US job cuts hit 16-month high in July

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The number of announced job cuts in the US rose to a 16-month high in July, according to a report released Wednesday by the outplacement consultancy firm Challenger, Gray & Christmas. The total of 66,414 job cuts announced by private companies and government agencies was 60 percent higher than the number for June and 59 percent higher than the July 2010 figure.

Mass layoffs announced by five companies—the pharmaceutical giant Merck & Co. (15,000), the now defunct retail book store chain Borders (10,700), the computer peripherals firm Cisco Systems (6,500), the defense contractor Lockheed Martin (6,500) and the medical device-maker Boston Scientific (1,400)—accounted for 57 percent of the July total.

Goldman Sachs announced 1,000 job cuts as part of a growing wave of layoffs by financial corporations.

The resumption of large-scale downsizing by major corporations is yet another indication that the economic slump in the US is deepening, presaging jobless levels even higher than the current official rate of 9.2 percent. US corporations carried out a ruthless program of job-cutting at the height of the recession that followed the financial crash of September 2008, but for more than a year they have largely refrained from further layoffs. At the same time, despite holding huge amounts of cash accumulated by lowering costs and driving up profits, US corporations have largely refused to hire new workers.

Now, with growth rates sharply falling, companies are once again axing jobs in order to cut costs even further and place more pressure on their remaining employees to work harder for less money.

In July, for the first time in months, private-sector job cuts outpaced layoffs by state and local governments and nonprofit corporations. Government agencies, mostly at the sate and local level, announced plans to cut 9,389 jobs in July, while school districts and colleges and universities announced 1,914 job cuts.

John A. Challenger, CEO of Challenger, Gray & Christmas, said: “July marks the third consecutive increase we have seen in monthly job-cut announcements, which certainly seems to provide additional evidence that the recovery has stalled. What may be most worrisome about the July surge is that the heaviest layoffs occurred in industries that, until now, have enjoyed relatively low job-cut levels, including pharmaceuticals, computer and retail.”

Challenger added: “It is unclear how many US workers will ultimately be impacted by these global job-cutting efforts. However, weakness in the financial sector does not bode well for the rest of the economy. Nor does weakness in the manufacturing sector, which is reporting some of the slowest activity in months.”

The Challenger, Gray & Christmas report follows on the heels of reports showing a sharp slowdown in US manufacturing and consumer spending, and last week’s Commerce Department report that US gross domestic product (GDP) growth slowed to 1.3 percent in the second quarter. The same report revised downward the department’s estimate of first quarter growth from 1.9 percent to 0.4 percent.

A separate report issued Wednesday, the July survey of private-sector job growth by the payroll service firm ADP, showed a net increase in July of 114,000 jobs. That figure was considerably lower than ADP’s estimate for June of 145,000 jobs. The company reported an actual decline of 1,000 factory jobs during the month.

All of these figures are below the 150,000-175,000 new jobs economists believe must be generated every month just to keep pace with the normal growth in the labor force.

The *World Socialist Web Site* spoke with James Pedderson, the director of public relations for Challenger, Gray & Christmas, who acknowledged that the July job-cut figure pointed to an ominous worsening of the employment picture. “For the past 12 months or longer,” he said, “we haven’t seen this level of job-cut announcements coming from companies. They’ve been focused on retention and less on cost-cutting. They made all the big cuts they needed to make during the recession. They were holding steady, not doing any real hiring and not doing any more massive firing up until last month.”

Pedderson also noted that a large portion of the new jobs created over the past period have been part-time or low-paying positions. “There’s been a lot of part-time job growth and growth in low-paying industries,” he said. “We’ve seen a lot of growth in food services, leisure and entertainment. Summer resorts and retailers hired people, but some of those jobs are seasonal and will disappear.”

Asked about the impact of the budget cuts just signed into law by President Obama, he said, “The government is going to make all these spending cuts which are going to ultimately impact jobs, not only those within the government, but within any private companies that have contracts with government agencies. Less money will be flowing to the states to help them with things like road projects, so this is going to increase layoffs and slow hiring they might otherwise carry out for infrastructure projects.”