

Two million jobs wiped out in 2001

US unemployment rate jumps to 5.8 percent

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The US jobless rate rose to 5.8 percent in December—from 5.6 percent the previous month—at the conclusion of a year that saw the elimination of nearly 2 million jobs. The level of mass unemployment, with 8.25 million Americans officially out of work, is the highest since at least the last recession of 1990-91, if not the severe slumps of the early 1980s.

Since January 2001 the unemployment rate has risen by 1.6 percentage points. The official jobless rate, however, does not include the 4.3 million part-time employees who would prefer to work full-time (up 1.1 million in 2001) as well as the millions more which the government does not count because they have given up looking for work.

Since the recession began in March, payroll employment has fallen by 1.4 million, according to a Bureau of Labor Statistics report released Friday. The growth of unemployment in December—with the loss of some 233,000 jobs—reflected continuing cutbacks in the private sector, particularly manufacturing, retail trade, air transportation and help supply (temporary labor) agencies.

Manufacturing firms shed 133,000 jobs last month, bringing their 2001 total job cuts to 1.3 million, or about 7 percent of the workforce. Throughout the year several manufacturers eliminated 10 percent or more of their employees, including furniture, primary metals, industrial machinery, electrical equipment, textiles, apparel and leather makers. Help supply companies, which provide workers to other industries, cut 55,000 jobs last month and have shed 688,000 jobs since September 2000, or 19 percent of its employment.

There was “a quantum jump” in job cuts in 2001, said John Challenger, chief executive of the corporate recruiting firm Challenger, Gray & Christmas, which has work-force reduction data going back to 1989.

“There’s never been downsizing on this scale,” Challenger added. “Companies that had told us they were seeing a glimmer of light at the end of the tunnel suddenly found themselves thrust back into darkness,” he said.

The ongoing shakeout in the dot.com and telecommunication industries in 2001 threw tens of thousands out of work at Motorola, JDS Uniphase, Lucent Technologies and Solectron. Motorola, a leading maker of mobile phones, eliminated 42,900 workers last year, as telecommunication companies led the way in job cuts, announcing 317,777 layoffs. The downsizing accelerated after the September 11 attacks crippled sectors of the economy like the aviation industry. More job cuts were announced after September 11 than in any year from 1993 to 1997, Challenger said.

This week **Providian Financial Corp.** said it was firing 800 workers in addition to 550 earlier jobs cuts; **United Airlines**, which has already cut 19,000 employees, said it will close five domestic reservations centers and furlough 899 workers; **Bausch & Lomb Inc.** said it is cutting about 700 jobs; and software maker **Oracle** said it was cutting up to 850 jobs.

In the coming weeks **Ford Motor Co.** is expected to make a major announcement of plant closures and mass layoffs. The retail sector, which cut 77,000 jobs last month during one of the worst holiday sales seasons in decades—is expected to see a further shakeout and contraction. Investors have downgraded K-Mart’s stocks and suggested that the Michigan-based discount chain might be one of several retailers forced to go out of business. “Anybody counting on a great Christmas for survival better start preparing their Chapter 11 bankruptcy petition,” Dominic DiNapoli from PriceWaterhouseCoopers said.

Despite 11 interest rate cuts by the Federal Reserve last year the US economy continues to be mired in a recession, with many analysts predicting that even if sales and profits improve by the end of 2002 unemployment will remain high.

On Thursday the US Labor Department reported that the number of Americans lining up for first-time unemployment benefits sharply rose during the week ending December 29. Initial claims increased from the previous week by 36,000 to reach a total of 447,000. While more than 8 million people are official unemployed, only 3.7 million are receiving unemployment checks.

Unemployment continues to mount as tens of millions of working people are already facing a precarious situation of ever larger debts and little or no savings, a higher cost of living, particularly for medical and education expenses, and reduced government services.

US household debt has now reached a staggering \$7.5 trillion and consumer-credit defaults and payment delinquencies are running at levels not seen since the last recession. During the first two quarters of the current recession the average US household took on \$1,420 of new debt.

Moreover, the stock market decline has sharply reduced the value of 401(k) pension plans for tens of millions of Americans who no longer have fully paid pension plans. This in turn has forced many older workers to put off retirement or take on extra jobs.

In the face of these increasing signs of social distress in America the Bush administration has offered no solution outside of an “economic stimulus package,” which is primarily aimed at giving further tax breaks to the wealthiest layers of the population and corporate America. The White House and other leading Republican officials have vilified the Democrats for including in their version of the bill a few meager proposals to extend jobless and health care benefits to the unemployed. Neither big business party offers any real relief to the broad masses now being hit by the economic downturn.

The latest jobless figures go a long way in explaining the Bush administration’s insistence on continuing the war in Afghanistan, when by all appearances it should be over, and why the president declared that, “2002 would be a year of war.” The administration needs to

maintain a war atmosphere and is counting on the media to continue whipping up patriotic sentiments in order to divert attention from the massive economic and social crisis at home.



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