US: Over 100,000 job cuts announced in January

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Despite Bush administration promises and the president's own claim that "things are getting better," the overall economic reality for American working people continues to worsen. Unemployment figures released last week reveal a continuing lack of job growth. In the past nearly three years (since March 2001), the US has experienced the greatest sustained job loss since the Great Depression. The government continues to exhibit its indifference toward the plight of the unemployed, as Bush's leading economic advisor, Gregory Mankiw, suggested that the outsourcing of jobs was "a good thing."

The Bureau of Labor Statistics (BLS) reported February 6 that the US economy gained 112,000 jobs in January and that the official unemployment rate fell to 5.6 percent from 5.7 in December 2003. It described the situation as "little changed."

The 112,000 job increase was smaller than expected—and below the number necessary even to keep pace with the growth of the working-age population (150,000) and approximately half the number of jobs created at a comparable point in the last economic recovery (216,000). And it is nowhere near the number of jobs that would have to created every month to reach the total that Bush officials predicted would be created by last year's massive tax cuts (more than 400,000). In fact, only 5 percent of the government's projection, or 296,000 jobs, have been created since July 2003.

Moreover, as numerous commentators have observed, the 112,000 job figure is itself questionable. The Economic Policy Institute's (EPI's) Job Watch points out, "Actually, job gains in the month of January were less than 30,000 once seasonal adjustment problems for retail hiring and strike effects are removed."

Manufacturing jobs fell by 11,000 in January, for the 42nd consecutive month. Christian Weller, a senior economist at the Center for American Progress, notes, "By January 2004, manufacturing had lost 3.3 million jobs compared to its last peak in March 1998, when manufacturing employed 17.6 million people. Just since the recession started in March 2001, manufacturing lost more than 2.6 million jobs in an accelerated, steep drop.... From 1984 through March 1998, manufacturing employment was approximately steady around 17 million jobs, before it declined, first slowly and then at an accelerated pace, to 14.3 million jobs by January 2004, its lowest level since July 1950. Back then, the U.S. economy had about one third of the jobs it has today."

Job growth in the computer and electronics industry, which economists suggest should be among the first to gain ground from a revival of business investment, was essentially flat in January.

In response to last month's job figures, David A. Rosenberg, an economist at Merrill Lynch in New York, told the *LA Times*, "The numbers assure that this will go down as the most anemic job-market recovery in modern history." It is surely a peculiar use of the language to describe a situation in which an additional 716,000 jobs have been lost (since the recession officially ended in November 2001) as a "recovery" in any meaningful sense.

Bush's Council of Economic Advisors (CEA), headed by Mankiw, predicted in its *Economic Report of the President* for 2004, issued last week, that employment would grow by 2.6 million jobs this year over 2003. The CEA's projections of future job growth have been consistently wrong over the past several years. Each year, as the EPI observes, the Council has lowered its starting point for jobs, but it has forecast strong growth "just around the corner." This year's prediction is an obvious election-year gimmick, as the 2.6 million figure—which does not "come due" until after the vote in November—would wipe out the job losses (2.2 million) accumulated since Bush came to power.

Meanwhile long-term unemployment continues to increase in the US. The share of the jobless who have been seeking work for at least half a year grew to 22.7 percent in January, compared to 20.3 percent one year ago and 14 percent when the "recovery" began. The average duration of joblessness has reached 19.8 weeks.

CEA chairman Mankiw, a right-wing economist from Harvard University, made his comments about job outsourcing at a briefing in Washington. He told reporters, "Outsourcing is just a new way of doing international trade. More things are tradable than were tradable in the past. And that's a good thing." The comments provoked a storm of bluster from Democratic Party politicians and some Republicans from industrial states. Bush was obliged to distance himself somewhat from his own chief economic advisor.

Mankiw, in his testimony before the Joint Economic Committee in Congress February 10, paid fulsome tribute to "the dynamism of the U.S. free-market economy" and described "the forces of free markets" as "the bedrock of economic prosperity."

Hard facts contradict this right-wing pipedream. According to Challenger, Gray and Christmas, the outplacement firm, for the first time in three months US companies announced more than 100,000 layoffs in January. Companies reported plans to cut 117,556 jobs.

The company's chief executive John Challenger said, "One factor that might impact job-cut activity this year is the escalation of offshore outsourcing, which could see some employers eliminate jobs in America and shift the work to service providers in countries such as India, China and the Philippines. Another factor affecting job cuts is the possibility of increased mergers and acquisitions. We have already seen a couple of large deals announced this year, one of which expected as many as 10,000 job cuts to take place as redundant positions are eliminated."

Workers in the consumer products industry were hardest hit in January with 22,775 cuts, followed by the financial sector with 15,157, retail with 14,016, food with 12,701 and industrial goods with 11,797.

