

# US layoffs continue to mount in new year

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Job slashing is continuing at a near record pace in the United States, undermining the claims of many analysts that the recession has ended. In recent weeks thousands of new layoff announcements were made in the auto industry, telecommunications, computers and retailing. Among those companies making large job cuts were auto parts manufacturers Lear Seating and Visteon, PC maker Gateway, the Toys 'R' Us retail chain and telecommunications firms Nextel and Tyco.

Job cuts in January totaled 212,704, up 32 percent from December, according to a report by the outplacement firm Challenger, Gray & Christmas. It was the third highest monthly total since Challenger began keeping records in 1993.

"Consumers are spending less and business is spending a lot less," said Challenger CEO John Challenger. "Until this trend reverses, companies will have to find ways to contain costs because there is simply not enough money coming in."

According to a US Labor Department report, business cut a net of 89,000 jobs in January. The areas hardest hit were construction and manufacturing, including 22,000 jobs lost in auto alone. The Labor Department noted an increase in the number of so-called discouraged workers, those who want jobs but have given up actively seeking work. The fall in the official unemployment rate, from 5.8 percent in December 2001 to 5.6 percent in January, has been largely attributed to a drop in the labor force caused by the large number of discouraged workers.

Auto parts suppliers are continuing to make cutbacks in the wake of the announcement last month by Ford that it is eliminating 35,000 jobs. Parts suppliers are facing a squeeze from Ford, which has been putting pressure on them to cut costs. Vehicle production in North America dropped a reported 3 percent in the fourth quarter of 2001.

**Lear Seating**, based in Southfield, Michigan, said it is eliminating 6,500 jobs, about 6 percent of its workforce, and closing 21 facilities around the world. Sixteen of the sites targeted for closure are in North and South America. The company is the world's fifth largest manufacturer of

auto parts. It is predicted the downsizing will save \$40-50 million a year.

Nearly 1,600 jobs are being eliminated by **Visteon**, based in Dearborn, Michigan. The auto parts supplier, spun off by Ford in 2000, is closing a plant in Markham, Ontario and eliminating 400 engineering positions. The cuts continue a restructuring begun last year that has already resulted in more than 2,000 job cuts.

Other auto related layoff announcements include 932 job cuts at two **General Motors** plants in St. Catherines, Ontario and the elimination of 900 jobs by Lake Forest, Illinois-based **Tenneco Automotive**.

Fiber-optic cable and wireless phone companies are continuing to shed jobs as a result of the worldwide crisis in the telecommunications business, highlighted by the January bankruptcy of **Global Crossing**, which threatens the jobs of some 10,000 employees. The failure of the fiber-optic cable firm is the fourth largest bankruptcy in US history and comes amid charges of serious accounting irregularities. Global Crossing spent billions building a worldwide fiber optics cable network. Its plans ultimately fell apart due to an oversupply of cable capacity.

In light of the revelations about Enron, the Federal Bureau of Investigation and the Securities and Exchange Commission announced last week an investigation into Global Crossing. It is alleged that the firm set up fraudulent contracts with other telecom companies such as Qwest Communications in order to artificially inflate revenue.

The company was a large contributor to both the Republican and Democratic parties and enjoyed top-level political connections. Among its investors were former President George Bush and Terry McAuliffe, chairman of the Democratic National Committee, who sold stock before the collapse.

Wireless firm **Nextel**, will cut 1,700 jobs due to a restructuring plan involving the contracting out of its customer service operations. The change affects about 4,500 Nextel workers, about one-third of whom will lose their jobs.

Massachusetts-based telecommunications equipment maker **Lucent Technologies** says it will cut another 800 jobs by the end of March. The cuts will come at its North Andover facility, the bulk of them among unionized production workers, members of Communications Workers of America Local 1365.

The drop in PC sales in 2001 is leading to a shakeup in the computer industry. Sales of computers fell 11 percent last year, the first decline in 16 years.

Hardest hit has been **Gateway**, the fourth largest computer manufacturer in the US, which is cutting 2,250 more jobs and closing 19 retail stores and three sales and customer support offices. The announcement follows the layoff last year of 7,000 workers. Gateway's sales fell 24 percent and its market share dropped to just 7.4 percent.

Fremont, California-based **Read-Rite** is slashing 1,250 jobs in the United States and Thailand, 11 percent of its workforce. The company makes magnetic recording heads for computer hard disk drives and tape drives.

Job losses continue in the retail sector. The giant toy store chain **Toys 'R' Us** says it will close 64 stores and cut 1,900 jobs. The company claims the move will allow it to better compete with rival Wal-Mart by focusing on its more profitable stores. The company's stock price rose by \$1.15 after the announcement.

Convenience store chain **7-Eleven** says it will shut down 115 to 120 of its stores nationwide. Its sales were relatively flat in 2001, due in part to lower gasoline prices affecting its stores with fuel pumps.

Office supply store **Staples**, meanwhile, is cutting 326 jobs and closing 30 stores due to weak sales. Retail giant **Sears** says it will eliminate another 180 department managers in the Atlanta, Georgia area in an expanded wave of job cutting.

Cutbacks in public spending due to falling tax revenues are beginning to take a toll on public employees. The **State of New Jersey** abruptly terminated 600 technical workers. This followed the announcement by Democratic Governor James McGreevey that he would eliminate the Office of State Planning, charged with controlling urban sprawl. He has informed unions that layoffs of civil service employees may follow. The state faces a huge budget deficit.

Kathleen Bird, spokesperson for the New Jersey planning office, said "everybody was shocked" by news of the layoffs. She and others received a letter stating that their "duties and obligations to report to work cease immediately." Some were numb, she said, and others wept.

The publicly funded passenger railroad **Amtrak** is cutting 700 jobs in the face of threats by the US Congress to restructure or partially privatize its operations. Management says part of its planned cuts include reducing maintenance on train cars.

**Sara Lee Corp.** revealed Monday that the number of its planned layoffs was increased by 6,200 during the last quarter of 2001, bringing the total number of employees eliminated to 20,470 since the Chicago-based company announced a restructuring plan in May 2000 to streamline operations.

Other recent layoff announcements include:

\* **Dow Corning** —the Michigan-based maker of silicone products is planning to cut 700 jobs. The company has been in Chapter 11 bankruptcy since 1995

\* **Xcel Energy** is cutting 500 jobs in Denver, Colorado and Minneapolis, Minnesota. The firm suffered losses due to bad debts related to the Enron bankruptcy.

\* After losing \$1.59 a share in the fourth quarter, **Constellation Energy** says it will cut 435 more jobs and terminate several power plant projects. "We are experiencing the collapse of a speculative bubble," said the company's CEO Mayo Shuttuck III.

\* The online real estate company **Homestore.com** is cutting 300 jobs as it struggles to stay in business. The company's stock fell to an all-time low of \$1.12.

\* **Janus Mutual Funds**, a unit of Stilwell Financial, is cutting 222 jobs at its Denver, Colorado operation center.



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