US jobless rate hits six-year high

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The US unemployment rate rose three-tenths of 1 percent in November, to 5.7 percent, according to a Bureau of Labor Statistics report released Friday. The jump in the jobless rate—to the highest level in six years—follows a half a percentage point increase in October, and is a further indication of the deepening economic slump in the US.

Payroll employment fell by 331,000 in November, far worse than the 189,000 Wall Street economists had predicted. Added to the 468,000 jobs wiped out in October, the two-month decline was the largest since May-June 1980, at the end of a devastating six-month recession. Since March—when the US economy officially entered a recession—total nonfarm employment has fallen by 1.2 million and the jobless rate has increased by an additional 1.4 percentage points.

There are now 8.2 million Americans who are officially unemployed, up 2.6 million from October of last year. As the economy worsens the laid-off are remaining jobless for longer periods of time. The number of unemployed who have been seeking work for six months or more has nearly doubled since July, to 1.2 million in November, the government said.

Job losses last month were widespread throughout the economy. But the sharpest declines were in manufacturing and so-called help supply services, i.e., temporary labor agencies. In November manufacturing industries shed 163,000 jobs. Employment in the nation's factories has fallen by almost 1 million since March and 1.4 million since July 2000. The hardest hit manufacturing sectors were durable-goods producers, such as electrical equipment (down 29,000 in November), industrial machinery (down 26,000) and fabricated metals (down 19,000).

The factory workweek and factory overtime also fell last month—continuing a downward trend since the spring of 2000—to 40.3 and 3.7 hours respectively.

Help supply services, facing a sharp decline in demand for factory labor, reduced employment by 87,000 in November, after an even steeper decline in October. Employment in temporary labor agencies has declined by 629,000 since its more recent peak in September 2000, a drop of nearly 18 percent. Elsewhere in the service industry, employment in amusement and recreation services declined by 25,000 and hotels shed 7,000 jobs

Hit by a sharp slowdown in travel since September 11, employment in air transportation and transportation services fell sharply for the second month in a row, with November declines of 45,000 and 12,000 respectively.

"The downsizing for the last three months has been at levels never before seen," said John Challenger, the chief executive officer of Challenger, Gray & Christmas, an outplacement firm which has been collecting layoff data for eight years. The company said monthly job cuts had averaged 46,349 between 1993 and 2000. This year the monthly average has been 163,208.

"We hoped that the economic effects from the shock would have subsided in September," Challenger said. "But October and now November have quashed those hopes. The exacerbated effects have not been confined to the transportation sector. High-tech cuts continue to dominate all industries. We are beginning to see signs that another big sector of the economy is feeling the pinch of the recession. Retailers, seeking significant holiday results, are offering very big discounts early, keeping sales just above last year, but at a heavy price: swiftly falling earnings, which inevitably will lead to heavy retail downsizing in 2002," Challenger concluded.

The November job report undermined claims that recent stock markets gains and a slight increase in consumer confidence statistics point to an early end to the recession. Instead it lends further confirmation that the current US recession—which is part of a worldwide economic slowdown—is proving resistant to normal stimulus measures, such as interest rate cuts and tax breaks. The Federal Reserve has cut interest rates 10 times this year and is expected to do so once again when it meets next Tuesday. At 2 percent, the current overnight bank-lending rate is the lowest in 40 years.

In earlier recessions falling demand in the consumer and housing sectors sparked a general downturn in the economy. The current crisis, however, is being driven by a sharp decline in business profits and investment. During the economic boom businesses invested heavily, particularly in high technology, and now find they have overbuilt their productive capacity and are forced to reduce prices to compete for market share. Interest rate cuts and tax breaks have little effect in re-stimulating investment from businesses already burdened with too much equipment and unsold goods. Instead, companies are now desperate to cut costs in order to boost their bottom lines and are therefore slashing hundreds of thousands of jobs.

At the same time consumer debt has risen to record levels. According to the Federal Reserve, outstanding consumer debt is about $1.6 trillion, compared to $1.3 trillion in 1998. Mortgage debt has jumped from $5 trillion in 1997 to $7 trillion. Consumer debt jumped sharply in October—up $7 billion—as people took advantage of no-interest rate loans to purchase cars, according to a Fed report issued Friday. Under these conditions the loss of a job spells disaster for millions of American workers and their families.

This week several major corporations revealed new job-cutting plans.

