

More signs of US recession as jobless claims jump

Jerry White
1 February 2008

The number of US workers filing new claims for unemployment benefits rose last week to its highest level since September 2005—in the wake of Hurricane Katrina's hitting the Gulf Coast—putting tens of thousands of workers out of their jobs. The Bureau of Labor Statistics said Thursday the number of workers filing for new jobless benefits rose by 71,000 last week, to 375,000, far exceeding expectations by economists.

Released on the eve of today's report of national unemployment figures, the spike in new jobless claims, along with a series of other dismal economic reports, provides further evidence that the US economy is heading towards or is already in a recession, despite repeated interest rate cuts by the Federal Reserve Board.

Another report issued Thursday showed consumer spending rose by a meager 0.2 percent in December, down from a 1.1 percent increase in November. Adjusted for inflation, the gain was the weakest since September 2006 and confirmed reports of a disastrous holiday season for retailers, despite their offering high discounts to attract buyers.

The trailing off of consumer spending is particularly ominous since it accounts for 70 percent of economic activity in the US, and more than 20 percent of the global gross domestic product. Such a slowdown, however, is inevitable as consumers, already burdened by record high levels of debt, are hit by layoffs, rising fuel and food prices, as well as the impact of the housing crisis and credit crunch.

On Wednesday the Commerce Department reported the US economy had only grown by an annual rate of 0.6 percent in the fourth quarter, its slowest pace since 2002. The sharp falloff was chiefly attributed to a reduction in inventories, as companies cut back production in anticipation of weakening demand.

At the same time housing output fell 23.9 percent in the fourth quarter, contributing to a sharp decline in construction employment, which fell by 13,000 jobs in January, according to payroll services company ADP.

Florida reported the highest increase in new unemployment claims last week, up 4,305, due to layoffs in the construction, trade, service and manufacturing industries.

The Bureau of Labor Statistics reported Thursday that employers carried out 1,433 mass layoff actions—defined as layoffs involving at least 50 workers—in December. This was the highest number of mass layoffs since Hurricane Katrina, involving a total of 141,750 workers.

For all of 2007, employers carried out 15,493 mass layoffs, producing nearly 1.6 million initial claims for unemployment benefits. The finance and insurance industry was particularly hit hard, as the bursting of the housing bubble led to the wiping out of tens of thousands of jobs in real estate, commercial banking and mortgage brokers.

Manufacturing continued its slide, accounting for 30 percent of all mass layoffs in 2007. The number of initial jobless claimants was highest in transportation equipment manufacturing (228,213), followed by food manufacturing (62,141) and machinery manufacturing (45,831).

The Midwestern states accounted for the highest number of mass layoffs in the US, with 509,431 workers claiming initial jobless benefits. The majority of these were in the auto industry, where the Big Three auto companies and their suppliers carried out massive downsizing. However, all four regions of the US experienced a year-to-year rise in mass layoffs last year, with California, Pennsylvania and Alabama recording the highest increases.

Over the past several days many more companies joined the list of corporations announcing new layoffs.

* After disappointing earnings and falling share values, **Yahoo** said it would lay off 1,000 of its 14,300 employees starting in February in an effort to restructure the company and return it to profitability by 2009.

* Pharmaceutical giant **Pfizer** announced Monday it was closing its plant in Terre Haute, Indiana, eliminating 660 jobs by the middle of the year. The news is the latest economic blow to Vigo County, located about 75 miles southwest of Indianapolis, near the Illinois border, which last fall saw the closure of a International Paper, a large containerboard mill, throwing 170 people out of work. Just last week, Great Dane Trailers laid off 75 workers, citing a slowdown in the housing and automotive industries.

* Following similar announcements by GM and Ford, **Chrysler LLC** offered 13,000 United Auto Workers members in metro Detroit buyout and early-retirement packages, as part of the automaker's efforts to reduce its hourly workforce by 10,000 as announced in November. That announcement was on top of a February 2007 plan to cut 11,000 hourly workers over three years.

The company will lay off 119 salaried UAW design workers next Monday at its technology center in Auburn Hills, Michigan and at the Plymouth Road Office Complex in Detroit. In addition, 770 United Auto Workers members at Warren Truck Plant and about 1,000 at Toledo Machining will be offered buyout and early-retirement packages Monday.

* With sales slipping and retailers bracing for recession, **JC Penney** announced plans to merge the buying and marketing operations for store and online sales, cutting as many as 200 jobs.

* Recreational vehicle maker **Winnebago Industries Inc.** will layoff more than 200 employees in the near future as the company faces what it believes will be a downturn in the motor home market this year.

* **Tyson Foods** began laying off hundreds of workers at its Emporia, Kansas plant Wednesday as it implemented a plan to cease beef slaughter operations at the facility—a move that will eliminate 1,500 of the plant's 2,400 workers.

* **Lockheed Martin Corp.** said Wednesday it plans to lay off 250 employees in April, and cut an additional

600 jobs during the year, mostly at its Fort Worth, Texas site, as the defense contractor completes engineering work on its new F-35 fighter jet program.



To contact the WSWWS and the Socialist Equality Party visit:

wsws.org/contact