

# US layoffs mount—68,000 lost factory jobs in August

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Layoffs in both manufacturing and the service sector continued last month at near record rates, giving the lie to claims by both government economists and private financial analysts that the world's largest economy is well into a recovery.

While stocks traded modestly upward September 6 on the strength of a monthly Labor Department report showing a slightly lower than expected unemployment rate, a series of economic indicators showed the slashing of jobs in every major sector continuing with even sharper cuts anticipated in coming months.

**Consolidated Freightways Corp.** filed for Chapter 11 bankruptcy September 3, citing debts of more than \$100 million. The trucking company's 15,500 employees learned of the news a day before when they dialed a toll-free number and heard a recorded message from Consolidated President John Brincko: "I have some extremely urgent and sad news to share with you today.... Your employment ends immediately."

In the continuing assault on airline jobs, **Northwest Airlines** announced this week it is laying off about 1,000 workers, including 670 called back over the summer, in anticipation of a slower fall schedule. Those workers affected include customer service agents, airplane cleaners and baggage handlers.

The layoff announcements at Consolidated Freightways and Northwest come on the heels of a dramatic rise in job cuts for August. According to the monthly survey released by Challenger, Gray and Christmas, the international employment firm, announced job cuts rose to 118,607 last month, up nearly 50 percent from July.

"Some economists believe the economy is fundamentally strong and on a recovery track, but the August job-cut surge suggests that employers do not necessarily agree with such an outlook," said the firm's

chief executive John Challenger. "As companies wait for this elusive rebound, they will continue to eliminate jobs to preserve whatever profits they have been able to achieve."

The layoff announcements are at their highest level since February, the firm said, adding that there exist no grounds to predict a letup in large-scale job slashing.

Retail sales workers were hardest hit last month, according to the Challenger report, accounting for 22,992 of the announced job cuts. Next came the computer industry, with the announcement of 12,877 jobs to be eliminated, followed by telecommunications with 12,565.

Manufacturing has suffered the brunt of the recession and what economists are increasingly describing as a "jobless recovery." Manufacturers have eliminated 1.8 million jobs in the past two years.

The Labor Department report indicated that 68,000 factory workers lost their jobs in August, the most since January. During the previous four months, layoffs had averaged 18,000 monthly. The job losses were widespread, including sharp cutbacks in the electronics and electrical equipment industries, where 18,000 lost their jobs; and industrial machinery and equipment, where another 13,000 were laid off. In the fabricated metal sector 10,000 joined the ranks of the unemployed in August, while rubber and plastics manufacturing companies laid off 7,000.

According to the Labor Department report, the number of workers in the retail sector who actually lost their jobs last month stood at 55,000. This followed a relatively stable employment situation in the sector since February, the report said.

The principal reason that the Labor Department's report did not show an overall rise in the unemployment figures was not economic growth, but

government hiring, the bulk of it consisting of new federal airport security screeners.

Both the unemployment rate of 5.7 percent and the number of unemployed workers —8.1 million — remained virtually unchanged over the month. Another 1.4 million workers who said that they are ready and able to work were not counted in the unemployment figures because, while jobless, they had not reported applying for a job in the four weeks preceding the survey. The Labor Department put the number of “discouraged workers” at 372,000 for the month. This category, composed of jobless workers deemed to have stopped actively seeking work, is also excluded from the official unemployment rate.

Meanwhile, manufacturers increased the average workweek of their employees to 40.8 hours from 40.7 in July, and overtime rose to 4.2 hours from 4 hours. The lengthening of hours is an indication that even those employers increasing production are fearful of a continuing economic downslide and are adding overtime rather than hiring new workers.

Layoff announcements are a leading indicator for the unemployment rate, which is based on new jobless claims filed by workers as the layoffs go into effect. The number of jobless claims nationwide remains above 400,000.

On the same day the Challenger report was issued, the Institute for Supply Management issued its purchasing managers’ index, based on a survey of supply executives. The report showed an overall stagnation in factory conditions, but a decline in new orders for August triggering concerns that the rest of the year will see shrinking sales and factory output along with escalating layoffs.

Continuing the jobs massacre in the telecommunications industry, **Nortel Networks**, the Canadian fiber-optics giant, announced plans last week to cut another 7,000 jobs, 16.6 percent of its global workforce, by the end of 2002. The layoffs will bring its workforce to 35,000 by the end of the year from the current headcount of 42,000. The company is projecting a 10 percent drop in revenues for the third quarter due to spending cutbacks by hard-hit communications providers in the US.

Truck manufacturer **Navistar International Corporation** began initiating layoffs announced last month. Approximately 800 workers lost their jobs

September 6 at the Springfield, Ohio International Truck and Engine Corp. plant. These job cuts reflect the company’s decision to halt manufacturing of heavy-duty trucks at the Ohio plant due to a continuing decline in sales. The company said that it would follow up by laying off another 315 production workers at its Indianapolis engine plant on September 27.

Network Equipment maker **Tellabs Inc.** announced that it is eliminating 800 more jobs—15 percent of its workforce—and will close a manufacturing plant in Shannon, Ireland because of a deepening sales slump.

The company, which manufactures equipment used to transmit data, video and voice signals, laid off 1,200 workers in April and about 2,000 last year, reducing its workforce to fewer than 5,000 employees. The latest round of job cutting will result in the layoffs of 400 workers in Illinois and 400 at the Ireland factory.

**General Electric** laid off 500 production workers at its Greenville County, North Carolina turbine generator plant September 6. Another 500 are to lose their jobs early next year. The company announced the job cuts in late July in response to a 50 percent slump in orders for gas turbines last year.

**Northeast Utilities** announced that it will lay off 200 workers by the end of the month, most of them from its central office in Berlin, Connecticut. Management attributed the cutbacks to stagnating growth.

Meanwhile, announced layoffs in US dot-com companies topped 1,000 for the second month in a row. The dot-coms announced 1,193 job cuts in August, only 557 fewer than the number announced in July. The industry wiped out 100,000 jobs in 2001 with the bursting of the dot-com stock bubble. This year’s layoffs are expected to approach 16,000.



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