US: 101,000 jobs lost in December

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The US economy continued to hemorrhage jobs in December, as the Bureau of Labor Statistics (BLS) reported January 10 that employment declined by 101,000 during the month. While the official unemployment rate remained at 6 percent, analysts had predicted a growth of 20,000 to 30,000 jobs and were surprised by the figures. US bond prices jumped on the report and the dollar sank to a three-year low against the euro.

The employment loss was the largest single-month total since February 2002, when 165,000 jobs were slashed. The BLS revised its latest report to show a decline of 88,000 jobs cut in November, as opposed to the 40,000 initially reported. The US economy eliminated 185,000 jobs in 2002 as a whole.

In December manufacturing jobs dropped by 65,000. The bulk of the losses in recent months have come in durable goods production, the BLS reports, particularly in the electrical equipment, fabricated metals, industrial machinery and transportation equipment industries. There were sizable losses last month in rubber and plastics and in printing and publishing. For 2002 as a whole some 600,000 jobs in manufacturing were destroyed. (The Commerce Department reported January 7 that factory orders dropped 0.8 percent in November, marking the third such decrease in four months.)

Retail trade employment suffered a sharp decline in December, as many retailers hired fewer workers than usual. The largest drop occurred in restaurants and drinking establishments, but there were also significant declines in food stores, auto dealerships, general merchandise stores and miscellaneous retail (such as toy stores). Employment in retail trade fell by 173,000 jobs in 2002. Other industries experiencing substantial job losses included the transportation and communications industries, the latter losing 100,000 jobs in 2002.

The international outplacement firm Challenger, Gray & Christmas, which tracks corporate downsizing, reported January 6 that US companies announced plans to cut 93,000 jobs in December, down from November's 158,000. Challenger reported that more than 1.5 million layoffs were announced in 2002, down from the 2 million in 2001, but still the second highest total on record.

John A. Challenger, chief executive officer, observed, "The drop below 100,000 in December is not much to celebrate nor it is an indication of a downward trend. To put it in perspective, in 1998, the heaviest job-cut year prior to 2001, the monthly average was 56,483." High-tech industries (telecom, computer, electronics and e-commerce) combined for more than 450,000 job cuts in 2002, or some one-third of the total.

Particularly revealing is the surge in long-term unemployment, under conditions where an ever smaller percentage of the jobless population is eligible for benefits. Commentators note that there are now more long-term unemployed—individuals out of work for more than six months—than there were in 1991, during the last recession. A spokesman for the Center on Budget and Policy Priorities told the *Christian Science Monitor*, "I think you have to measure the severity of a recession not by the level of unemployment, but by the level of increase. If you measure this recession by the change in unemployment, it's been as great as in the early 1990s, and if you measure the long-term unemployed, it's been even worse."

The unemployment figures come on the heels of reports showing that retail sales this holiday season in the US were the worst since 1970, when figures on "same-store sales" (the most reliable figure, indicating sales from stores opened at least a year) were first collected. Even the strongest retailers, Wal-Mart, Kohls and Target, suffered from weak consumer spending. Same-store sales for November and December combined, which account for 25 percent of retailers' annual revenues, rose only a dismal 0.5 percent. A retail analyst with Northern Trust told *Reuters*, "Recent consumer confidence data, job fears, and ongoing geopolitical unrest do not bode well for an acceleration in spending in early 2003."

The New York-based Conference Board announced December 31 that consumer confidence fell sharply and unexpectedly in December, for the sixth time in seven months. The group's Consumer Confidence Index dropped to 80.3 from a revised 84.9 in November. Analysts blamed the drop on "an abysmal holiday shopping season, the increased likelihood of a US-led war against Iraq and higher prices for gasoline and heating oil" (*Associated Press*).

The Conference Board reported a particularly grim outlook for jobs, with 20.2 percent of consumers saying they expect fewer jobs to open up in the next six months. Only 18.7 percent of consumers anticipate a rise in their incomes and the number rating current conditions "good" fell to 14.6 percent. Raghavan Mayur of TIPP, a unit of TechnoMetrica Market Intelligence, told the *Christian Science Monitor*, "More than 20 percent are concerned that a household member may lose a job. Consumer confidence is the weakest, in December, of the past 25 months of polling."

