Number of US workers on jobless benefits hits 19-year high

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The number of US workers collecting unemployment insurance in the beginning of May rose to its highest level in 19 years, according to a report released Thursday by the US Bureau of Labor Statistics. The bureau also reported that new jobless claims rose 2,000 to 418,000 in the week ending May 11, with new claims staying above the 400,000 level for two consecutive months.

In the week ending May 4, 3.86 million workers were collecting unemployment benefits, the highest since the 3.88 million in February 1983, when the US economy was recovering from back-to-back recessions. This figure, however, is less than half of the total number of workers classified as unemployed in the US. According to the Labor Department, 8,594,000 workers are officially jobless. Several million others are unemployed but have given up looking for work and thus are not counted in the official figures.

The jobless figures contradict the repeated statements from the Bush administration, Wall Street and the media that the US is in the midst of an economic recovery. Last month the official jobless rate jumped to a higher than expected 6 percent, the highest level in seven-and-a-half years, and economists are now predicting it may go as high as 6.5 percent in coming months.

The worsening job situation threatens to undermine consumer spending, which accounts for two-thirds of the economy. Last week retailers reported that their April sales gain was the smallest since September, in the aftermath of the terror attacks. In another sign of weakening consumer demand, US housing starts fell 5.4 percent in April, as the housing sector weakened more than expected by analysts.

Despite the apparent belief that repeated declarations about economic recovery will improve the situation, an increasing number of economists are suggesting the US may experience a “double-dip” recession. Stephen Roach, chief economist and director of global economic analysis at Morgan Stanley, recently wrote, “Traditional sources of pent-up demand have been spent. Moreover, there is a legacy of structural excesses that built up during the boom—sub-par saving, record debt loads, lingering excess capacity, and a massive current-account deficit. The result is a shaky economy that is susceptible to the slightest of shocks.”

US corporations continue to lay off thousands of workers in an effort to boost sagging profits or turn around losses. This week **International Business Machine (IBM)** announced it will lay off up to 9,000 workers, or about 3 percent of its worldwide workforce, during the current quarter. The cuts are the largest at the number one computer maker since the early 1990s, when the company was losing billions of dollars. Several months ago the company laid off 1,000 workers in its semiconductor business and announced it would outsource manufacturing of desktop computers.

IBM President Samuel J. Palmisano issued an internal letter last month warning that the company was planning to “pare back” its operations. He said IBM had developed its business strategy and built up the company “based on the assumption that we would have huge, robust growth that is not out there anymore.”

SBC Telecommunications said Tuesday it will eliminate 5,000 jobs in the second quarter because of the poor economy and what it called a “burdensome regulatory environment.” SBC, one of the world’s largest data, voice and Internet service providers, has already reduced its workforce by approximately 10,000 over the past two quarters. The cuts, which will by implemented by the end of June, affect management and non-management employees in Arkansas, California, Connecticut, Illinois, Indiana, Kansas, Michigan, Missouri, Nevada, Ohio, Oklahoma, Texas and Wisconsin.

The layoffs at SBC are part of a further shakeout of the telecommunications sector, which eliminated 317,000 jobs in 2001—more than any other industry—according to Challenger, Gray & Christmas, a company which tracks layoff announcements. On Wednesday, the Montreal-based long distance company **Teleglobe** announced it was laying off 850 workers—half of its staff—and filing for bankruptcy in Canada, the US and England. Half of the job losses will be in the US and 15 percent in Canada. The company, which was $4 billion in debt, said its move will free it from the high costs of its recently-built infrastructure, primarily developed to support the soon to be discontinued data and Internet hosting operations.

Ford Motor Co. began sending out buyout offers this week to 1,500 salaried workers, according to a report in the *Detroit News*. The number two automaker eliminated 3,500 white-collar jobs last year by offering early retirement and "voluntary separation" packages. Ford released a restructuring plan in January that, in addition to 5,000 white-collar job cuts, included the shutdown of five plants in North America and the elimination of 12,000 hourly jobs over the next few years. The company lost $5.45 billion last year and is slashing costs in order to boost earnings by $9 billion by mid-decade. White-collar employees who receive offers will have 45 days to accept or reject them and another seven days to change their minds once they decide, a Ford spokesperson said.

Employees of **Lear Corp.**'s Bourbon, Indiana, plant were informed Wednesday the facility will close by the end of the year. The plant employs approximately 450 people and produces injection-molded interior trim and door panels, said Lear spokeswoman, Andrea Puchalsky. The Southfield, Michigan-based company, the third largest automotive supplier in North America, is in the midst of a restructuring plan that involves cutting 6,500 jobs through the closing or consolidation of 21 plants. The company expects that process to be 85 percent complete by the end of the year, Puchalsky said. Shares of the company's stock on the New York Stock Exchange were up after news of the plant closing.

Over the past number of weeks several major corporations, including airplane manufacturer Boeing, truck maker Navistar, Gap clothing, Dell Computer and cable television provider Comcast, announced large first-quarter profit losses. Many companies are expected to carry out severe downsizing and cost-cutting measures in the second and third quarters to make up for these losses.

According to the Bureau of Labor Statistics, in the first quarter of 2002, employers reported 1,669 mass layoff actions that resulted in removing 301,181 workers from their jobs for more than 30 days. Manufacturing accounted for 39 percent of the private-sector layoffs in January-March 2002. Most of these cuts were concentrated in computer and electronic products, with 26,597 in telephone equipment and semiconductor manufacturing. Transportation was next, with 15,757, mostly in aircraft manufacturing.

Permanent closure of worksites occurred in 20 percent of all mass layoff actions, affecting 82,603 workers, the highest first-quarter level on record. Only 35 percent of the employers with layoffs in the first quarter told the Labor Department they anticipated some type of recall of workers, the smallest proportion on record for the first quarter.