US companies shed 800,000 jobs in two months

Retail sales drop a record 3.7 percent

David Walsh
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Retail sales dropped by a record 3.7 percent in the US in November, led by an 11.9 percent plunge in auto sales. The large declines followed big increases in October, when consumers responded to free financing offers from the automakers. Excluding the wide swings in auto sales, retail sales were still weak in November, dropping by 0.5 percent.

Fueling the drop in spending has been the loss of some 800,000 jobs in the past two months through layoffs, as the US economy officially entered into recession for the first time since 1990-91. There have been more than 1.6 million layoffs so far in 2001. The number of job cuts carried out by individual corporations this year is staggering: **General Electric**, 75,000; **Nortel Networks**, 50,000; **Lucent Technologies**, 40,000; **Motorola**, 39,000; **Boeing**, 38,600; **DaimlerChrysler**, 28,700; **Montgomery Ward**, 28,000; **Solectron**, 20,850; **UAL Corp.** (parent of United Airlines), 20,000; **AMR Corp.** (parent of American Airlines), 20,000; **Honeywell**, 16,000; **General Motors**, 15,000, and so on.

In the newest wave of job cuts, telecommunications company **Qwest** —the dominant phone company in 14 Midwestern and Western states—announced December 13 that it was cutting its workforce by 7,000, or more than 11 percent. Qwest Chairman Joseph Nacchio remarked, “Demand is weaker across all our product lines.” The company acquired “Baby Bell” US West last year.

The day before, financial services giant **American Express** reported that it was slashing 6,500 jobs. The company, which helps companies with their travel plans and issues credit cards, has cut 15 percent of its workforce since the beginning of the year. The firm is hurting as a result of the global slump in travel. Travel sales fell 46 percent in October from the same month in 2000, and about 38 percent in November. According to *Reuters*, “The stock market downturn also is taking a toll on American Express, which has extensive money management operations. The company’s Wall Street rivals have fired thousands of people as money made from selling stocks, bonds, and mutual funds evaporated.”

Aetna, the managed health care provider headquartered in Hartford, Connecticut, is planning to cut 6,000 jobs, or 16 percent of its total employees. More than 4,000 will be laid off, while the other positions will be lost through attrition. Last month Aetna posted a third-quarter loss of $54.4 million. The firm is the country’s leading provider of health care and related group benefits, serving 17.5 million health care members, 13.7 million dental members and 11.7 million group insurance customers. These numbers are down considerably from a year ago.

Chip equipment maker **Applied Materials** announced December 12 that it will cut 1,700 jobs in response to the continuing slump in the semiconductor industry. In September, the company cut 2,000 workers from its payroll.

LTV Corp., the bankrupt steel company, is laying off more than 1,600 workers at its Indiana Harbor Works in East Chicago. A number of steel companies, including U.S. Steel (a division of USX), Bethlehem Steel and Wheeling-Pittsburgh Steel are currently engaged in merger talks. LTV is not included. “LTV is going out of business. We are marketing the facilities, and our first choice is to sell them as an entire unity, but some portions may be sold off separately,” commented a spokesman for the Cleveland-based company. On December 7, Sheffield Steel, a small producer in Oklahoma, became the 29th US steel company to file for bankruptcy since 1997.

Firestone Tire closed its Decatur, Illinois plant on Friday, throwing 1,500 workers out of their jobs, including many with decades of experience. Many of the tires cited over the past year in rollover deaths, mostly in Ford sport utility vehicles, were manufactured at the plant, resulting in millions of recalls.

The largest supermarket operator in the US, **Kroger Co.**, disclosed plans December 11 to slash 1,500 jobs, primarily management and clerical positions. The company reported its third-quarter earnings fell by 33 percent and promptly saw the value of its shares drop by 12 percent. Kroger operates 2,401 supermarkets in 32 states under two dozen names, and employs some 310,000 people.

Delphi, the Troy, Michigan-based auto parts maker, announced December 10 that it will lay off an additional 1,400 employees because of an expected slowdown in auto sales. Delphi revealed a restructuring plan last March, calling for the elimination of 11,500 positions, the closing or consolidation of nine plants and the reduction of the workforce at more than 40 others.

