JC Penney and Intel announce massive layoffs and closures

By Gabriel Black
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Last week retailer JC Penney and computer-chip manufacturer Intel announced massive layoffs. These cuts, a response to slowing demand, demonstrate that, despite soaring stock markets and President Obama's claim of a recovery, the real economy continues to slide towards stagnation.

JC Penney, the department store retailer that operates 1,107 stores across the United States, will eliminate 2,000 jobs and shut down 33 stores between now and May. Additionally the company will move 3,000 workers off a salary system and onto a commission pay system.

Penney's decision to lay off workers and shutter stores was partly made out of a desire to please investors. The company's stock market value has plummeted by about 63 percent since the beginning of 2013. The chief executive of JC Penney said the layoffs and closures would save $65 million a year and allow the company to make "progress toward long-term profitable growth." Still, investors are far from convinced. Brian Sozzi, an executive at Belus Capital Advisors, described the company as "a large, burning ship going full steam to reach dock before it sinks."

Penney, however, is just one of many retailers whose sales have been affected by the sharp fall in income and living standards for the majority of Americans. Best Buy, for instance, experienced a 2.6 percent drop in sales in the 2013 holiday season, the period defined by economists as the nine weeks between early November and early January. In this same period Sears experienced a 9.2 percent decline and Kmart a 5.7 percent fall from the previous year. In total, 2013 Thanksgiving weekend sales dropped relative to the year previous for retailers. This was the first time this has happened in seven years.

JC Penney is not alone in its cuts. Just the week before, Macy's announced that it would be laying off 2,500 workers. Moody's Investment Services actually suggests that, even though the company has been struggling, Penney might actually have had better sales than many of its competitors.

Whatever the company's internal problems, JC Penney's downward spiral, despite a general stock market bonanza, is an expression of the real state of American society. As the WSWS wrote in December, the fall in retail sales during Black Friday and the Thanksgiving weekend was "reflecting the impact of falling wages and mass unemployment on American households."

While the billionaires of the world have doubled their wealth between 2009 and 2013, record numbers of working people have lost their jobs or experienced major cuts to their wages and benefits. The recently announced layoffs will further contribute to this downward spiral.

In December, a dismal jobs report placed the labor participation rate at 62.8 percent, the lowest level since 1978. According to the Economic Policy Institute, "the total 'jobs gap'—the number of jobs needed to return the US economy to pre-recession health—is 7.9 million."

In 2008 28.2 million people in the US received food stamps. At the beginning of 2013, 47.7 million people received food stamps, an increase of 70 percent. At the same time, there have been major cuts to the food stamps, pushing a sixth of the nation's population deeper into poverty.

Meanwhile, Intel has announced a "trim" to its 107,600-strong workforce. By the end of the year it aims to rid itself of 5 percent of its workforce, or 5,380 workers. The company says that it does not plan to lay off people directly, instead relying on attrition and other methods. According to CNN, Intel's spokesman "said the cuts will come as a result of people retiring, redeployments, or people leaving voluntarily." That being said, Intel has put aside $200 million for restructuring charges, "a portion of which," the *Financial Post* claims, "could be earmarked for severance pay."

Similarly to JC Penney, Intel's decision was made based on a poor fourth-quarter report. There has been a sharp decline in personal computer sales worldwide. Intel's revenue and profits have declined for the second year in a row. In addition to the general economic crisis affecting workers' spending, part of the decline is the result of the growing popularity of tablets and smartphones, in whose processors Intel has less of a market share.

Intel's 5 percent workforce reduction comes on top of a factory closure last September in Massachusetts, which led to the layoff of 700 workers. Additionally, Hewlett-Packard Company, another tech giant, will eliminate 34,000 jobs over the course of 2014, 11 percent of its workforce.

Outside of tech manufacturing, call center operator Teleperformance USA announced that it will lay off the entirety of its Ann Arbor, Michigan workforce, 430 employees. Additionally, this past week Citibank announced it would cut 650 positions in Maryland, and Flagstar Bancorp Inc. said it would lay off 600 workers.