Earnings for wide layers of the population are also stagnating or falling. The EPI observes that “the weak labor market is now hurting *employed* workers as well as those looking for work. In 2003, real (inflation-adjusted) weekly wages fell for low- and middle-wage men and were stagnant or fell slightly for low- and middle-wage women.”

Other statistics point to the deteriorating situation facing millions. The University of Michigan’s preliminary consumer sentiment index for February, which is closely watched by economic analysts, fell sharply to 93.1 from a revised 103.8 in January. The number was well below predictions. Retail sales fell in January, “defying Wall Street expectations,” according to CNN/Money, due to a larger than expected drop in automobile sales.

The job losses and workplace closings are taking place in every industry and every part of the country. The recent major cuts include the following:

* **Kraft Foods** announced plans January 28 to cut about 6,000 jobs, or 6 percent of its workforce, and to shut down 20 plants. CEO Roger Deromedi made the announcement in his sixth week as the head of the largest US food company. Some 1,300 salaried positions will be cut in North America in the first quarter of 2004. Plants in Canton, New York, and Farmdale, Ohio, and one in Central Europe are certain to be closed.

* Health insurer **Cigna** reported plans February 6 to cut about 9 percent of its workforce, or 3,000 jobs, after its membership ranks fell sharply in the last three months of 2003. Philadelphia-based Cigna lost 1.5 million members last year. An analyst for Goldman Sachs described the company’s situation as “pretty bleak.”

* **Meijer**, the Grand Rapids, Michigan-based grocery and general merchandising chain, carried out is largest job reduction in history in January, cutting 1,900 management jobs in five states, including about 300 in Metropolitan Detroit. Former Meijer managers described “nearly unbearable” conditions, including 24-hour shifts necessary to get their work done.

* **Ford Motor Co**., on January 29, confirmed plans to lay off 200 workers in February at its Claycomo, Missouri (a suburb of Kansas City), plant. In a separate announcement, Ford said it would eliminate one shift and lay off 1,000 workers at its St. Louis-area plant in April. Ford told the Claycomo workers that it does not anticipate recalling them this year.

* Swedish-based **Electrolux** reported January 16 that it would close its refrigerator plant in Greenville, Michigan (near Grand Rapids). The company plans to invest in a new plant in Mexico instead. The Greenville plant has some 2,700 workers and will operate into next year.

* **Wilsons The Leather Experts** plans to close 100 stores, almost 20 percent of its total, and eliminate more than 1,000 jobs “after a dismal holiday season,” according to press reports. The Brooklyn Park, Minnesota-based company said it would close five of its 35 New York stores and two in the Minneapolis-St. Paul area.

* **Circuit City**, the consumer electronics chain, announced February 9 that it would close 19 money-losing stores, affecting some 360 full-time and 500 part-time employees.

* **Steelcase**, the office furniture manufacturer, announced January 27 that it would close its Fletcher, North Carolina, plant, eliminating 480 jobs. Less than a week earlier, **Drexel**, another furniture manufacturer, reported plans to close two plants in Marion and Morganton, also in western North Carolina, affecting 400 workers. Steelcase president and CEO Jim Hackett told the *Grand Rapids Press*, “In some ways, I’m sorry that there were other forces, government or economic reports, that kept saying the economy is actually stronger than it is. The truth is, it has not been that strong. It’s been highly damaged.”

* On February 11, **Ohio Casualty Corp**. announced a restructuring plan that resulted in the immediate layoff of 260 workers, or nearly 10 percent of the company’s staff, and will mean the elimination of another 250 jobs in the second quarter. The layoffs were distributed over eight states. The largest cut took place in the Chicago suburb of Lombard, Illinois, where 65 employees were cut.

* **Git-n-Go Convenience Food Stores**, headquartered in Tulsa, Oklahoma, announced January 26 that it would close 20 to 30 stores in Oklahoma and Missouri. Typically, 10 to 12 people work at each of the 24-hour stores. A few days earlier, Git-n-Go reported that it would lay off 200 Tulsa warehouse workers after it lost a major customer.

* **Boeing** reported February 3 that it was cutting about 300 jobs at an airplane maintenance facility in San Antonio, Texas. The layoffs resulted from cuts in aircraft maintenance work Boeing performed for the US Air Force.

* **Incyte Corp**., the drug discovery and development company, is planning to shut down its Palo Alto, California, research facilities and headquarters. Incyte will reduce its workforce by 257 employees and eliminate some $50 million in annual operating expenses.

* **Varco International** announced February 3 that it was cutting 200 jobs from its oil drilling equipment sale group in Orange, California, and Houston, Texas. The company had previously reported that it was leaving the oil-rig fabrication business.

* On January 30, **Domino Sugar** closed the doors at its Williamsburg, Brooklyn (New York), plant, throwing 140 workers out of a job. The 147-year-old plant had become “redundant,” according to American Sugar Refining’s president Jack F. Lay.