US: mass layoffs continue, consumer confidence declines

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News reporting on US economic life confirms that there are two distinct Americas in 2005: one populated by the corporate elite and the upper middle class, another inhabited by broad layers of the working population.

Some recent headlines suggest this divided reality: “Layoffs abundant despite good economic outlook,” reads one; “Honeywell posts strong sales, confirms layoffs,” declares a second. Or: “Consumers are anxious, while investors are confident this month.”

In late July, on the eve of a Federal Reserve survey indicating that “economic activity continued to expand in June and early July,” US corporations announced tens of thousands of new layoffs.

Despite the upbeat central bank report, which pointed to “factories buzzing” and “cash registers ringing,” in the words of one press account, the relentless attack on secure, decent jobs continues in the US.

And on workers’ incomes. While executive compensation continues to soar, the Federal Reserve reports contentedly, “Despite generally tighter labor markets, nearly all Districts said overall wage pressures remained moderate”—i.e., workers’ wages continue to stagnate or actually fall behind the rate of inflation.

Fast on the heels of the announcement by printer and computer maker **Hewlett-Packard** that it would lay off 14,500 workers, corporate giants **Eastman Kodak** and **Kimberly-Clark** revealed plans for more massive job-cutting.

After its third straight quarterly loss, a loss that exceeded investors’ forecasts, Eastman Kodak management declared July 19 that it would lay off as many as 10,000 workers from its worldwide workforce, in addition to the 15,000 already announced in January 2004. The company, based in Rochester, New York, blamed the loss on a rapid decline in revenue from traditional film and other chemical-based businesses.

Chief executive Antonio M. Perez commented, “Our disappointing start in the first half of this year makes it clear that I need to make some changes, and make them now. Sales of our consumer traditional products and services are declining faster than expected.”

The cuts will reduce the company’s global workforce to fewer than 50,000, the lowest number in several decades. As to how many jobs will be lost in Rochester, notes the *Rochester Democrat and Chronicle*, “Kodak isn’t saying. But of the 10,000 cuts to be made by the end of 2007, 7,000 will be manufacturing jobs. Since Kodak Park here is the company’s largest manufacturing site—with much of that manufacturing focused on film—it’s probably safe to say that Rochester will see some significant cuts.”

On July 22 Kimberly-Clark, the maker of Kleenex tissues and Huggies diapers, announced plans to cut 6,000 jobs and sell or shut down as many as 20 manufacturing plants during the next three-and-a-half years.

Based in Irving, Texas, Kimberly-Clark reported that earnings for the second quarter fell slightly due to a tax expense; sales rose 8 percent. The job reductions will result in a loss of about 10 percent of its workforce. Some 17 percent of the company’s plants will be closed or sold; in addition, four facilities will be streamlined and seven others expanded.

Thomas J. Falk, company chairman and chief executive officer, offered the usual cliché-ridden statement to the media. “These are tough decisions, ones we don’t take lightly,” said Falk. “But they are absolutely necessary to improve our competitive position. We will treat all affected employees fairly in this process.”

The *Wall Street Journal* reported July 22 that **Ford**

Motor Co. was considering cutting as many as 30 percent of its white-collar workforce—some 10,500 of its 35,000 salaried workers—in North America over the next few years.

Company spokesman Oscar Suris would not confirm the report, but he noted that earlier in the week Ford Chief Financial Officer Don Leclair had said "nothing is off the table" when asked about possible cuts. Ford has already announced plans to reduce its salaried labor force by 2,700 by the end of 2005.

Suris made clear that the automaker is considering very aggressive measures. "We have operating challenges that include our cost structure and excessive production capacity, and we have plans to address that," he said. Suris added that just over 1,000 people have left the company since April through buyouts and layoffs.

The aforementioned **Honeywell**, the aerospace and high-technology manufacturer, reported July 20 that it would cut 2,000 jobs from its aerospace business. The company reported the same day that "brisk sales" had boosted second-quarter profit. CEO Dave Cote told the press, "As we say up in New Hampshire, it was a wicked-good quarter." The future is not so bright for the 5 percent of the company's workforce whose jobs are disappearing in a restructuring program.

Computer printer maker **Lexmark**, which supplies products to Dell and competes with Hewlett-Packard, revealed plans July 26 to cut 275 jobs to reduce costs. The company had 13,400 workers at the end of 2004.

Ben Dobbin, in a widely republished *Associated Press* story, observed that "some economy watchers are suddenly concerned that this latest flurry of job cuts—a byproduct of various trends such as outsourcing, mergers, automation, changing technology and consumer demands—may foreshadow some trouble ahead. " 'We won't know till afterwards, but I do think we may be seeing a tipping point in the economic cycle that these big layoffs are flagging,' said John A. Carpenter, chief executive of Challenger, Gray & Christmas, a Chicago-based employment research firm. 'I think it's a sign that leaks are breaking out.' "One thing is for certain: It was not a good week for American labor. In fact, it's been an unusually torrid summer in terms of trimming payrolls. "US corporations announced plans in June to cut 110,996 jobs—the highest monthly total in 17 months—and July's toll could turn out to be steeper. Overall job cuts are on the rise in 2005, reaching 538,274 through June, according to Challenger's monthly job-cut analysis."

Unsurprisingly, in the face of these numbers, consumer confidence fell in July. Wall Street analysts, who live in a different social universe, found it "unexpected." The Conference Board's monthly measure of consumer sentiment dropped 3 points to 103.2. The expectations index, which measures consumers' outlook for the next six months, also fell, by 3.4 points to 93. Job insecurity was the principal reason consumers gave for their lack of confidence, followed by rising gas prices.

Lynn Franco, director of the Conference Board's Consumer Research Center, attempted to reassure the public: "The overall state of the economy remains healthy, and consumers' outlook suggests no storm clouds on the short-term horizon."

A BIGresearch survey conducted in early July also found growing concerns, noting that with "rising gas prices and the recent London terror bombings on minds, consumer confidence drops 2.5 points from June to 43.7 percent." The research firm also found that "[c]ontrary to the dip in the unemployment rate in June, faltering confidence and worry about international affairs seems to have consumers fearing a rise in layoffs over the next six months."