US layoffs mount, home foreclosures rise

Patrick O'Connor
24 October 2008

Indicators of a worsening social crisis in the US are mounting daily as the economic downturn takes an ever greater toll on jobs. Further layoffs were announced yesterday in the US and around the world. New data was also released showing escalating numbers of American families losing their homes through foreclosure, further driving down house prices.

A Reuters roundup of some of the US corporations which have made major layoff announcements in the last two days alone included:

• Chrysler, which announced an additional 1,825 layoffs on Thursday

• Goldman Sachs, which said it will cut 10 percent of its staff, or almost 3,300 jobs

• Pharmaceutical giant Merck, which announced it is shedding 12 percent of its workforce

• Biotechnology company Maxygen, which said it will cut nearly 30 percent of its workforce

• Money manager Janus Capital Group, which is sacking 9 percent of its workforce

• Xerox, which said yesterday it will cut 5 percent of its staff, or 3,000 positions

• Mining equipment maker Terex Corporation, which is laying off hundreds of its workers

• United Parcel Service, which announced plans to cut an unspecified number of jobs next year

• Fidelity National Financial Inc., which announced it will slash 1,000 jobs and cut pay by 10 percent

• Financial services conglomerate Popular Inc., which is cutting 600 jobs and closing more than a quarter of its branches in the US.

The US Labor Department reported that new applications for unemployment insurance increased by 15,000 to 478,000 in the week ending October 18, significantly more than was anticipated by economists. A year ago, new jobless claims stood at 333,000.

The Labor Department also found that inflation-adjusted wages for non-managerial workers declined by 1.9 percent in the twelve months up to September. This extraordinary figure indicates the extent to which the social position of the working class is being further undermined as the financial crisis and recession unfold.

The *Washington Post* yesterday reported that leading temp agencies are receiving far higher numbers of inquiries from job-seekers, including from people who are currently working but fear for their jobs. The article noted that many desperate workers "are also willing to make less money, even as the cost of living goes up." An example was call center jobs that paid $9 an hour last year but now pay $8.50.

Workers in the auto industry continue to bear much of the brunt of the growing assault on jobs and conditions. Chrysler announced 1,825 layoffs through the elimination of a shift at an assembly plant in Toledo, Ohio and said it would bring forward the closure date of a plant in Newark, Delaware that had been scheduled to close in December 2009.

Chrysler released figures yesterday revealing that it lost more than $1 billion in the first six months of 2008. Standard and Poor's has said that both Chrysler and GM may run out of cash in 2009 as auto sales fall to their lowest level since 1991.

Germany's Daimler AG, which has a 19.9 percent stake in Chrysler, said yesterday it was revising the book value of its stake to zero. This is down from $220 million three months ago and $1.2 billion at the end of 2007.

GM is in an equally severe crisis. A JPMorgan analyst told Reuters he expects the company to lose more than $12 billion next year. Like Chrysler, GM is slashing costs ahead of a potential merger between the two companies.

GM announced Wednesday it was considering selling AC Delco, its international parts subsidiary, a measure which will inevitably lead to further job losses. The company also said it will suspend many salaried employee benefits, including matching contributions for workers' 401(k) retirement plans.

Job losses continue to mount in the European auto industry. Sweden's Volvo AB said yesterday it would sack 850 more workers at its construction equipment unit. This follows an earlier announcement of 500 layoffs in the same unit, as well as 1,400 layoff notices issued to workers at truck factories in Sweden and Belgium.

Germany's *Frankfurter Allgemeine Zeitung* reported yesterday that Volkswagen plans to cut most or all of its 25,000 temporary staff. A Volkswagen spokesman denied the report, insisting that no decision had yet been reached.

Polish government advisors have estimated that one third of the 1.2 million Polish workers in Britain and Ireland, i.e., 400,000 people, will either return to Poland or move to another country to try to find work. According to a number of reports, the exodus has already begun, with thousands of Polish workers relocating, either in response to being laid off or to the British pound's poor exchange rate, which has sharply reduced the value of immigrant workers' wages sent back to their families.

Workers in countries throughout Europe are also being hit with rapidly declining house prices and increased foreclosures. But nowhere is the crisis more severe than in the US.

A survey released yesterday by listing service RealtyTrac found that foreclosure filings—that is, default notices, auction sale notices and bank repossessions—were reported on 765,000 properties in the three months ending in September, up 71 percent from the third quarter in 2007. Six states—Nevada, California, Florida, Ohio, Michigan, and Arizona—accounted for more than 60 percent of all foreclosure activity. Nevada recorded the highest foreclosure rate, with one out of every 82 housing properties issued a foreclosure filing.

The RealtyTrac report concluded that the third quarter figures probably underestimate the situation. Several states have passed new laws requiring lenders to issue extended notices before filing default notices. These laws artificially suppressed September's foreclosure figures by temporarily postponing the full impact. Rising unemployment will further accelerate the catastrophe.

The company said 81,300 homes had been foreclosed in September, and a total of 851,000 had been repossessed by lenders since August of 2007.

Rod Dubitsky, managing director for asset-backed securities at Credit Suisse, told *BusinessWeek* he expects that more than 5 million American families will lose their homes through the year 2012. He said 1.69 million families will lose their homes in 2008.

Falling property values have also hit homeowners. Over the last period, the family home was widely regarded as the primary asset to fund people's retirement, their children's college education, and even to cover unanticipated health expenses. But yesterday, the Federal Housing Finance Agency reported that house prices in August were 5.9 percent lower than they were a year earlier. The decline was the greatest recorded since 1991, when data was first collected.