US: Job cuts mount amid signs of upturn

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Bureau of Labor Statistics (BLS) figures released Friday show that employment in the US rose by 126,000 in October, while the official jobless rate stood at 6 percent (down from 6.1 percent in September). Manufacturing employment continues to decline, although at a slower rate than earlier in the year. Factory jobs decreased by 24,000 in October, below the average of 53,000 for the prior 12 months.

Sectors showing increases included professional and business services, which added 43,000 jobs last month. Temporary help services also continued to show growth. Since April temporary help has climbed by 150,000 jobs. Employment in food stores rose by 13,000 in October, according to the BLS, "reflecting the hiring of additional workers in anticipation of strikes" (notably in California). The number of restaurant and bar jobs also increased in October, by 23,000.

The official number of the jobless in the US is 8.8 million. Two million of those people, or 23 percent of the total jobless, have been looking for work for 27 weeks or longer. The BLS describes another 1.6 million people—bringing the real jobless total to more than 10 million—as "marginally attached to the labor force." These are people who want work and have looked for a job some time in the past year, but did not actively search for work in the four weeks preceding the release of the latest figures. Nearly half a million—103, 000 more than a year ago—are described as "discouraged workers," those convinced there is no employment available for them.

While the job figures provide further evidence of economic recovery, analysts continue to point to an essentially "jobless recovery" or a "job-challenged recovery." The latter phrase was used by Richmond (Virginia) Federal Reserve President Alfred Broaddus in a speech two weeks ago. He noted that many of the US jobs cut in recent years were gone permanently because of changes in economic life. Broaddus also suggested that the increase of 57,000 in September fell far short of what was needed to cut the unemployment rate given growth in the labor force as the previously disheartened go back to the job search.

Another Federal Reserve official, Ben Bernanke, delivered a speech entitled "The Jobless Recovery" at Carnegie Mellon University November 6. He declared, "Job creation and hiring remain quite sluggish." Bernanke pointed out that 2.8 million jobs had been lost since the beginning of the recession in March 2000, some 2.4 million of those in manufacturing, "by far the hardest-hit sector."

Business columnist Bill Day noted last week, "In order to make up for that 2.7 million job deficit [jobs lost since March 2001], job creation is going to have to be substantially larger than 200,000 per month. And new jobless claims are going to have to shrink a lot lower than 386,000, the last reported figure. In terms of overall business activity, the 2001 recession was pretty shallow and short. But in terms of employment losses, it was sort of a double whammy: it was as deep as your average recession but lasted much longer. In fact, the economy still was shedding jobs a troubling 30 months after the recession officially ended."

Under present conditions in the US the term "economic recovery" is highly ambiguous. It means largely a recovery on the stock markets and in profits. Even an upturn in jobs will not mean workers recovering what they have lost in recent years. The number of the desperately poor, homeless and medically uninsured is steadily rising. And for those employed or partially employed, health care, retirement and other benefits and working conditions continue to take a hammering. The Commonwealth Fund has released a report, for example, revealing that large companies employed 32 percent of all workers without health insurance in 2001, up from 25 percent in 1987.

One of the indicators of economic hardship is the decline in the number of dual-income families in 2002, the first decline since the federal government began keeping such a statistic in 1994. The surge of layoffs in 2001-02 has forced many couples to rely on one partner's earnings. "The causes of the recent drop," according to an article in the *Boston Globe*, "are clearly economic, rather than evidence of a permanent deterioration in what has been one bedrock of modern American families: a working husband and wife." Median income for two-income families was more than $66,000 in 2001, compared with about $34,500 when just one family member worked.

Much of the present recovery is based on increased exploitation of the existing workforce. Productivity, or output per hour worked, soared to an annual rate of 8.1 percent in the third quarter of 2003, the largest increase in a year and a half. Unit labor costs declined by 4.6 percent and real hourly compensation increased a negligible 0.8 percent in the same quarter. In the manufacturing sector, where jobs continue to be lost, productivity grew at an 8.6 percent annual rate.

Alan M. Webber, founding editor of *Fast Company* magazine, writing in *USA Today* recently, commented: "The gross domestic product grew at a 7.2 percent annualized rate in this year's third quarter. The problem is, none of this is trickling down to workers. Hiring hasn't picked up, largely because companies still report a significant overcapacity in their operations. Most managers would rather push for greater productivity from the existing workforce than add new people."

Challenger, Gray & Christmas, the job placement firm that records layoffs, reported November 4 that the number of job cuts announced by US employers more than doubled in October, after declining for two months. Planned layoffs increased to 171,874 in October, from 76,506 in September.

"With factors like technology, outsourcing and consolidation working against job creation, any job market rebound we see in the near future will be relatively small," declared John Challenger, chief executive of the firm.

In the technology sector, while layoffs have slowed down at firms that downsized sharply after the collapse of the high-tech bubble, there has been no hiring boom. "There's been some lift in hiring at small companies," commented Monster.com chief Jeff Taylor, "but we're still looking for the new, new thing that will really be an engine of growth." Technology manufacturing payrolls fell 3,800 in September, the 32nd straight monthly decline, bringing the cumulative decrease to 484,000 jobs, or 26 percent of total employment in the sector.

Large firms continue to report mass layoffs, the most recent being **Tyco International**, which announced November 4 that it was cutting 7,200 jobs and closing hundreds of offices and facilities worldwide. The job cuts amount to some 3 percent of Tyco's global workforce. The company's former chief executive officer, Dennis Kozlowski, is currently under indictment for allegedly stealing $600 million from the firm.

Smurfit-Stone, a maker of cardboard boxes and paper bags, reported plans October 24 to cut about 1,400 jobs, or 4 percent of its workforce. It will close a Canadian mill as part of a plan to save $140 million. The day before **Merck & Co**., the pharmaceutical giant, announced the slashing of 3,200 jobs and 1,200 contract or temporary positions. The job reductions will take place in all areas of the company. "The primary reason," explained a spokesman, "is to reduce our cost structure and make Merck more competitive." The company is making the move despite reporting a 6 percent increase in pharmaceutical sales for the third quarter of 2003 over the same period a year earlier.