

Biggest jump in US jobless rate in 20 years

Kate Randall
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A staggering 415,000 US jobs were lost in October, the largest number in two decades. The Labor Department reported that last month's cuts were the worst since 464,000 jobs were eliminated in May 1980, and came on top of 213,000 job losses in September.

The October unemployment rate shot up half a percentage point, to 5.4 percent, the highest level in nearly five years. Since March, 1.2 million jobs have been eliminated in the private sector. The number of part-time workers who are seeking full-time jobs also increased sharply for the second consecutive month, rising from 3.3 million in August to 4.5 million in October.

Virtually every sector of the economy shed jobs last month, and few analysts disagree that the economy is now in recession. Manufacturing, airlines, hotels, travel agencies and retailers were among those sectors recording the biggest losses.

"We are clearly now in the throes of a nasty recession," said Bill Cheney, an economist at John Hancock Financial Services in Boston. "Nothing dampens consumer confidence and spending like job losses," he added.

Sun Won Sohn of Wells Fargo Bank in Minneapolis commented, "The recession is getting deeper and will extend well into 2002."

Earlier in the week, the government reported that the nation's gross domestic product (GDP) shrank by 0.4 percent in the third quarter. Analysts expect the GDP to contract again in the current quarter, meeting the official criterion of a recession, in which national output shrinks for at least six months.

The downturn was well under way before September 11, and the terror attacks on New York and Washington exacerbated what was already a deteriorating economic situation. The jobless total rose by half a million in August.

The rise in joblessness was consistent with other economic indices pointing to a sharp downturn. The National Association of Purchasing Management (NAPM) reported that its monthly gauge of factory activity plunged to 39.8 in October—the lowest level since February 1991—from 47.0 in September. A reading under 50 indicates that manufacturing activity, which accounts for nearly a sixth of the overall

economy, is declining. Both new orders and factory production posted some of the sharpest declines on record. The NAPM report showed the aerospace, steel and automotive sectors struggling, and major construction activity tailing off.

Consumer confidence also plummeted in October to its lowest level in seven-and-a-half years. The Consumer Confidence Board announced Tuesday that its Consumer Confidence Index dropped to 85.5 from 97 in September, far below the 90 level analysts had predicted. The index is based on a monthly survey of about 5,000 US households and is measured against results in 1985, which are pegged at 100.

Consumer spending, which accounts for two-thirds of the nation's economic activity, fell by 1.8 percent in September, the largest drop in 15 years, and October figures are expected to reflect a further decline.

President Bush responded to the rise in the unemployment rate with a call to expedite the economic stimulus package now before Congress. The bill provides only minimal and temporary relief for jobless workers and their families, while mandating huge, permanent tax cuts to corporations and the wealthy. The Republican bill would only provide for a limited extension of jobless benefits in select states to those laid-off workers who qualify for such benefits. According to many estimates, only one in three workers in the US qualifies for unemployment compensation.

Millions of jobless workers, and those threatened with layoff, have no protection against the loss of income and benefits resulting from the slump.

New York and the Washington DC area have been particularly hard hit by the combined impact of the economic slump and the terror attacks. Ten thousand jobless people came to Madison Square Garden in New York last week for an employment fair. Workers from service industries connected to the Twin Towers, including restaurant and hotel workers, as well as employees laid off by Wall Street and World Trade Center firms lined up seeking jobs. The New York unemployment rate stands at 6.3 percent, and analysts expect the city will lose 100,000 jobs by year's end, with immigrant workers among the most severely affected.

In Washington, the lengthy shutdown of Reagan National Airport and the sharp drop in tourism have devastated business at area restaurants and hotels. Many workers employed in the service industry in the nation's capital—including many Asians, Latin Americans and other immigrants—have been thrown out of their jobs.

The airlines and related industries continued to downsize in October, with 42,000 airline and 11,000 travel agency-related jobs disappearing. An airline industry trade group reported that US airlines now carry 23 percent fewer passengers than they did a year ago. **Delta Air Lines** announced a third-quarter net loss of \$259 million, and said it was eliminating 13,000 jobs through voluntary and involuntary job reductions. The airline said Wednesday that 2,000 employees, including 1,700 pilots, had refused to leave voluntarily and would be laid off.

