US companies slashed thousands of jobs in May

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US corporations continue to carry out mass layoffs, with telecommunication, computer and other technology companies eliminating tens of thousands of jobs in the last several weeks alone. With profits stagnating and increasing skepticism about an economic recovery, corporate America is downsizing and increasing the output extracted from those who remain on the job.

The Labor Department reported Friday that the official jobless rate fell 0.2 percent in May, from a nearly eight-year high of 6 percent in April. Many analysts expect the unemployment figure to be revised upward once data more accurate than the department's initial household survey is gathered. Companies added a less-than-expected 41,000 jobs in May, most of which came from a gain of 25,000 jobs in "help supply" companies, i.e., temporary employment agencies.

Some economists predict the jobless rate will reach at least 6.5 percent before turning around. Commenting on the Labor Department's report, Mark Zandi, chief economist at *Economy.com*, said, "I think it's a fluke. We'll see higher unemployment before we'll see sustained lower unemployment."

The number of long-term unemployed (those jobless 27 weeks and longer) continued to rise in May, by 142,000. The total number of long-term unemployed, now 1.6 million, comprised 20 percent of those officially jobless in the US, nearly twice its proportion a year earlier. Less than half of the nearly 8.6 million workers who are officially jobless are still receiving benefits.

Expanded unemployment benefits passed by Congress in March—up to 13 additional weeks of benefits in states with high unemployment rates—are running out for thousands of workers who lost their jobs after September 11.

Employment in manufacturing fell by 19,000 in May and declined in computers, electronic equipment, instruments, textiles, apparel, paper products and printing and publishing. Hotel and lodging establishments posted large declines, as did eating and drinking places.

For the third straight month telecommunication companies led all other industries in announced layoffs—14,687, or 17 percent of cuts in May—according to Challenger, Gray and Christmas, a company that tracks reports of job cuts. The mass layoffs in the US are part of an international trend throughout the slumping telecom industry.

WorldCom Inc., the number two US long-distance telephone company, is considering cutting 20 percent of its workforce—or 16,000 jobs—to reduce costs, *USA Today* reported Wednesday. Top management is still working on a final proposal and could present it to the board within weeks. The cuts would follow a total of 12,700 made this year and last year. Investors believe WorldCom, burdened by $30 billion in debt, may be forced into bankruptcy as revenue for long-distance and data services continues to fall.

This week phone giant **Verizon** announced plans to eliminate nearly 3,000 jobs in New York State and New England. A spokesman for the company, which was formed out of the consolidation of NYNEX and Bell Atlantic, blamed the "general downturn in business, the economy, changes in technology and regulatory changes."

Management said it would lay off 2,000 unionized workers by August if "voluntary separation" packages were not accepted in New York. Telephone workers, who are members of the Communication Workers of America union, rallied at Verizon's Manhattan headquarters Wednesday to protest the cuts. Some held placards suggesting the company could "save $40 million" by laying off two of its top executives.

The cuts at WorldCom and Verizon are part of an international trend. This week alone **Deutsche Telekom** —which is 43 percent owned by the German government and lost $3 billion in 2001 after buying loss-making US mobile-phone company VoiceStream—said it would reduce its workforce by 22,000 jobs, or 9 percent, by the end of 2004.

Canadian-based **Nortel**, North America's No. 2 maker of telephone equipment, said it would cut 3,500 jobs, or 8 percent of its workforce, and would consider selling its fiber-optic parts business.

KPNQwest, which is owned jointly by KPN, the Dutch phone company, and Qwest Communications International of the US, announced it had laid off nearly one-third of 2,000 employees at its headquarters in Hoofddorp in the Netherlands. The company, once a darling on Wall Street worth $40 billion, borrowed heavily to build Europe's largest fiber optic network and to buy rivals like Global TeleSystems.

Downsizing also hit workers at computer-maker **Hewlett-Packard,** where CEO Carly Fiorina said Tuesday the company would slash 15,000 jobs over the next two years. Two-thirds of the cuts are to be imposed by November 1 of this year. The cuts come after HP acquired Compaq Computer, and are part of a $3 billion cost-reducing plan.

International Business Machines Corporation (IBM), the world's largest computer manufacturer, cut about 2,000 jobs from its services division on Wednesday. The cuts come one week after IBM confirmed it had cut jobs in its large computer division and in operations. A union spokesmen said IBM cut 1,009 jobs in its large computer division, 700 jobs in software and 95 positions in its global financing division.

The job cuts took place at more than 10 locations, including Boulder, Colorado and Raleigh, North Carolina, according to Lee Conrad, a coordinator for Alliance@IBM, an affiliate of the Communications Workers of America union. Other locations where the union said employees reported cuts are Charlotte, North Carolina; Endicott, New York; East Fishkill, New York; Rochester, Minnesota; Austin, Texas; Dallas, Texas and Burlington, Vermont, where nearly 1,000 were laid off at a microprocessing site.

Job cuts at IBM have been expected since April, when the company reported a drop of more than 30 percent in first-quarter earnings amid weak technology demand from corporations. A source familiar with the situation has said IBM plans to cut 7,950 to 9,540 jobs, or up to 3 percent of its workforce, this quarter.

General Motors Corporation will temporarily close its Detroit-Hamtramck Assembly plant for a week beginning Monday as part of an effort to adjust its car inventories, the automaker said Thursday. The idling of the plant that produces the Cadillac Seville and Buick LeSabre will affect 3,400 workers.

Thousands of jobs are also threatened at the US passenger rail service **Amtrak,** which has a massive debt load and lost $1.1 billion in 2001. Amtrak's President David Gunn said the rail service will be shut down next month unless it obtains a $200 million loan in the next three weeks. Gunn also proposed a massive reorganization of Amtrak, which has 25,000 employees.