

US job losses highest since '91 recession

By Kate Randall
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US businesses cut 271,000 jobs in the second quarter of this year, including 114,000 in June, amounting to the biggest decline in employment since the 1991 recession. According to the US Labor Department, the jobless rate rose to 4.5 percent in June from 4.4 percent in May. Jobs have been lost in nation's labor market in every month this year except May.

The number of Americans signing up to receive first-time state unemployment benefits reached its highest level since July 25, 1992, when jobless claims stood at 539,000 as the economy struggled out of a recession. Jobless claims for the week ending July 7 rose by 42,000 to 445,000. Economists attributed much of the rise to seasonal layoffs in the auto industry, as automakers retool for new model manufacturing.

However, the official 4.5 unemployment rate underestimates the real jobless situation, because discouraged workers leaving the labor force in the spring are not counted in the figures. Economists estimate that if these workers were counted the jobless figure would be closer to 5 percent. William Dudley, director of domestic economic research at Goldman, Sachs & Company, commented on the Labor Department's figures: "You cannot spin this report to make it sound positive; there is nothing positive about it."

In the first half of 2001, US corporations announced a total of 77,362 job cuts, more than three times the number during the first half of 2000. In June, the manufacturing sector was hardest hit, with 113,000 factory jobs eliminated. Excluding temporary manufacturing labor, 785,000 factory workers have lost their jobs over the past 11 months. Manufacturing job losses also spread to wholesalers and the transportation sector, including truck drivers.

High-tech manufacturers showed some of the sharpest declines, reflecting a slump in telecommunications and the dot-coms. The electrical components sector, which includes semiconductor-makers, lost 22,000 jobs in June. For the first six months of 2001, 130,442 jobs have been lost in the technology sector.

The economic slowdown reached the service sector as well, where increases in previous months have tended to offset overall job losses. Service sector jobs account for about 41 million of the 132 million US workforce, including workers at hotels, hospitals, temporary agencies, beauty salons, cleaning companies and other business services. Service sector jobs declined by 6,000 in June and a total of 21,000 for the second quarter, the first recorded drop since 1958.

While in recent months economists have cited consumer spending as one of the only factors preventing the economy from sliding into recession, new indicators show a drop in consumer confidence. The ABC/Money Consumer Comfort Index, which ranges from positive 100 to negative 100, fell to 3 in first week of July, off one point from the previous week. While the index showed 52 percent of Americans rating the nation's economy as good to excellent, this is down from an 80 percent rating in January 2000, an all-time high.

The Federal Reserve Board announced on Tuesday that consumer credit also grew at a much lower rate than expected in May. While economists had predicted a \$9.5 billion increase in consumer credit, it rose only \$6.5 billion in May, the slowest increase since October 1999.

In the automotive and truck manufacturing sector, **Daimler-Chrysler AG's Freightliner** truck unit announced at the end of June it would lay off 1,120 North American workers, or 7.1 percent of employees. Workers will lose their jobs at plants in North Carolina, Mexico, Ontario and British Columbia. The company cited a decline in demand for delivery trucks and big rigs used to move goods by highway due to higher fuel costs and a glut of existing trucks.

Farm equipment manufacturer **Deere & Company** announced the last week of June that it will eliminate 1,250 salaried positions, or about 8 percent of its white-collar workforce. The company said it is seeking to "run lean" as the slumping farm economy cuts orders for its tractors and combines.

In an effort to reduce costs and increase shareholder

value, Holland, Michigan automotive supplier **Donnelly Corp.** said July 9 it would cut 224 jobs, or 3.8 percent of its 6,000 worldwide workforce. The job cuts will include 100 staff positions in North America.

Detroit-based **Mexican Industries**, one of the nation's largest Hispanic-run auto suppliers, has laid off about 900 of its 1,300 employees since the beginning of June as part of a liquidation plan. The company supplies air bags, steering wheel systems, injection-molded plastics and other products to the auto industry.

Job cuts continued to pound the telecommunications industry in the year's second quarter. New Jersey-based **Lucent Technologies** will cut as many as 10,000 jobs in addition to the 10,000 layoffs and 13,000 employee buyouts announced earlier this year. The telecommunications equipment maker employs about 100,000 people worldwide.

Agere Systems, the optical components maker spun off from Lucent Technologies last December, announced plans June 29 to eliminate 4,000 jobs, or 25 percent of its workforce. The job cuts are in addition to the 2,000 workers Agere said it would cut in April.

The French company **Alcatel**, which builds networks for voice and data transmission, announced July 9 it will cut another 2,500 jobs in its US operations due to the slump in telecommunications equipment sales. Alcatel has now cut more than a fourth of its US workforce this year, or 4,700 jobs.

Fiber optic firm **Corning** said July 9 that it will close three manufacturing facilities and cut 1,000 jobs in its Photonic Technologies Unit due to "severely reduced market demand" for its photonic components and modules. These layoffs bring to 5,900 the number of jobs the company has eliminated in 2001.

A restructuring plan at **Gemplus**, the world's biggest maker of smart cards used in mobile phones, will result in 450 job cuts from its 7,800 global workforce, including 250 in the US. Making the announcement July 11, company officials cited a slowdown in mobile phone sales.

California-based communications chip maker **Conexant Systems** announced this week that it will eliminate about 6 percent of its worldwide workforce over the next month, affecting about 420 full-time workers and 30 contract employees. As part of a move to cut costs, the company plans to outsource the manufacture of its digital CMOS semiconductors. Combined with job cuts announced in March, Conexant will have cut one-quarter of its staff this year.

Computer manufacturers also announced substantial layoffs. **Compaq Computer Corp.** said July 10 it will expand job cuts this year by 1,500 to 8,500, up from 7,000 announced earlier this year. Compaq announced a 9 percent decline in revenue in the second quarter, down to \$8.4 billion, due to an industry-wide sales slowdown and a weakening European market.

International Business Machines Corp. sent out 1,000 layoff notices this week. Job cuts hit workers in IBM's sales, service and manufacturing operations. These cuts are in addition to layoffs announced earlier affecting about 1,500 workers in the company's Global Services division.

American Power Conversion Corp., a Rhode Island-based producer of surge protectors, computer cables and computer power-supply backups, said July 10 it will slash 700 jobs from its global workforce. The company announced 500 job cuts earlier this year. APC says it wants to reduce expenses and drive down product prices.

Online grocer **Webvan Group Inc.** announced July 9 it would file for bankruptcy and shut down operations, throwing its 2,000 employees out of work. Webvan's collapse amounts to one of the biggest failures in e-commerce history, having exhausted more than \$1 billion in funding in less than two years of operation. Webvan stock, which at one point reached a high of \$34 a share, closed at 6 cents a share on July 6.

In the retail sector, casual apparel retailer **Gap Inc.** announced late last month that it would trim its 10,000 workforce by as much as 7 percent, mainly at the company's Bay Area offices. Gap will also scale back its plans to open new stores, expanding its retail square footage by 10 percent instead of 15 percent. AOL Time Warner Inc. said July 6 it will shut down its national chain of **Warner Bros. Studio Stores**. The company will close an estimated 85 outlets and lay off about 3,500 employees.

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