US jobless claims hit highest level in 19 years

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The number of US workers collecting unemployment benefits rose to a seasonally adjusted 3.78 million for the week ended March 30, the highest level recorded in 19 years. First-time jobless claims for this week also soared to 460,000, increasing by about 64,000 applications.

While jobless claims fell the following week by 55,000, the four-week average of claims rose to 43,750, the highest level since December 2001. Some of the applications for jobless benefits include workers applying for extended benefits under the economic package enacted earlier this year by Congress, which in some states extends benefits from the original 26 weeks for an additional 13 weeks.

The official unemployment rate rose as well, from 5.5 percent in February to 5.7 in March. These new figures indicate the much-heralded "recovery" of the US economy has done nothing to improve the position of workers. They also suggest the US may see a "jobless recovery," with corporations increasing profits, while employment levels stagnate or continue to fall.

Laid-off workers are also finding it harder and harder to find new jobs. According to the outplacement firm Challenger, Gray & Christmas, the time jobless workers spent looking for work was up 50 percent in the first quarter of 2002 over the same quarter last year. The average job-seeker now spends 3.41 months looking for work, compared to 2.27 months in the first quarter of 2001. Workers over 50 are among the hardest hit, with the average job search time increasing 74 percent, to 3.93 months. An anticipated 1.2 million spring college graduates will have the most difficulty finding work, with less experience and shrinking opportunities in the technology and financial sectors.

"Not all employers seem as confident about a recovery as economists and some Wall Street analysts appear to be," commented John A. Challenger, chief executive officer of Challenger, Gray & Christmas. He cited increased productivity as one of the key factors contributing to the difficulty for laid-off workers finding new employment. Productivity, which measures workers' output of goods and services, rose 5.1 percent in the fourth quarter of 2001, at the same time as the average worker's hours fell 3.6 percent.

"Employers who cut jobs and hours as we entered the recession are likely to just add hours as we come out of recession, which is supported by the fact that manufacturers reported an increase in overtime hours in March," Challenger stated. In other words, those workers who remain on the job are producing more and working longer hours, while the growing ranks of the unemployed are remaining jobless longer and finding it increasingly difficult to find work. Those who give up searching are not even counted, as a worker must be actively engaged in looking for employment to be included in the government's statistics.

Jobs cuts in the retail and service sectors have hit particularly hard since the September 11 attacks. Of the 1,229,129 jobs cuts in all industries since September 11, 83,237 of these were in the retail sector, 51,078 coming in the first quarter of 2002 alone, according to Challenger. The slump in the retail sector—which was somewhat overshadowed over the last year by the deep jobs cuts in telecommunications, computers, electronics and industrial goods—is now gathering steam.

Cincinnati, Ohio-based **Federated Department Stores**, which intends to sell its Fingerhut division assets as part of a recovery plan, announced plans earlier this month to lay off 3,300 workers, 3,000 of these in Minnesota. Federated also owns the department store chains Bloomingdale's and Macy's.

In a surprise move March 26, **Dollarland Inc**., a Philadelphia-area retailer which billed itself as the "supermarket of dollar stores," closed its 46 stores and filed for Chapter 7 bankruptcy protection, throwing more than 1,500 employees out of work. Although federal law requires employers with more than 100 full-time workers to give 60 days' notice of any mass layoffs or plant closings, Dollarland gave no advance notice to Pennsylvania authorities.

Giant retailer Kmart announced March 8 that it would close 284 stores throughout the US and eliminate 22,000 jobs after filing for Chapter 11 bankruptcy on January 22. Last week, **Penske Auto Centers**, which operated 562 auto-repair shops connected to Kmart stores, abruptly closed them all down, leaving approximately 4,000 employees jobless. Kmart filed for an injunction against Penske to keep the repair shops open, but a bankruptcy judge ruled it was too late. Penske Auto Centers remained closed this week, with paper covering windows and fixtures thrown out in dumpsters outside many stores.

Job-cutting in the financial sector continues. According to the Labor Department and the Securities Industry Association, Wall Street eliminated 43,300 positions in the year ended in February, the largest cuts since 1974. **Credit Suisse First Boston** eliminated 500 executive positions April 2, including about 50 managing directors. First Boston laid off about 2,500 workers worldwide in 2001, and the new cuts account for about 15 percent of the banking group's professional staff.

Staggering from the fallout as a result of its role in the Enron collapse, **Arthur Anderson**, the nation's fifth-largest accounting firm, announced April 8 it will lay off 7,000 workers, or 27 percent of its staff. Anderson was indicted last month on an obstruction-of-justice charge from the destruction of documents related to the Enron scandal. The firm has lost more than 140 of its large company clients. The job losses are expected to hit hardest at the company's Chicago headquarters and elsewhere in Illinois, where it has 5,000 employees.

Over 300,000 jobs were cut from the telecommunications sector in 2001, and cuts are continuing this year. Reports circulated late last month that weakening sales prospects for **Nortel Networks Corp.** could result in 10,000 jobs cuts. A brokerage report indicated the Ontario-based telecoms equipment maker was in talks to merge its wireless business with Motorola. Nortel has already cut its workforce from a peak of 95,000 to an expected 48,000 by the end of March. **WorldCom**, the nation's second-largest long-distance company, announced April 3 it is cutting its US-based workforce by 3,700, or about 4 percent of the company's overall workforce.

Ciena Corp., the Maryland-based maker of fiber-optic equipment, laid off 650 workers March 26, or about 22 percent of its workforce. The company has laid off 1,430 employees since November, reducing its workforce to about 2,300. Wireless phone carrier **VoiceStream** began laying off call-center employees the first week of April, affecting more than 250 workers in Atlanta, Georgia and Louisville and Memphis, Kentucky.

Compuware Corp., a software and professional services company based in Farmington Hills, Michigan, began laying off an undisclosed number of employees last week, phoning a number of workers April 4 to inform them their jobs had been cut. Compuware has refused to release the number of employees affected until all are notified, but press reports indicated that as many as 2,000 of the company's 12,000 information technology workforce could lose their jobs. Compuware share values dropped 25 percent in the recent period.

Portsmouth, New Hampshire-based **Enterasys Netwarks** announced April 8 it is slashing 700 of its 2,400 jobs. The computer networking equipment maker's stocks have plummeted since it disclosed in early February that the Securities and Exchange Commission was probing a $4 million sale reported by its Singapore office.

Levi Strauss & Co. announced Monday it will close six US plants this year and lay off 3,300 workers, halting virtually all of its US operations. The San Francisco-based jeans maker began a major restructuring in 1999, closing 10 plants in the US and others in Canada and Europe. Company sales fell from $6.9 billion 1997 to $4.3 billion last year.

In the auto industry, **General Motors** has scheduled a temporary shutdown next week at its Detroit-Hamtramck Assembly Center, where the Cadillac models are assembled.