Most job losses in US last year since 1945, with more to come

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Economists are estimating that the US lost 2.4 million jobs in 2008, which would be the most lost in any year since the end of World War II, according to a survey conducted by Bloomberg.com. Other analysts are predicting the elimination of as many or more jobs in 2009.

The Bloomberg survey came in advance of the Bureau of Labor Statistics report on unemployment for December due out January 9. The economists polled estimate that US payrolls fell by 500,000 last month and that the official jobless rate will reach its highest level since 1993.

Manufacturing is expected to have lost another 100,000 or more jobs as factory production declined in December at the fastest rate in 28 years.

Bloomberg cites the comments of Michael Feroli, economist at JPMorgan Chase: "We're continuing to lose massive amounts of jobs. The negative momentum carrying over into the first half of 2009 will hold down the economy regardless of policy."

Indeed, in the opinion of many observers, the worst is yet to come. Douglas McIntyre, an editor at 247wallst.com, commented January 4: "Many large industries may only be at the beginning of their layoff cycles. That is certainly true of retail. Some estimates are that another 70,000 stores will close in the U.S. this year. The auto industry will cut more jobs either to please Congress or due to outright bankruptcies. Small business has almost no access to capital, so that part of the economy is likely to eat through jobs as well.

"Unemployment almost certainly went above 7 percent in December. Retail layoffs could push that toward 8 percent all by themselves. The idea that the entire economy could drop another three million jobs this year is entirely possible."

In a report issued in late December, the executive outplacement firm Challenger, Gray & Christmas predicted that more than 1 million jobs would be cut in 2009. CNNMoney.com added, "Last week, consulting firm Watson Wyatt (WW) said that 23 percent of companies surveyed in early December plan layoffs in the next year. The report also said that 39 percent had already cut their work force—up from 19 percent in October."

December 28, in an article headlined "Outlook for 2009 is grim," the *Boston Globe* commented: "Employers, who have slashed nearly 2 million jobs in the last year, are projected to cut at least that many more jobs in the next year, according to several economic forecasts.

"The US unemployment rate, now at 6.7 percent, is forecast by many economists to rise above 8 percent—or even higher. IHS Global Insight, a Waltham [Massachusetts] forecasting firm, projects the jobless rate will hit 9.4 percent by the end of 2009, a level not seen since 1982, when unemployment hit a post-World War II high of nearly 11 percent."

The *Globe* continues: "Some analysts expect the economy to shrink at an annual rate of as much as 6 percent in the last quarter of this year, then at about a 4 percent pace in the first three months of 2009 before the decline flattens. Even in the worst quarters of the last two recessions—1990-91 and 2001—the economy contracted at no more than a 3 percent annual rate."

By the time all the calculations are done, the 2008 holiday shopping season is expected to have been the worst in four decades. In an expression of the sharp contraction in consumer spending, Electronic Arts, a video-game publisher, recently announced plans to lay off 1,000 workers, or 10 percent of its workforce, and close or consolidate nine studio and publishing locations.

In relation to retail, Burt Flickinger III, managing director of New York consulting firm Strategic Resource Group, predicts the closure of at least 200,000 stores and 2,000 to 3,000 malls in the US this year, most of them in the next few months.

"In the more marginal malls, a quarter to a half of the space will have the lights turned off, and then you'll see whole abandoned shopping centers," he told the *San Francisco Chronicle*.

According to *Forbes* magazine, nearly 200,000 workers have been laid off from Fortune 500 companies since November. More than 1.2 million Americans were hit by temporary layoffs in November, according to the Bureau of Labor Statistics.

Considered an indicator of economic development, the US steel industry is undergoing a deep crisis. The *New York Times* commented January 1 "As steel production goes—and it is now in collapse—so will go the national economy." American steel production, decimated in the 1980s and reduced to a fraction of its former dimensions, has plunged 50 percent since September. Output in December was down to 1.02 million tons a week from 2.1 million tons in August. The price of a ton of steel has also been halved.

Ten thousand steelworkers have already been temporarily laid off, and the United Steelworkers anticipates another 20,000 workers to be on furlough early in 2009.

The *Times* comments: "The sharp slide in steel production has several causes. Construction and auto production have fallen sharply; between them, they account for 57 percent of the steel bought each year in the United States, according to the Iron and Steel Institute. Appliances, machinery and other electrical equipment account for an additional 13 percent, and the fall-off in production of these goods has also reduced steel orders."

Dozens of firms and government departments or agencies are announcing layoffs on nearly a daily basis. The *Wall Street Journal* reported December 30 that many firms priding themselves on never laying off workers are changing their policies, in the face of an economic slump unprecedented in the modern era.

The *Journal* cites the case of Enterprise Rent-A-Car, which has weathered past recessions over the past half-century and even the September 11 crisis without laying off employees. This autumn Enterprise laid off 1,000 workers, as the number of Americans driving and flying has fallen. The company's vice president explained, "These types of declines are unprecedented."

The newspaper continued, "The deepening recession is prompting layoffs at long-established employers that avoided job cuts in previous downturns. These layoffs demonstrate both the severity of the current recession and the continued erosion of workplace norms that once shielded many US workers from permanent job loss."

For example, Gentex Corp, a Zeeland, Michigan auto parts suppliers, carried out its first layoffs in 34 years in December. The company, "which makes rear-view cameras and other gear for cars and airplanes, earlier this month dismissed about 370 employees, or roughly 15 percent of its staff, in its first layoffs.

"A world-wide decline in car sales finally forced the company's hand. In the third quarter, sales fell 6 percent and profit dropped 49 percent.... Other parts makers have cut back, too. Employment at part makers fell 12 percent in October, compared with a year earlier."

Duke University and CFO Magazine reported in December that "Chief financial officers in the United States and around the world are more pessimistic than at any time" in the history of their Global Business Outlook Survey. "The majority of chief financial officers in the US and Europe say their firms will slash spending and employment in 2009, and their firms will post losses."

A record 81 percent of US CFOs are more pessimistic about the economy this quarter (twice as many as last quarter), and 85 percent of European and Asian CFOs are more pessimistic.