Ford Motor Co., which announced higher-than-expected losses of $900 million in the third quarter—its worst quarter worst since 1992—said it would eliminate one of two production shifts at its pickup plant in Edison, New Jersey, effective February 4, and lay off 600 hourly workers and an unspecified number of salaried workers. In addition, the company informed 45,000 white-collar workers that it is cutting health care benefits, suspending indefinitely matching contributions to their 401(k) pension plans and reducing other benefits. Retired salaried employees will also be forced to make contributions to their health coverage.

In August the number two automaker announced it was eliminating 4,000 to 5,000 white-collar positions. More cutbacks are expected when the company announces a major restructuring plan in January, which some analysts predict will include the elimination of production shifts, plant closures and possibly tens of thousands of blue-collar jobs.

The company's third consecutive quarter of heavy losses—and its first money-losing year in a decade—was attributed to a growing number of bad car loans and the 0 percent financing it is offering to stimulate new car sales. The company is expected to lose $2 billion even without the additional costs associated with downsizing. This is a sharp reversal for the company, which made $1.1 billion in profits during the final three months of last year and $5.4 billion in all of 2000.

Enron Corp., the bankrupt energy trader, told 4,000 workers they were out of a job on Monday. As Houston police officers on foot, horseback and in patrol cars observed and directed traffic, thousands of employees at the company's Houston headquarters hauled their belongings into backseats and car trunks and drove away into uncertain futures.

"It's three weeks before Christmas, and I have nothing," said Joann Matson, a human resources coordinator who was let go. "I thought we deserved to be treated better. It's devastating."

The job cuts, which represent nearly 20 percent of Enron's workforce, came the day after the former energy trading giant and 13 subsidiaries filed for bankruptcy protection in one of the largest corporate bankruptcies in US history. Most of the layoffs were at Enron's Houston headquarters. The cuts amounted to nearly 3 percent of downtown Houston's workforce of about 150,000.

The **Credit Suisse Group** said Friday that it hopes to achieve savings next year of $650 million by cutting more than 2,400 jobs at its US investment banking unit.

Dutch financial services group **ING** said Thursday it will slash 15 percent of its workforce in the US insurance division, or 1,600 jobs, as a result of the global economic slowdown.

IBM Corp. will cut about 1,000 jobs from its seven US chip manufacturing and development plants and another 180 jobs at a storage technology plant in Minnesota. Armonk, New York-based IBM said it aimed to reduce the size of its Microelectronics Division by 4.7 percent to about 20,500 employees, from 21,500 workers.

Sunbeam Corp. will significantly reduce production of barbecue grills at its Neosho, Missouri plant, a move that could affect 642 jobs, the company said in a letter to employees. The move comes after Sunbeam filed for Chapter 11 bankruptcy protection in February and after retailer Home Depot decided to purchase from a different grill supplier.

The Clorox Co., a maker of household products such as bleach, said on Thursday it will lay off 260 US employees, or about 8 percent of its salaried US workforce, in an effort to cut costs and save $40-45 million million annually by 2003.

Ames Department Stores Inc., which filed for bankruptcy protection in August, said it will close another 54 stores early next year, many of them in Ohio and Pennsylvania. When the closings are completed, Ames said it will have 333 stores, down from about 450 a year ago.

Comdisco Inc. announced Wednesday that it is eliminating another 128 jobs, or 10 percent of its workforce, in continuing fallout from the technology slump that drove it into Chapter 11 bankruptcy proceedings last summer. The job cuts will take place in the next two months, the Illinois-based company said, with more than half the affected employees located in the Chicago area. The technology services provider employs 1,272 people worldwide, down from about 4,000 when it began cutting back in the fall of 2000.

Agere Systems will cut another 950 jobs, or 7.8 percent of its workforce, in New Jersey and Pennsylvania in response to slumping demand for semiconductors, the company said Wednesday. The cuts come on the heels of a previously announced plan to reduce the company's workforce by about 6,000.

CNA Financial Corp. will slash 1,850 jobs, some 600 of them at its Chicago headquarters, as it closes offices, sells its variable life insurance and annuity business and cuts corporate staff, the company said. CNA will cut 10 percent of its workforce through layoffs and attrition, a company spokesman said, and some employees will be reassigned to other positions within the company. CNA faces massive losses resulting from the attacks on the World Trade Center, which last month the company estimated would top out at $1 billion after taxes.