Telecommunications layoffs mount worldwide

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Massive layoffs and downsizing continue to dominate the telecommunications industry throughout North America, Europe and Asia.

Job cuts are affecting every area of service, including local and long distance, and are hitting especially hard at depressed equipment manufacturers as telecoms are feeling the full weight of the economic downturn. Even the more profitable areas of wireless and data communications are seeing layoffs as usage flattens and revenues fall.

During the past 10 weeks, major telecommunications companies have announced they will permanently cut more than 60,000 workers by the end of this year or the early part of next and another 40,000 will be temporarily laid off.

In the United States, SBC Communications, the second largest provider of telecommunications services in the United States, announced it was cutting 9,000 jobs by the end of this year and another 2,000 in early 2003.

Verizon Communication, the largest provider of telecommunications services in the United States, has eliminated 14,000 jobs so far and is in the process of cutting another 8,000.

Atlanta-based BellSouth is furloughing more than half of its 80,000 employees for one week between now and the end of the year. BellSouth is already in the process of eliminating 5,000 more jobs, adding to the 4,200 jobs cut last year.

AT&T, the largest long distance company in the US, will cut another 1,700 jobs from its Broadband unit as part of its sale to rival Comcast Corp. AT&T currently employees fewer then 5,000 people, down from 128,000 in 1998.

Sprint announced that it will cut 2,100 workers from its wireless unit, eliminating 1,600 full-time positions and 500 independent contractors.

MCI-WorldCom will cut 390 jobs in its Asian operations. The company also plans to cut 390 jobs at its Australian customer service center, which it plans to move to Singapore.

The German telecommunications giant Telekom plans to slash 55,000 jobs over the next three years. To justify the destruction of so many jobs, Telekom management is claiming the reductions are necessary to reduce the company's 64.2 billion euro mountain of debt by at least 50 billion euros by the end of 2003.

In Britain, service provider Cable and Wireless announced it will cut 3,500 jobs in its global division, ending most service on the continent and in North America.

The layoffs are especially severe among equipment manufacturers, who have seen orders plummet as their major customers—telecommunications service providers—cut back or completely cancel orders for new equipment used to maintain or upgrade their networks. Lucent, the powerful equipment maker spun off from AT&T in 1996, announced plans to cut another 10,000 jobs, or 22 percent of its workforce, next year. The company has reported 10 straight quarterly losses and the new layoffs will reduce the company to just 35,000 employees, down from 123,000 less than two years ago.

Canadian equipment manufacturer Nortel announced it will slash another 7,000 jobs. This is the eighth time the world's largest manufacturer of network switching equipment has resorted to massive jobs cuts since its revenue began to collapse in January 2001. When complete, Nortel's workforce will stand at 35,000, just over a third of its peak employment.

French telecommunications equipment manufacturer Alcatel announced it will cut an additional 10,000 workers next year on top of the 17,000 employees the company plans to eliminate this year. At the end of 2000 the equipment manufacturer had 113,000 employees, but only 60,000 will remain by the end of next year.

Corning, the largest manufacturer of fiber optic cables used in communications networks, said it would eliminate another 2,200 jobs on top of the 4,600 jobs cut so far this year. Earlier this year, the company stopped work on a half-finished plant in Scranton, Pennsylvania that it says it will no longer need.

Siemens, the massive German computer and telecommunications equipment manufacturer, announced it plans to cut another 4,000 workers in its fixed-line telephone business, ICN. Siemens' ICN unit is already in the process of eliminating 17,000 jobs this year.

These layoffs follow two years of job cutting in telecommunications. Overall, more than a half million jobs have been destroyed in the industry and the prospects continue to worsen. As companies plan their 2003 budgets, spending in telecommunications services and equipment will most likely decline further. A similar hemorrhaging of jobs has taken place in the computer industry. More than one third of the total layoffs carried out by corporations in the US so far this year have hit workers in these two high-tech fields.

Many Wall Street analysts expect many companies will not survive. WorldCom—now in bankruptcy—Sprint and AT&T are considered prime candidates either to be bought up or dismembered. The only thing stopping them from being gobbled up is the fact that the rest of the telecoms are so overburdened with debt they cannot afford them.

These layoffs, and the devastation they bring to hundreds of thousands of employees, underscore the anarchy and lack of planning within the capitalist system and the impact it has on workers and their families. In addition, millions of workers and retirees who invested their retirement funds and savings have seen their money disappear as stock prices drop.

During the latter part of the 1990s, the unprecedented growth of the Internet and the demands placed on telecommunications networks by the vast globalization of the economy forced telecoms to race to lay cables and develop technology that would allow existing networks to carry greater and greater volumes of traffic. No amount of spending was too much as each company sought to capture market share and become the dominant player.

As a result they massively overbuilt the network. In the United States, less than 2 percent of the long distance capacity is being used and SBC, BellSouth and Verizon are still adding more capacity as they move into the long distance market. Growth in technology also fuels the problem as more data can be pushed through the same lines. This winter, France's Alcatel and Britain's Cable and Wireless will bring online a transatlantic cable using just four hair-thin fibers to carry 3.2 terabits of data—30 percent more than all current transatlantic capacity combined.

As a result of overbuilding and declining usage, revenue from voice landlines has been dropping across the United States, Europe and even Asia. In the past these declines were offset by increases in wireless and data communications. However, growth in revenue for data communications has slowed and wireless revenue has leveled off and in many case fallen during the past two years.

In addition to the cost of overbuilding, the telecoms jockeyed to acquire one another for unheard of sums. No amount was too much. In 1998, WorldCom bought MCI for $40 billion and AT&T bought TCI for $48 billion. During the summer of 2000, in an attempt to enter the US wireless market, German Telekom bought upstart Voicestream for $53 billion, a cost equal to $16,000 per line. Also in 2000, in the largest merger to date, Bell Atlantic joined with GTE to form Verizon at a cost of $116 billion.

This enormous race to capture markets left telecoms with massive overcapacity and huge amounts of debt. France's FT has the largest corporate debt in the world—$70 billion—greater than many nations. With $15 billion in payments due in 2003, the company will be forced to sell some of its most profitable divisions, in addition to making massive job cuts. The top 20 carriers in Europe have a combined debt approaching $300 billion.

Verizon is close behind FT with over $51 billion in debts, down $11 billion from the beginning of the year through the selling of assets and layoffs. However, its debt will grow another $4 billion by the end of this year as payments into benefit plans and taxes come due.

Another aspect of the collapse of the industry is the squandering of vast amounts of scientific knowledge. Many of the best scientific minds, recruited during the period of rapid growth in the industry, have been eliminated from the payrolls. In addition, promising scientific and technological developments are being mothballed because the funds and personnel needed to develop them are no longer there.

In the past few months both Lucent and Nortel have shut down billion-dollar companies that they bought less then two years ago to develop a new generation of network switching. While neither company has the resources to develop these technologies, they wanted to make sure no one else did.