Bloody Monday: 74,000 layoffs announced in one day

Tom Eley
27 January 2009

On Monday, employers in the US and internationally announced tens of thousands of layoffs in an indication that the economic crisis is accelerating and spreading throughout the American and world economy—and far outpacing governmental measures to respond. Among the major layoffs:

* Caterpillar Inc., the world leader in heavy construction equipment, announced 20,000 layoffs for the first quarter of 2009.

* The drugmaker Pfizer Inc. said it will lay off 8,000 workers, the first casualties of the firm's $68 billion takeover of rival pharmaceutical corporation Wyeth.

* SprintNextel, the cell phone carrier, will cut 8,000 jobs, or 14 percent of its workforce, by the end of March. It eliminated 4,000 jobs little more than a year ago.

* Home Depot Inc., the largest US home improvement retailer, said it will cut 7,000 jobs and shutter 34 of its Expo home design stores.

* General Motors, the embattled auto giant, announced 2,000 more layoffs affecting plants in Ohio and Michigan, where the unemployment rate has already climbed past 10 percent.

* Texas Instruments Inc., after announcing a precipitous decline in profits, said it would eliminate 3,400 jobs.

* Phillips Electronics, the Dutch electronics giant, said it would cut 6,000 workers from its worldwide workforce.

* Corus Group, a steelmaker, said it would eliminate 3,500 jobs, 2,500 of which will come in Britain.

* The Dutch bank ING announced the elimination of 7,000 jobs after it reported its first-ever quarterly loss.

The scale and rapidity of the layoff announcements are bringing the historic dimensions of the economic crisis into focus. John Challenger, CEO of the employment-tracking firm Challenger, Gray & Christmas Inc., commented on the day's bloodletting. "What is remarkable about today is the layoffs seem to be coming from every corner of the economy," he said. "Usually there are sectors that get hit particularly hard. This recession has been focused on housing and financial services, although automotives have come into it as well. But now we have other areas, like retail and technology, as the next wave of the recession hits."

So far in 2009, Challenger has counted 128,600 announced layoffs among only 19 major corporations. It is anticipated that US payrolls will decline by nearly 600,000 in January, which would mark the third consecutive month that the economy has lost more than one half million jobs and the fifth straight month of more than 400,000 job losses. This would be "the first such occurrence of either dating back to the beginning of 1939," Dan Greenhaus of the equity strategy group Miller Tabak & Co. told *Marketwatch*.

The mass layoffs suggest that job losses in 2009 may well outstrip those of 2008, when an estimated 2.6 million jobs were purged—the most since 1945—and the official unemployment rate will continue to climb from the 7.2 percent level it hit in December, which was already the highest level in 16 years.

The Pfizer dismissal of 8,000, announced in conjunction with its acquisition of Wyeth, was the third mass layoff announced by the firm this month. On January 16 it laid off 1,300 sales representatives and earlier in January it sacked 800 scientists. But this is only the beginning. On Monday Pfizer announced plans to eventually fire 15 percent of the two companies' combined work force, which would mean approximately 12,000 more jobs lost.

The layoffs at Pfizer reveal the class character of the government intervention into the economic crisis, which has taken as its first task propping up the largest banks. Pfizer's takeover of Wyeth was made possible by loan financing of $4.5 billion each from Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase and Barclays.

In October, politicians of both parties, including Barack Obama, insisted that it was urgently necessary to give the major financial institutions hundreds of billions of dollars in the so-called Troubled Asset Relief Program (TARP). This, they promised, would result in a wave of lending that would then create jobs. It has had just the opposite effect.

As a *Wall Street Journal* investigation confirmed yesterday, the major TARP recipients have curtailed lending. But not in the case of Pfizer, where the big banks provided the capital needed to further monopolize the drug industry and slash thousands of additional jobs.

In general, the markets cheered the mass layoffs. SprintNextel stock climbed 1.2 percent after its layoff announcement, Home Depot's stock rose by 4.7 percent, Phillips stock increased by 10.1 percent and ING stock soared by 20.1 percent. Caterpillar stock declined due its dismal earnings report, which was worse than market expectations.

Caterpillar's layoffs will affect 5,000 positions in management and support. Already 2,500 employees have accepted buyout offers, and 8,000 contract workers and 4,000 full-time factory workers have been laid off. The company also announced a wage and salary freeze.

The collapse of Caterpillar's sales is another indication that the economic crisis is rapidly deepening. Caterpillar's leading clients are themselves employers in sectors of the economy such as home construction, mining and commercial real estate development.

"We pretty much hit a wall in December," said Jim Owens, Caterpillar CEO. Morningstar analyst John Kearney added, "[I]t looks like that is definitely going to spread into the first quarter and maybe get even worse. It's certainly an ugly outlook for at least the first half of 2009."

GM, in addition to its 2,000 announced layoffs, said that over the next six months it would suspend manufacture for several weeks at ten factories in North America. Twelve hundred workers will be fired on the second shift of its Lansing, Michigan plant on March 30, and 800 will be laid off from the second shift of its Lordstown, Ohio factory, effective April 6.

The new layoffs and production suspensions aim to "align production with market demand," GM said. Analysts anticipate a further contraction in the market for new cars to 10.5 million vehicles from the already abysmal 13.2 million units sold in 2008.

Elsewhere, a new report from the National Association of Realtors (NAR) showed a sharp decline in the value of US homes. While the rate of home sales rose marginally in December from the record lows witnessed in November, the median home price fell by 15.3 percent to $175,400, the sharpest decline on record.

A separate survey by RealtyTrac, an online real estate firm specializing in foreclosed properties, anticipates that millions of foreclosed homes have yet to make their way to the market, as repossessing banks hold back from marketing repossessed homes in the hope that market conditions may reverse. As these foreclosures inevitably come onto the market, they will further erode home values—the basis of wealth for most US families.

On Friday, the government is expected to release its assessment of economic growth for the fourth quarter. The consensus among economists is that the economy shrank at an annualized rate of 5.4 percent. That would represent the most rapid contraction since 1982.