US unemployment claims and job cuts mount as interest rate hikes begin to hit economy

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New US claims for unemployment benefits rose again last week for the third week in a row, as Ford, Stellantis and other auto companies announced job cuts. The interest rate hikes by the US central bank. which are aimed at driving up unemployment to undercut workers' wage demands, increasingly appear to be having the intended effect as the US economy heads towards a possible recession.

Initial jobless claims rose to 251,000 for the week ending July 16, up from 244,000 the previous week and well above the pre-pandemic weekly average of 218,000. The four-week moving average rose to 240,000, up 4,500 from the week before. Hiring in June was down 5.4 percent from May, according to data from Linkedin.

Other signs of impending recession abound. The price of copper, a key material used in manufacturing, has fallen 20 percent since January, hitting a 17-month low on July 1. Consumer confidence is at its lowest level since 1952 due to the erosion of incomes by inflation, and the construction of new homes is slowing.

The higher layoff numbers follow rate hikes of a half percent in May and three-quarters of a percent in June. Another one-half to three-quarter rise is expected when the US Federal Reserve meets later this month. The rise in interest rates impacts borrowing and increases the cost of car loans, home mortgages, student loans and credit card debt.

The impact of the looming economic slowdown is evident in the auto industry, which is particularly sensitive to the rise in interest rates, with Ford and several EV makers announcing significant job cuts.

This week Ford said it is cutting 8,000 jobs, mainly from its "Ford Blue" internal combustion engine operations. The layoffs will largely involve salaried staff and are aimed at slashing costs to provide cash for investment in electric vehicles. Most of the cuts will take place in the US.

Ford CEO Jim Farley said the company must cut $3 billion in costs by 2026, the savings coming from the company's gas engine operations, which he said needs to become the "profit and cash engine" as the global automaker seeks to expand its EV operations.

The meaning of this was spelled out at an automotive conference last February where Farley complained, "We have too many people." This would come as a surprise to workers who are being forced to work 12-hour shifts and six-day weeks because of COVID-related labor shortages. What Farley meant, however, is that Ford wants to slash costs by squeezing more production out of a smaller, superexploited workforce.

US electric truck maker Rivian Automotive Inc. is also planning to implement layoffs. According to a report in Bloomberg, the cuts could impact 5 percent of the company's 14,000-strong workforce. Rivian CEO R.J. Scaringe said in a letter to employees, "Rivian is not immune to the current economic circumstances, and we need to make sure we can grow sustainably."

Meanwhile, electric car maker Tesla is closing its offices in San Mateo, California, impacting 229 jobs. Tesla CEO Elon Musk floated possible job cuts totaling 10 percent of the company's salaried workforce, declaring he had a "super bad feeling" about the economy.

Stellantis also announced the indefinite layoff of 40 workers at its Warren Stamping Plant located north of Detroit. This follows the layoff of workers at the nearby Sterling Stamping plant in June. Another 98 were laid off in March. Management issued a boilerplate statement saying the layoffs were required to "operate the plant in a more sustainable manner."

The layoffs come as Stellantis is in the process of slashing the workforce at its assembly plant in Belvidere, Illinois, from 1,800 to about 800 workers. While the workers are being offered transfers to other Stellantis plants, the layoffs put a question mark over that.

A number of tech companies have also indicated plans for staff reductions, including Google, Twitter and Netflix.

The Federal Reserve's interest rate hikes, which are being presented by the Biden administration as a means to fight inflation, is in fact directed against workers' attempts to raise wages to meet the soaring cost of living. In the past few months a series of militant strikes and contract struggles

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have taken place as workers resist the attempt by management and the unions to impose wage settlements far below the current 9.1 percent annual inflation rate.

However, the efforts by the Federal Reserve to increase unemployment to dampen militancy may produce the opposite reaction, serving to further inflame workers' anger as reflected in posts filling Facebook pages in response to recent job cut announcements.

"Ford's net profit was $18B in 2021, its executive compensation $22M, for a ratio to the median of all employees' total compensation of 356 to 1. The productivity of its workers, a loyal bunch, is totally not appreciated. They know where to cut costs, but those making decisions in the boardroom instead choose to fuel inflation to feed their greed," one worker posted.

"Inexcusable. They made the money off those employees backs and put it in the pocket of the top 1%?? Ford made profits, this is greed and nothing else," said another.

While announcing cuts, on the one hand, automakers have been imposing forced overtime and recruiting hundreds of temporary and contingent workers, who make a fraction of the pay and benefits of senior workers, to churn out more vehicles.

The Stellantis layoffs are also evoking strong opposition, especially the miserable treatment of contingent workers. A young Stellantis worker in Detroit told the *World Socialist Web Site Autoworker Newsletter*, "The company has been hiring workers off the streets, and they make them work 10-12 hours a day, six days a week. They hardly get time to sleep, let alone do anything else, like trying to go to school. Every waking moment they're at work.

"But the factories have been constantly going down because of shortages of microchips, instrument panels and other parts. One week, they're working 60-70 hours, the next week they are only working 30 hours. The TPTs (temporary part-time workers) can't collect unemployment benefits and don't get short workweek pay like full-timers.

"I can sympathize with them because I was a TPT for years before I rolled over to full-time. Their paychecks are like Burger King's. They make $15, they have some health benefits but no profit-sharing, and if they are laid off, they don't get (SUB) pay like full-time workers. I was bringing home $572 a week as a TPT when I first started.

"They're bringing home maybe $700 a week after taxes now. If the plant is down one or two days or a week, they're losing $100 a day. How can a TPT, especially with a kid or two, live on $400 or $500 a week? It's impossible."

To defend jobs and living standards requires workers adopt a global strategy. Ford and other automakers are slashing costs worldwide while they seek to whipsaw workers in different countries in a fratricidal competition over jobs.

In Europe, Ford confirmed this month that it will close its Saarlouis, Germany plant by 2025 at the cost of 4,600 at the plant and another 1,500 workers in related supplier companies. Ford management, with the critical assistance of the unions, pit German Ford workers against workers in Valencia, Spain over who could offer the deepest cuts.

Meanwhile, Ford in India is closing its Chennai manufacturing plant in the state of Tamil Nadu this month at the cost of 4,000 jobs and potentially tens of thousands more in supplier industries. The closure announcement sparked a militant strike by younger workers at the plant, who were betrayed by their union.

The fight to protect workers' living standards against rampant inflation as well as the defense of jobs requires that workers organize independently of the bureaucratic and pro-company union apparatuses. This means expanding the network of rank-and-file committees in auto, logistics, education, health care and other sectors as part of the International Workers Alliance of Rank-and-File Committees (IWA-RFC).

The struggle to defend jobs and living standards poses the need for a fundamental reorganization of society. The myriad and escalating social problems confronting mankind, from inflation and unemployment to the pandemic and climate change, cannot be resolved within the framework of the capitalist system that subordinates all social questions to the drive for private profit. It requires that workers take up the fight for an international socialist program and perspective.

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