US: Dell, Motorola, IBM announce new job cuts

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New layoffs were announced in the US technology sector at week's end, as companies vie for market share amid falling share values, cutthroat competition and bleak economic forecasts. Dell Inc. led the pack, announcing it would eliminate 8,000 jobs over the next year. The new cutbacks at the computer maker amount to a 10 percent reduction in its 81,000 workforce, and are part of a wider plan to trim costs.

Michael Dell, the founder of the company, has overseen a shake-up of its executive ranks since returning to lead Dell in January. The Texas-based company continues to struggle to regain market share against Hewlett-Packard (HP), which ousted it from the top spot in worldwide computer shipments last year. HP kept its lead over Dell in the first quarter, with 4 percent more shipments.

Dell's first-quarter earnings of $759 million, or 34 cents per share, on sales of $13.95 billion beat analysts' predictions of 26 cents per share, but were down slightly from 33 cents per share from the same period last year. In its earnings release, Dell said it was reviewing costs across the board and that the layoffs would be implemented in different geographical regions and customer segments to "reflect business considerations as well as local legal requirements."

Earlier in May, Dell also broke with its long-standing business model of direct-to-customer sales by announcing it would begin to sell computers through retail giant Wal-Mart, beginning June 10.

Motorola, the world's number-two mobile phone maker, announced Thursday that it will shed an additional 4,000 jobs this year, bringing total jobs cuts for 2007 to more than 11 percent of its workforce. The new cuts come on top of 3,500 job reductions the company had already planned to complete by June 30.

Motorola has been losing market share to rival Nokia, the market leader, due to price competition and a lack of advanced phone models. The Schaumburg, Illinois-based company, which had 66,000 employees at the end of 2006, had said in April that it would announce new cost-cutting measures by June.

Executives at Motorola, which also makes computer network equipment and television set-top boxes, said in recent months that it would be shifting the priorities of its phone business to improving profitability at all costs. The company expects $600 million in annual cost savings in 2008 as a result of the latest job cuts, and $400 million from the 3,500 layoffs announced in January.

International Business Machines Corp. (**IBM**), the world's largest computer-services company, announced 1,570 job cuts on Wednesday. The cuts come mainly in its technology services unit, where profits fell 19 percent in the latest quarter. Most of the job cuts come in North America, and are equal to about 1.2 percent of IBM's US 128,000-strong workforce.

Armonk, New York-based IBM has about 355,800 employees worldwide and reported $22 billion in sales in the first quarter. CEO Sam Palmisano said the company was shifting priorities from computer services to software in an effort to boost profits, and aims to get about half its earnings from software by 2010.

Earlier in May, the company trimmed about 1,300 jobs at its global services unit. A company spokesman declined to comment on further possible reductions.

These technology sector cutbacks are set against the backdrop of dismal economic growth in the first quarter of 2007, which saw home building plunge and the trade gap worsen. Gross domestic product grew just 0.6 percent in the first three months of this year, the slowest pace since 2002.

The US Labor Department announced a net increase of 157,000 in non-farm payrolls on Friday, after growing 80,000 in April and 175,000 in March. The official unemployment rate—which does not take into account those who have given up looking for work— remained at

4.5 percent.

However, while service-producing industries saw an overall gain of 176,000, 19,000 jobs were shed in the manufacturing sector. Job cuts continue to hit hard in the industrial Midwest, with automakers and major manufacturers making deep cuts that are having a devastating impact on working families. Last year, the state of Michigan lost 53,000 jobs and is expected to lose another 43,000 this year.

In another indication of the precarious state of the economy, income for working Americans fell for the first time in nearly two years during April, dipping at a seasonally adjusted rate of 0.1 percent compared to the month before. Personal savings as a percentage of disposable personal income was also a negative 1.3 percent in April, the 25th straight month in the minus column.

Indices relating to residential home sales continue to worsen. Sales of existing homes, which account for about 85 percent of residential sales, dropped 2.6 percent to the lowest levels in almost four years, according to the Realtors group. Home values nationwide also fell, by 1.4 percent from the first quarter of 2006, the first decline since 1991.

A major factor putting more homes on the market is late payments on subprime mortgages, which drove up US foreclosure filings in the first quarter of 2007 by 35 percent to 437,500, compared with the same period last year. With mortgage defaults rising, banks are tightening lending standards, making home purchases less affordable.

New home construction is also down, and is not expected to return to last year's levels until 2011, according to the National Association of Home Builders. Homebuilders are cutting staff with the drop in sales. Bloomfield Hills, Michigan-based Pulte Homes Inc., the nation's third-largest homebuilder, plans to lay off 16 percent of its staff, which has already been cut by 25 percent since the housing slump began.