B/E Aerospace, a leading provider of commercial aircraft parts based in Florida, announced it planned to eliminate 1,000 jobs—or 21 percent of its workforce—and close five plants. Carlyle Group's **Vought Aircraft Industries** unit, which makes airplane tails and wings, said Monday it would lay off 1,200 workers, or 20 percent of its workforce. Vought sells 80 percent of its parts to Boeing, which is cutting 20,000 to 30,000 jobs. **Goodrich**, the aerospace and industrial products company, reported October 25 plans to cut 2,400 jobs and close 16 plants in response to the slowdown in the commercial aviation industry.

Job losses in manufacturing continued to be heavy and widespread in October, totaling 142,000. Factory employment has fallen more than 800,000 since March.

St. Louis-based **Emerson Electric Co.** announced October 22 it would eliminate about 4,000 jobs, or 10 percent of its salaried workforce, and close some 20 of its 350 plants worldwide. **Lexmark International Inc.**, the Louisville, Kentucky-based computer printer manufacturer, said October 22 it would cut 1,600 jobs, or 12 percent of its workforce, mostly in Kentucky and Mexico.

Krafts Food Inc., the consumer foods giant, announced October 26 plans to eliminate 1,000 jobs from its 117,000 workforce through voluntary retirements. The company said the reductions are part of its continuing integration of the Nabisco company.

More than 21,000 jobs cuts have been announced since September 11 in the financial sector. **First USA Bank** announced Thursday it will close two sites, in King of Prussia, Pennsylvania and Tempe, Arizona. The bank said it will try to relocate some of the 750 affected employees. On Tuesday, **Fidelity Investments** laid off 760 employees, or 2 percent of its workforce, citing slower brokerage activity and the loss of billions in mutual funds assets. Nearly 400 of the job cuts were in the Boston area. **MetLife Inc.** will eliminate

nearly 1,900 jobs in response to losses in its auto and home insurance business.

Feeling the impact of declining consumer confidence, retailers continue to announce closures and layoffs, with more than 12,500 job cuts announced since the terror attacks. **Sears Roebuck and Co.**, the nation's fourth-largest retailer, announced plans October 24 to eliminate 4,900 salaried positions. **CVS Corp.**, the second-largest US drugstore chain and largest provider of prescription drugs, said Tuesday it will close 200 of its 4,135 stores during the first quarter of 2002.

Dot.com job cuts totaled 4,840 in October, the first increase in five months. More than 95,000 jobs have been cut in Internet-related companies so far this year—130 percent more than in all of 2000. Massachusetts-based Internet services company **Genuity Inc.** announced Thursday it will eliminate 990 jobs, about a fifth of its US staff, due to stagnating sales and third-quarter losses of over \$300 million. The company also plans to cut another 110 contract positions. Internet music trader **Napster** laid off 16 people October 23, about 15 percent of its workforce, in the first layoff in the company's history.

These cuts come on top of job reductions announced earlier in October, including:

- * 4,000 jobs at **Ingersoll-Rand Co.**, manufacturer of Bobcat loaders and Schlage locks, closing 51 plants and offices as part of a restructuring plan;

- * Automotive parts maker **Dana Corp.** eliminating 10,000 jobs, or 15 percent of its workforce;

- * 3,000 job cuts at **Unisys Corp.**, which provides computer services and equipment for financial, transportation, communications and other companies and government agencies worldwide;

- * Jet engine maker **United Technologies Corp** slashing 5,000 jobs;

- * 6,000 jobs and 1,500 contract positions at **Sprint Corp.**, the nation's third-largest long distance provider;

- * **BellSouth Corp.**, the nation's third-largest local telephone company; shedding 3,000 jobs.

- * 6,000 positions in **J.P. Morgan's** investment bank services and 1,500 from its private bank and money-management operations by the end of the year.



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