

# Intel to end chip manufacturing in Massachusetts

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Intel announced last week that it will close the only chip manufacturing plant in Hudson, Massachusetts, eliminating 700 jobs by the end of next year.

In a related announcement, Intel said 400 of the 3,300 employees at its Rio Rancho plant in New Mexico will lose their jobs due to a “shifting market.” The Rio Rancho plant has not re-tooled for production of the smaller chipsets found in cell phones and other handheld devices. With the market shift from PCs to tablets and cell phones, Intel is producing less of the larger chips produced at the Rio Rancho plant.

In Massachusetts, 100 workers will lose their jobs in the next few months, with the remainder maintaining full production at the Hudson plant until the end of 2014. Intel requires full production to continue in order to meet existing orders and build up an inventory of the obsolete chips that will no longer be made once the Hudson plant closes. The chips are used for low-end applications, such as automotive entertainment and factory automation.

The company has said severance packages will be given to any laid-off workers, but did not disclose what those packages would consist of. Intel also said it will provide assistance in finding other work, either at Intel or other companies, but gave no indication of how many positions would be available at other facilities or if the Hudson workers were qualified for any new positions. The so-called “redeployment” program provides for assistance, including possible retraining, but only for a maximum of two months after being laid off.

The factory, in the former mill town of Hudson, was originally built by the now-defunct Digital Equipment Corporation (DEC) in 1994 and acquired by Intel in 1998 as part of its acquisition of DEC’s chip assets following an infringement lawsuit brought by DEC

against Intel. The settlement reached in 1997 included the sale of Digital’s semiconductor manufacturing operations to Intel for about \$700 million.

Intel is a massive global corporation with an estimated 105,000 employees--over 50 percent of whom live in the United States. According to its 2012 financial report, the company had a net revenue of \$53.3 billion in 2012, up from \$37.6 billion in 2008. Then- President and CEO Paul Otellini made \$16,697,400 in compensation that year, up from \$15,139,400 in 2010. The other four listed officers of the company all made over \$5 million each in 2011. Under Otellini, over 10,000 people lost their jobs at Intel between 2006 and 2008.

The company received an initial tax package from the state of Massachusetts in 1999 worth \$35 million in exchange for 450 jobs and an investment of \$700 million in the Hudson facility. By 2006, Intel had created more than 1,000 new jobs in the town and invested \$2 billion in the chip factory. The state and the city of Hudson agreed to a new deal in which Intel promised to raise total investment over time to as much as \$6 billion to modernize the plant. In exchange, the company would receive tax credits worth five percent of its investment, up to \$300 million. As of last year, Intel had claimed some \$82 million in tax benefits from the package.

Since 2006, Intel has destroyed more than 600 jobs in Hudson, cutting the workforce at the chip factory and a research facility also located in Hudson from 2,200 in 2006 to 1,545. The company also failed to upgrade the plant to facilitate manufacture of its more sophisticated microprocessors used in PCs and mobile devices. The Hudson plant uses chipmaking technology that is more than a decade old and four generations behind the equipment used in Intel’s most advanced factories.

The loss of relatively decent-paying manufacturing jobs--reportedly as high as \$87,000 a year--will be devastating for the small town of Hudson and its population of around 20,000. Many of those losing their jobs are older workers with families who will have difficulty finding new positions in the area and cannot easily relocate. Unlike most of the former mill towns of Massachusetts, Hudson had been able to attract new businesses on the basis of high tech facilities in the area. Many of these businesses will be hard hit by the loss of the manufacturing facility.



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