470,000 stopped looking for work in July

Long-term unemployment on the rise in US

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Job-cutting and downsizing among US manufacturing corporations and retail establishments continued in July, wiping out tens of thousands more jobs and further belying claims of an economic recovery. It marked the 36th consecutive month in which manufacturing employment has fallen.

Among the major companies announcing job cuts in the last several weeks are Pillowtex, the manufacturer of home textiles, which declared bankruptcy and announced the planned closure of its 16 plants, employing 6,500 workers. Retailer Lord & Taylor is closing 32 stores and laying off 3,700 workers, while film and camera maker Kodak is preparing to eliminate up to 6,000 jobs.

Even more job losses seem certain as state and local governments cut spending and downsize their workforces due to budget deficits. It is estimated that state cutbacks may reduce economic growth by at least one-half percent. State governments have eliminated some 91,000 jobs over the last year.

Some 470,000 people stopped looking for work in July, dropping out of the total workforce figure used in calculating unemployment percentages. As a consequence, the official unemployment rate fell slightly, from 6.4 percent to 6.2 percent. However, manufacturing employment dropped 71,000 and retail employment fell by 14,000. Since January payroll employment has fallen by 486,000. The official unemployment figure is only a pale reflection of the actual situation, since it does not include some 2 million long-term unemployed—workers who have become discouraged and stopped looking for work altogether.

One economist, Larry Mishel of the Employment Policy Institute, called the ongoing US manufacturing cuts "the greatest contraction in private sector employment since the Great Depression." In fact, two years after the 2001 recession, private sector employment has fallen by 2.5 million.

There are other signs of contraction. The average workweek shrank to 36.6 hours from 36.7 in June. Manufacturing hours fell to 40.1 from 40.3. "Employers are not merely continuing to cut jobs, they are cutting back on paid hours worked even more severely," commented Charles McMillen of the consulting firm MBG Information Services.

The US economy grew at a 2.4 percent annual rate in the second quarter of 2003, mostly a result of military spending surrounding the Iraq invasion. In fact, the Bush administration has carried out the largest increase in military spending since the Korean War. However, the growth rate is still far below the level required to generate an overall increase in employment. Furthermore, military spending does nothing to increase the overall wealth of society and is helping to expand the massive US budget deficit, creating additional pressure for reductions in social services.

The persistence of substantial levels of unemployment long after the official end of recession points to more fundamental changes in the US economy beyond the capitalist business cycle. As a recent report in the *Wall Street Journal* pointed out ("Laid-off Factory Workers Find Jobs Are Drying up for Good," July 21, 2003) the wiping out of US manufacturing jobs is part of a long-going trend. Most of the jobs being eliminated will not come back. Increases in productivity due to technology and the global integration of production are creating a large surplus of unskilled labor. Indeed, the WSJ notes that employment in manufacturing is only expected to rise 3 percent over the next decade, far below the growth in the labor force.

The current downturn is unique in the postwar period, not only in its duration but in the harshness of its impact on the working class. A report published by the Heldrich Center for Workforce Development at Rutgers University notes that over 50 percent of workers laid off in the last three years were not eligible for unemployment benefits. Two-thirds did not receive any severance package or compensation of any kind from their employer.

The report, titled "The Disposable Worker, Living in a Job Loss Economy," suggests these trends are accentuating the divide between the narrow elite represented by official Washington and the vast majority of working people. It states, "Nearly one-fifth of American workers were laid off

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from their jobs over the last three years. The vast majority of these workers received no advance notice, no severance pay and no counseling from their employers. As a result, their confidence in the American economy and political leadership is at its lowest levels since the 'Work Trend' series began."

Not only are more people being laid off, they are taking longer to find new jobs. The report says median length of joblessness is 12.1 weeks, the highest point since July 1967.

Among the factors contributing to the fall in manufacturing employment in July were the temporary closures of automobile assembly plants. While temporary closures are normal during the summer model changeover season, this year's shutdowns have been longer than usual because of the need to dispose of excess inventory. Among the plants on extended shutdown are the DaimlerChrysler Windsor, Ontario plant, which produces the Pacifica and the Dodge minivan, and the Detroit Jefferson North plant that makes the Jeep Grand Cherokee. Last week General Motors closed four assembly plants for "inventory adjustment."

Major corporate layoff announcements continued through July. According to the outplacement firm Challenger, Gray and Christmas, there have been 630,000 planned job cuts announced this year.

In one of the largest recent job cuts, North Carolina-based Pillowtex said it immediately closing its 16 production facilities in the United States and Canada, which employ almost 6,500 workers. Another 1,250 jobs will go when the company completes its bankruptcy liquidation. The firm makes household textiles such as sheets and towels. Pillowtex blamed falling demand and foreign competition for its decision to go out of business. In June the company missed a quarterly loan payment to its banks, setting in motion the move toward bankruptcy.

Eastman Kodak announced another massive job cut, 9 percent of its workforce or 6,000 jobs. The announcement came despite a higher than expected profit report. The company says that sales of digital cameras and related equipment have not offset the fall in sales of film. More than half the job cuts will take place in Kodak's home base of Rochester, New York, which has absorbed 40,000 job cuts already in the past few years.

Other recent job-cutting announcements include:

*** American Airlines** revealed plans to eliminate 8,000 more jobs by June 2004 in its July 18 filing with the Securities and Exchange Commission. The cuts will affect all work groups and will be accomplished through a combination of part-time work schedules, furloughs and permanent layoffs. Earlier in the month, the airline announced furloughs for 3,100 flight attendants.

* **Lord & Taylor**, a subsidiary of the giant May Department Stores, announced the closing of 32 stores—one-third of its total nationally—and the layoff of 3,700 employees. The parent company blamed competition from lower-priced stores like J.C. Penney and Kohl's. Lord & Taylor is one of the country's oldest department stores, founded in 1826 in New York City

* **Comcast**, the cable television operator, says it will cut 2,000 contract and full-time workers. The company says the cuts are related to its recent acquisition of systems from AT&T.

* The auto parts retailer **Pep Boys** says it will close 33 stores and eliminate 860 store jobs and management positions. It plans to save $11 million annually with the cuts.

*** Boeing Co.** sent out layoff notices to 660 workers on July 18 as part of a plan to eliminate an additional 4,000 to 5,000 jobs by the end of the year. The reductions will be achieved through a combination of layoffs and attrition, and will affect both salaried and hourly workers in the Seattle area.

* Texas-based **Andarko Petroleum** is eliminating 400 jobs and closing offices in Amarillo and Midland. The cuts will come in departments related to oil exploration and production. The company reported higher second-quarter profits based on increased oil prices.

* Software maker **Siebel** says it will cut 490 more jobs. The company has cut one-third of its workforce since 2001. It faces investor charges that it improperly awarded stock options.

* Singapore-based semiconductor manufacturer **Flextronics** is cutting 367 jobs at its manufacturing facility in Memphis, Tennessee.

*** BMC Software Inc.** of Houston, Texas announced plans to lay off 13 percent of its workforce, or about 900 people, as it shifts development work overseas and closes some offices in the US. The company had already cut 950 jobs in the fiscal year ending March 31.

*** VF Jeanswear**, the maker of Wrangler jeans, will close its Seminole and Ada, Oklahoma manufacturing plants by September 26, eliminating 909 jobs in the state.

*** Alcoa Inc.** sent 60-day layoff notices to all 615 workers at its Ferndale, Washington aluminum smelter, which it plans to close temporarily on September 30. The company blames a pending electricity rate increase for making the plant globally uncompetitive.

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