Textbook publisher and financial information provider **McGraw-Hill**, whose properties include *Business Week* and Standard & Poor's, reported plans on December 12 to cut 925 workers, or 5 percent of its staff.

Insurer **The St. Paul Cos**. also announced jobs cuts on December 12, 750 in total, as it gets out of the medical malpractice business. The American Medical Association said the decision would create havoc for doctors trying to get insurance. The St. Paul currently writes just under 10 percent of US medical malpractice insurance coverage, making it the second largest company in the field.

The German software vendor **SAP** last week trimmed its US workforce by 7 percent, or 300 jobs. This reduced the US staff from 4,500 to 4,200. The cuts will come at the company's US headquarters in Newton Square, Pennsylvania, as well as other facilities. **Autecs**, a joint German-Japanese venture that makes electronic automotive parts in Greenville, South Carolina, will close its doors starting next summer. Autecs' main customers are Nissan, Subaru and Volkswagen. Ninety workers at the **Providence Journal** accepted buyouts in a deal that includes up to 18 months' pay, but no health care coverage. Half the retiring employees come from the newsroom.

Candescent Technologies, a maker of high-tech flat-panel displays, which raised $600 million in venture capital before making it to a public stock offering, laid off half of its 100 employees last week and abandoned plans to make its product. It is considered "one of the largest start-ups to fizzle in Silicon Valley history" (*San Jose Mercury News*). **CNN**, the 24-hour cable television news network and a unit of AOL Time Warner, announced December 10 the cancellation of four of its programs and the elimination of 30 jobs.

The Washington DC-based bank **Riggs National Corp.** announced December 14 that it will lay off as many as 125 employees, or 8 percent of its workforce, over the next 12 months. Riggs said that the cost of a major upgrade to its banking operations would result in a loss of fourth-quarter and annual earnings

In other economic news, stock prices fell on Wall Street December 13 following reports of poor earnings from several major corporations, as well as the retail sales decline. **Ciena Corp**., the optical networking company, warned of "a whopping drop" in revenues, as much as 40 percent. Investors sold stocks of communication gear makers and communication chip makers on fears that Ciena is a foretaste of what is to come. **Lucent Technologies** also announced its first-quarter loss would be larger than Wall Street expects.

A day earlier, a stock market rally failed—despite the Federal Reserve's latest cutting of interest rates—after **Merck & Company**, the pharmaceutical giant, announced it would not meet its earnings forecast. A general nervousness pervades the stock market, particularly in regard to energy companies, following the spectacular collapse of **Enron**, the energy-trading company. Despite a three-hour conference call organized by **Calpine Corporation** officials to reassure investors, the stocks and bonds of the country's largest independent power producer continued to sink.

The impact of all this for working class families is increasingly severe. Among the hardest hit sectors at this stage are white-collar and high tech workers. Washington and Oregon, centers of the high-tech industry, now have the highest unemployment rates in the US, 6.6 and 6.5 percent, respectively. The number of Oregon citizens receiving food stamps jumped 32 percent in September, compared with the same month in 2000, the largest year-to-year increase since 1974. Portland's "Silicon Forest" has nearly one of every ten semiconductor jobs in the US. Fujitsu recently announced it would close its plant in the area, throwing 670 people out of work.

In California's Silicon Valley, unemployed workers are struggling to survive on the state's miserable unemployment benefits. The *San Jose Mercury News* notes that "Laid-off workers once making $1,900 a week or more are trying to get by on $230 a week—less than the pay of a first-year burger flipper." Incredibly, despite the fact that it has one of the highest costs of living, California pays the fourth-lowest maximum payout of any state in the US. The *Mercury News* points out that the 93,500 laid-off workers in Santa Clara and San Francisco counties, where housing costs are astronomical, receive no cost-of-living adjustment. An unemployed worker in San Jose receiving the maximum in benefits and paying the average rent for a one-bedroom home would have $150 a month for food and all other expenses after paying for housing.