Layoffs sweep through US corporations and small businesses

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Mass layoffs throughout every sector of the US economy continued to mount in the first full week of the new year. News of the job cuts came in advance of a Labor Department report due Friday, which is expected to show that last year's job losses were the highest since 1945.

A survey of employers conducted by the payroll firm ADP Employer Services estimated private sector job losses of 693,000 in December, far greater than economists expected. If official government data approaches this figure it would mean over 2.5 million Americans lost their jobs in 2008, nearing the record 2.8 million workers who lost their jobs at the end of World War II.

The unemployment rate was 6.7 percent last month and analysts expect the December rate, also to be released on Friday, to hit 7 percent and to continue to grow at least until 2010.

Continuing claims for jobless benefits rose to 4.61 million in the week ended December 27, greater than the 4.5 million expected and the highest since 1982, indicating that job seekers faced greater difficulty finding new work. The Associated Press reported that electronic unemployment filing systems have crashed in at least three states in recent days amid a crush of newly jobless workers seeking benefits.

In the past few days several major corporations announced retrenchments.

EMC, the world's largest seller of enterprise data storage hardware and software, said January 7 it will eliminate about 2,400 jobs—or about 6 percent of its staff—over the next 12 to 15 months in light of the global recession. The cost cuts are designed to reduce spending by about $350 million in 2009, increasing to $500 million in 2010, the company said.

Discount computer maker Dell plans to lay off 1,900 workers at its flagship manufacturing plant in Limerick, Ireland, and transfer production to an existing facility in Poland. The move is part of a $3 billion cost reduction plan Dell announced last year. Dell has operated in Ireland for 18 years.

The announcements were part of the contraction of the IT industry, which has shed some 116,346 jobs worldwide since January 2008, according to web site Tech Crunch.

Cessna Aircraft Co. in Wichita, Kansas said this week it is planning a second round of layoffs as the slump undermines orders for new planes. Textron Inc.'s Cessna last month issued a 60-day layoff notice to about 500 Wichita workers and another 165 workers in Bend, Oregon.

Drugstore operator Walgreen Co. said it will cut 1,000 white collar jobs this year, or about 9 percent of corporate management, through a combination of voluntary buyouts and layoffs. The Deerfield, Illinois company, which employs 237,000 workers, said the reductions were part of a cost-cutting plan aimed at saving the company $1 billion per year starting in fiscal 2011.

The layoffs at Walgreens are part of the shakeout of the retail industry expected as a result of the collapse of consumer spending and a disastrous holiday season, which retailers describe as the worst in decades.

Macy's announced that it would shut 11 "underperforming" department stores, displacing 836 employees. The stores are located in Los Angeles; Colorado Springs and Westminster, Colorado; West Palm Beach, Florida; Island of Hawaii; Indianapolis, Indiana; Brooklyn Center, Minnesota; St. Louis, Missouri; Natrona Heights and West Mifflin, Pennsylvania; and Nashville, Tennessee.

Sales in November and December are closely watched because they account for 25 to 40 percent of many retailers' annual sales, according to the National Retail Federation, an industry group. Most stores reported sales declines and many lowered their earnings forecasts, including Wal-Mart, the world's largest retailer.

Sales were down 30 percent at high-end retailers Neiman Marcus and Bergdorf Goodman and across-the-board as department stores such as JC Penny, Sears and Kohl's, as well as lower-priced stores such as TJ Maxx and Marshalls.

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Mall retail chains were also hit as customers sought out deep-discounted merchandise.

Industry analysts said the poor sales all but guaranteed a wave of bankruptcies in the next few months. Last year well-known chains including Circuit City, KB Toys, Mervyns, Boscovs, Steve & Barry's, Linens 'n Things and Sharper Image filed for bankruptcy protection.

Earlier this week, aluminum maker Alcoa announced that it would lay off 13,500 workers as part of the continuing contraction of the metal industry, bellwether for the economy as a whole. Steel production—which is involved in everything from home and office construction to the manufacturing of cars and appliances—has fallen 50 percent since September.

Layoffs spread to the public sector as well, where the downturn has undermined tax revenues and virtually bankrupted states and municipalities. Hundreds of Los Angeles Unified School District teachers could face midyear layoffs, if the state legislature does not raise revenue to close the state budget's deficit, LA schools Superintendent Ramon C. Cortines said at Tuesday news conference.

Those at risk would be the more than 2,000 probationary teachers who have taught for less than two years and lack tenure rights. "We will be bankrupt if I do not do this," Cortines said of the need to cut at least $250 million from this year's budget.

As the second year of the recession begins there are growing signs that layoffs are hitting small businesses, which are the largest source of employment outside of the US government, accounting for 50 million jobs, as opposed to the 19 million workers employed at large firms. Forty percent of last month's layoffs took place at companies with fewer than 50 workers.

Big companies—those with at least 500 employees—have slashed workers in 17 of the last 18 months. Smaller businesses, however, did not start cutting jobs until February, and up until now have moved at a slower pace in trimming jobs. The spike in layoffs at small businesses means the jobless rate is going to increase exponentially.

The collapse of consumer spending has devastated retailers and restaurants, which make up 30 percent of small businesses. "Everybody is trying to hang on now," William Dunkelberg, chief economist for the National Federation of Independent Business, told Reuters. "More and more of these firms are in survival mode. They kept thinking consumers will make it, but then December rolls around and sales are still not going anywhere—in fact they're going down—and finally (small businesses) run out of money," he said.

Challenger, Gray & Christmas reported that layoff announcements in December jumped 275 percent from last year—the biggest increase since the outplacement firm began tracking job cuts in 1993.

In its summary of last year's cuts, Challenger said, the financial sector shed the most jobs, 260,110, followed by the automotive industry, with 127,281 layoffs, and transportation with 82,859.

The expectation of more job losses ahead "will only perpetuate the vicious downward cycle propelling the economy," Bernard Baumohl, chief global economic at the Economic Outlook Group, told the Associated Press.

"As the number of people without jobs accelerates, so will the retrenchment in households' spending. If consumers cut back more, business sales and earnings shrink further. The collapse in profit margins will force companies to carry out yet another round of layoffs, which only adds more momentum to the destructive cycle," Baumohl said. "Unfortunately, that's the scenario we see ahead."

A report by the Congressional Budget Office (CBO) shed some light on the level of social misery being caused by the economic crisis. The recession will drive the cost of the US food stamp program, which low-income families need to buy food, to $50 billion this year, up 27 percent from 2008, the CBO said Wednesday.

Some 31 million Americans currently receive food stamps, which provide $119 a month per person and $266 per household.

"The faltering economy has increased outlays for unemployment compensation and the Supplemental Nutrition Assistance Program," CBO said. It forecast outlays would rise to $50 billion for food stamps this year from $39 billion last year, due to higher enrollment and rising food prices. Jobless benefits would total $79 billion, up from $43 billion.

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