auto sales fell by 4.6 percent, despite efforts by automakers to spur sales by offering zero percent financing after September 11. Clothing sales were down 5.9 percent and sales at hardware and building supply stores were down 2.2 percent.

With corporations announcing tens of thousands of layoffs, the average number of workers filing new claims for unemployment rose over the last four weeks to the highest in almost a decade, according to a Labor Department report issued last week.

Average claims totaled 463,000, the most since December 1991, up from 455,000 at the end of September. While figures for the first week of October showed claims fell, a department spokesperson said the decline most likely reflected a quirk in seasonal adjustments. The four-week moving average includes a surge in claims to a nine-year high of 535,000 in the week that ended September 29. This includes almost 11,000 new claims in New York and Virginia related to the destruction of the World Trade Center towers and the shutdown of the Ronald Reagan National Airport.

An earlier Labor Department report showed that layoffs had reached 199,000 in the four weeks preceding the September 11 events.

In a sign of the precarious financial position of many US corporations, instant photography firm **Polaroid** filed for bankruptcy protection Friday. The Cambridge, Massachusetts company—founded in 1937—has been hard hit by digital photography technology and was struggling with a debt load of $1 billion. Polaroid—which had previously laid off 2,950 employees, or a third of its workforce—announced last Friday it was eliminating health benefits and insurance payments for its retirees and skipping severance payments to recently laid-off employees, in order to conserve cash for potential buyers and the banks.

Massive job cuts continue to be announced throughout the manufacturing sector, which has been in a slump for more than a year. The *Detroit Free Press* reported Friday that **Ford Motor Co**. was planning to cut 20,000 jobs as part of a cost-reduction plan to return to profitability. Company officials, who earlier said they would make 5,000 white-collar job cuts, claimed they had no immediate plans for such reductions but would announce a company turnaround plan in December. The No. 2 US automaker will post its second consecutive quarterly loss when third-quarter results are released next week. Ford Motor Co. also announced its first dividend cut in a decade.

The *Free Press* said word among industry insiders and Ford managers was that a total of 20,000 positions would be eliminated at Ford—about half of them white-collar jobs—to meet Wall Street demands for a “Chrysler-like restructuring.” At the beginning of the year, DaimlerChrysler announced 26,000 cuts at its US Chrysler unit.

Meanwhile the company’s German unit Ford-Werke AG said it will lay off 1,000 workers for 16 days in November and December as demand falls in the US and Europe. The workers make engines for the Ford Explorer and Ranger models. Sales of the models were falling before the September 11 attacks and fell even more sharply afterwards. Workers in Belgium will also be affected.

DaimlerChrysler announced plans to cut 2,700 jobs and close three plants at its troubled **Freightliner** truck subsidiary as part of its restructuring program. Plants will be closed in Woodstock, Ontario and Kelowna, British Columbia before the end of the year. A parts factory will also be shut in Portland, Oregon by the middle of next year. The closures will result in 1,600 factory workers losing their jobs and another 1,100 white-collar layoffs.

The decline in auto sales led **Goodyear Tire & Rubber Co.** to announce 1,400 layoffs at five US plants this month. The layoffs are in addition to the 8,000 job cuts the world's largest tire maker announced earlier in the year, mostly in Europe, Asia and Latin America. The layoffs will affect hourly and salaried workers at plants in Danville, Virginia; Fayetteville, North Carolina; Tyler, Texas; and Huntsville and Gadsden, Alabama. The previous week Goodyear cut its dividend by 60 percent because of lower third-quarter profits.

Illinois-based electronics company **Motorola** announced it would eliminate another 7,000 jobs before the year's end. The company has cut its workforce by 25 percent this year, reducing worldwide employment to 108,000 and cutting costs by $1 billion. In a conference call to investors, Motorola CEO Christopher Galvin said executives had expected positive growth early next year. Last month's attacks "make near-term forecasting more challenging," Galvin said, declining to predict Motorola's performance in 2002.

The company is selling off business units and analysts predict a series of mergers and consolidations in the semiconductor business because of overcapacity in the industry.

Corning, one of the largest makers of fiber optics, announced it would lay off up to 4,000 more workers in addition to the 8,000 job cuts it had previously announced. The company, which failed to meet profit expectations, also said it would temporarily idle more plants.

General Electric Aircraft Engines announced earlier this month it would cut up to 4,000 jobs. This includes up to 800 positions in Cincinnati and 250 jobs in Lynn, Massachusetts.

Terex, a manufacturer of earthmoving and light construction equipment, announced this week that it would close seven more plants and cut another 725 jobs as it consolidates production. The Connecticut-based company had announced 500 job cuts in June. The newest cuts will be at its plants in Tetbury and Warwick, England, and in Cork, Ireland.

Job slashing also continued in high-tech companies. **Computer Associates International**, the world's fourth largest software company, said last week it would lay off 900 employees, or 5 percent of its workforce, in the face of slower corporate spending on technology.

After saying for months it would not lay off workers in response to the sell-off on the stock market, investment firm **Goldman Sachs** said last week it would eliminate 400 positions due to the economic impact of the terror attacks. The across-the-board job cuts, which will begin next week, include senior personnel in investment banking, technology and possibly private banking units

Goldman is the latest Wall Street firm to announced layoffs since September 11. **Credit Suisse First Boston** said last week it would eliminate 2,000 jobs, or 7 percent of its global workforce, to save $1 billion in expenses. The week before **Morgan Stanley** said it would shed as many as 200 investment bankers from its payroll. Before the September 11 attacks, **Charles Schwab** announced 3,900 layoffs, **Merrill Lynch**, 3,800 and **Bear Stearns**, 346.

The aviation industry has continued to slash jobs in the US and internationally. **Boeing Co.** announced it will cut roughly 12,000 employees from its commercial airplanes and shared services division by December 14 in the first round of layoffs following its announcement last month of 20,000 to 30,000 job cuts. About 9,000 workers were scheduled to receive 60-day layoff notices last Friday, including 7,000 in the Seattle area.

In addition to the more than 100,000 airline workers laid off by US carriers in the aftermath of September 11, international airlines are continuing to slash jobs. The Spanish airline **Iberia** said it planned to ax around 3,000 jobs as part of drastic cost-cutting measures following the US attacks. The job cuts will be presented to the Spanish government and labor unions within a month as part of a broader plan to reduce Iberia's activities by 11 percent from November 1, the airline said.

Meanwhile in Switzerland, unions at bankrupt carrier **Swissair** said the rescue plan for the airline based around the regional carrier Crossair was in danger of collapse, threatening a further 17,000 jobs at the airline.

A picture of the human cost behind these numbers is only now beginning to surface. According to a recent article in *USA Today*, Americans are heading into a recession with record debt. Calls to the nation's largest credit counseling center are up 10 to 20 percent from a year ago, according to the National Foundation for Credit Counseling. Credit card delinquencies rose to 3.9 percent of all accounts in the second quarter, the highest since the American Bankers Association started keeping data in 1980.

A poll conducted by CNN and Gallup on October 5-6, prior to the bombing in Afghanistan, showed 36 percent of all Americans are afraid they won't be able to maintain their standard of living over the next 12 months. Some 29 percent worry they or their spouse may lose their job.

Matt Coffin, CEO of LowerMyBills.com, a web site that helps people reduce expenses, calls it "financial quicksand." He said, "You turn to the right, and you've got credit card bills. You turn to the left and your stocks just plunged. You turn back to the right, and you've lost your job."