US firms Verizon, Johnson & Johnson, announce 21,000 job cuts

New home sales at record low

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The Obama administration's much-touted "recovery" continues to be exposed by daily developments in the real economy. In recent days US firms have announced layoffs and job cuts for 2010 numbering in the tens of thousands, while the Commerce Department reported Wednesday that new homes sales fell sharply in December, making 2009 the housing market's worst year in decades.

After announcing a fourth-quarter loss, US telecommunications giant Verizon on Tuesday reported it would cut about 13,000 more jobs for the coming year. The company's loss of $653 million resulted from $3 billion in one-time expenses incurred from the 16,000 layoffs and job cuts it put in place last year. Without these one-time charges related to severance pay and other costs associated with redundancy, Verizon would have earned exceptional profits, it reported.

Verizon CEO Ivan Seidenberg said the layoffs result from worse than expected spending by businesses on phone services. "The economy won't help us as much as we thought," he said, predicting that business conditions will not improve before the end of the year.

The *WSWS* spoke with a Verizon worker who was laid off last year after 23 years with the company. He predicts that most of the job losses would be concentrated in the mid-Atlantic states, including his own Pennsylvania, and will affect traditional "landline" phone service.

"This is going to be pretty devastating for a lot of people," he said. "They are mostly going to hit the wireline side of the business. There are are about 100,000 people still working there, so this could come close to 13 percent of the workforce."

"A lot of the people who are getting laid off are in management," he continued. "They are in the middle of their careers, with mortgages and kids in high school and college they have to pay for."

"They will also be laying off those workers who helped to build their new fiber optic network, many of whom have less than six years' experience. Now that it's done, they'll be thrown out. A lot of these workers have young children to care for."

"A big problem for all of the laid off workers will be that they'll lose their health care benefits," he added. "If I would have continued with my Verizon company health care plan, it would have cost me $17,000 a year."

A similarly large job cut announcement came from the pharmaceutical industry. Johnson & Johnson said it will cut 8,000 jobs this year, or 7 percent of its workforce, it revealed in conjunction with a Tuesday profit report. Like Verizon, costs associated with the looming job cuts ate into profits, but Johnson & Johnson still managed to net $2.2 billion from revenues of $16.6 billion.

Market analysts expressed impatience with the pace of Johnson & Johnson's restructuring. "I think people wanted more evidence that the turnaround was happening faster," said analyst Les Funtleyder of the hedge fund Miller Tabak & Co. "We're willing to give them a couple more quarters."

Home Depot, the major home-improvement retailer, also announced a major new round of layoffs for 2010. It will hand out 1,000 pink slips, 900 of these to positions in human resources, accounting, real estate and construction concentrated in its Atlanta headquarters. Home Depot has already shed about 1,150 management jobs since the onset of the collapse of the housing market.

Computer software firm Oracle will lay off as many as 2,000 workers in the months after its $7.4 billion purchase of Sun Microsystems, CEO Larry Ellison told the *New York Times* on Tuesday.

The Canada-based airplane manufacturer Bombardier-Learjet laid off 100 workers in Kansas last week, it confirmed on Tuesday. It announced earlier in the month that it would lay off 600 workers in the spring from its Montreal headquarters.

Last week western Iowa was jolted by two major layoff announcements in its meatpacking industry. Smithfield Foods announced that it would close a hog processing plant in Sioux City in April, resulting in some 1,500 jobs lost. Shortly afterwards, Tyson Foods announced it would lay off 480 workers from its nearby Council Bluffs processing plant. After the announcement, BB&T Capital Markets raised its outlook on Tyson stock to “buy” from “hold.”

Last week, the nation’s largest retailer, Wal-Mart, announced 11,000 job cuts at its Sam’s Club subsidiary.

Massive job losses are also threatened in the public sector.

Los Angeles mayor Antonio Villaraigosa met with city managers on Tuesday to finalize plans for laying off about 1,000 city workers to alleviate the city’s $200 million deficit.

New York City Mayor Michael Bloomberg this week warned that New York Governor David Paterson’s proposal to cut aid to the city by $1.3 billion would lead to 18,500 layoffs this year.

In Illinois, the pubic workers’ union, the Association of Federal State City and Municipal Employees (AFSCME), cut a deal with the Democratic governor to lay off 200 state employees, accepting furlough days and deferring pay raises. And the recently proposed Plainfield, Illinois, school district budget calls for the elimination of 222 teaching, staff and administration jobs.

As layoffs and job cuts continue to pile up, sales of new homes hit an all-time low in December.

Purchases tumbled by 7.6 percent to an annualized rate of 342,000, the Commerce Department reported on Wednesday. December’s figures marked the fourth decrease in five months. Only 374,000 new homes were sold in the US in 2009, the worst year for home sales on records dating back to 1963.

Taken together with persistently high unemployment and a mass of foreclosed homes about to enter the market, the decline in new home sales suggest that home values—the major source of wealth for most US families—will continue to fall in 2010.

The decline in new home sales surprised analysts, who had predicted an increase in December. They speculated that driving the decrease was the anticipated expiration of an $8,000 tax credit for first-time home buyers. The implications of this are startling. Even with government tax credits, the housing market suffered its worst year on record. With their likely end in June, home values appear likely to resume their free fall. This situation may be exacerbated by the March 31 expiration of a $1.5 billion Federal Reserve program that subsidizes banks to keep mortgage rates low.

The Commerce Department report follows a National Association of Realtors survey issued earlier in the week that found a 16.7 percent fall-off in the sale of existing homes, the worst showing on records dating back to 1968. (See “Existing US home sales fall at record rate”)