Job cuts mount as global economy falters

Gabriel Black
22 January 2016

Major corporations around the world announced sharp cuts in their labor forces this past week. The job reductions come amidst growing signs of a general economic crisis, as commodity prices and share values plummet.

Leading the way in job cuts are energy companies, particularly in the oil and gas industries, which have been hit hard by the collapse in oil prices.

Schlumberger, the largest oil technology and drilling company, announced Thursday that it would eliminate 10,000 positions, roughly ten percent of the firm's workforce. The company's stock has been trading at near four-year lows this past week. In order to please investors, the company announced the mass layoffs alongside a $10 billion stock buyback program to boost its stock price.

Royal Dutch Shell reported that it would increase its planned 7,500 job cuts this year to 10,300. The downsizing is bound up with Shell's acquisition of the BG group, a smaller British oil company. The cut totals ten percent of the workforce of the merged companies. Other energy company cuts include Southwestern Energy Corporation (1,100), Noble Corporation (100), and Potash (430).

While job cuts have been sharpest in the oil and gas sectors, the general downturn in primary resources has soured profit forecasts and spurred layoffs throughout the economy.

The German *Manager Magazin* reports that Volkswagen is considering slashing up to 10,000 jobs as part of a new cost-cutting drive. In addition to the impact of the general tumult in the world economy, Volkswagen is reeling from the exposure of its rigging of car emissions. Volkswagen intends to place the burden of the scandal squarely on the backs of the workers, in part by increasing productivity by ten percent this year.

On Tuesday, health industry giant Johnson & Johnson announced 3,000 job cuts at its medical device division. That is about five percent of the firm's global workforce. The company hopes to save $1 billion annually from the cut, which will be imposed over the next two years.

Pearson, the world's largest education publisher, announced Thursday that it would shed 4,000 jobs, roughly 10 percent of its workforce. Many of these job cuts will fall in the company's operations in the United States. The firm's shares declined substantially after it announced three months ago that it would not make a profit in 2015. The firm is the co-owner of Penguin Random House.

Barclays, the British investment bank, announced that it would cut 1,200 jobs and close offices around the world, particularly in Asia. Virgin Media, another British company, will cut 900 jobs, primarily in London and Birmingham.

These job cuts follow other mass job reductions in Europe, including 6,500 at General Electric's European operations, 6,000 by the French nuclear group Areva, 5,800 at British Airways, and 1,000 at Tata Steel in Britain.

Job losses are mounting as well in China. While growth continues in some sectors, unemployment is increasing amongst workers in the steel industry and other sectors that have been sharply hit by the collapse of commodity prices. China International Capital Corporation estimated that 3 million workers would be laid off in the next few years in the coal, steel, electrolytic aluminum, cement and glass industries due to overcapacity. Professor Liu Erduo, a labor economist at Renmin University, predicts that the unemployment rate in China will rise from 5.1 to at least 6.1 percent this year.

The cascade of job cuts comes as prominent figures attending the World Economic Forum in Davos, Switzerland predict a grim future for the world economy. William White, chairman of the review committee of the Organization for Economic Cooperation and Development (OECD) and former chief economist at the Bank for International Settlements, stated, “The situation is worse than it was in 2007.” White warned that this time around, the world’s central banks will not be in a position to bail out the financial markets. “Our macroeconomic ammunition to fight downturns is essentially all used up,” he said.