The Federal Reserve reported January 8 that consumer debt fell by $2.2 billion in November, the first time since January 1998 that credit had declined and the biggest drop since October 1991. The report fueled fears that "consumer spending, the main driver of the US economy, may be faltering," according to *Reuters*.

In another indication of a slowing economy and genuine economic distress, the Mortgage Bankers Association of America revealed January 7 that a record level of mortgage holders lost their homes to foreclosure in the third quarter of 2002. The Association attributed the record to job losses which "squeezed" more mortgage holders out of their homes. Loans in the process of foreclosure grew to 1.15 percent of mortgages, surpassing the previous high set in 1999.

Adding to the generally bleak economic picture, 43 percent of corporate earnings preannouncements through January 7 warned of worse-than-expected results, with only 26 percent forecasting a better-than-expected period. James Paulsen, chief investment officer at Wells Capital Management, told a reporter, "Having had such a tremendous downward revision of third-quarter estimates and now seeing some of that happening in the fourth quarter as well is being met with more disappointment."

Corporations announcing plans to cut jobs in recent weeks include:

Alcoa —the Pittsburgh-based aluminum giant reported January 8 that it would slash 8,000 jobs in a weak market. The world's largest aluminum producer suffered a net loss of $223 million in the fourth quarter of 2002. Alcoa chief executive Alan Belda declared in a statement, "Global manufacturing weakness has persisted longer than we anticipated." He noted that "aerospace, industrial gas turbine and telecommunications markets remained soft." The job cuts amount to about 6 percent of Alcoa's global workforce.

AT&T —the telecommunications firm announced January 6 plans to cut about 3,500 jobs as a result of continuing wars in the long-distance communications industry. AT&T is number one in the industry. After selling its cable television business to Comcast last year, the company began 2003 with some 75,000 employees. AT&T has announced 10,000 layoffs over the past two years.

United Airlines —the struggling air carrier, based in Chicago, revealed January 3 that it was laying off nearly 1,700 white-collar and ticketing employees, or about 2 percent of its workforce. United, which filed for bankruptcy protection December 9, said it was closing its remaining 32 city ticket offices based on research showing that more customers are buying tickets online or calling United's reservation number. The bulk of the layoffs involve nearly 1,500 management and salaried employees whose nonunion positions will be cut by January 19.

American Airlines —the Fort Worth, Texas-based airline, the world's largest carrier, has notified Texas state officials that it plans to lay off 415 workers in mid-January. The elimination of the clerks and agents was attributed to "severe economic conditions" in the airline industry. American has 112,000 workers, but needs fewer of them because it is cutting back on the number of flights. By March American will have 18.6 percent less passenger capacity than in March 2001. In August the carrier announced 7,000 layoffs; in December it asked employees to forego raises they are due in 2003.

Kmart —according to the January 10 *Detroit Free Press*, the Troy, Michigan-based retailer is preparing to shut another 300 stores, resulting in an undisclosed number of job losses. Kmart filed the largest retail bankruptcy in history last January 22. In a first round of closures the company shut 283 stores and laid off 22,000 workers. Kmart has lost $2 billion since its reorganization plan was announced. Russell Barnett of the retail services group at Grubb & Ellis predicted that the company would not survive. "It's safe to assume that their remaining assets will either be acquired by a competitor or sold off piecemeal. The numbers have been horrific."

Kemet —the electronics parts maker announced January 6 that it would close two plants in South Carolina, eliminating 280 jobs. The firm makes components used in cellular phones, computers, airplanes and military equipment. A company spokesman said the job cuts were due to a glut of electronic parts.

Art Technology Group —the Internet software developer, based in Cambridge, Massachusetts, reported January 6 plans to cut about 20 percent of its staff, or 115 people as part of a corporate restructuring.

Tasty Baking —the maker of the Tastykake brand of snacks has closed its 12 stores in Pennsylvania, New Jersey and Maryland and several top executives have left the company, including its chairman. The stores employed about 50 people. Chief executive Charles Pizzi told the press, "What we're saying is that this is no longer business as usual."