

Thousands More Job Cuts Hit U.S. Economy

by Marcia Merry Baker

Each day brings news of thousands more job cuts in the United States. They are not the result of many “coincidental” bankruptcies, mega-mergers, or restructurings: The wave of layoffs now hitting every sector of the U.S. economy, is part of an overall breakdown. This is what Lyndon LaRouche forewarned of, in his now famous “Triple Curve, A Typical Collapse Function” (**Figure 1**).

Energy hyperinflation is the immediate cause of many shutdowns. So is the bursting of the bubble of “New Economy” dot-com firms. But even these individual factors are the predictable part of the inevitable blowout of years of “casino” economics. The following are just a few of the many recent job-cut announcements, now having chain-reaction effects throughout the U.S. and world economy.

Manufacturing:

DaimlerChrysler AG, the world’s fifth-largest automaker, announced on Jan. 26 that it will fire 26,000 workers, 20% of its total workforce; 75% of the cuts will take place this year. Chrysler will eliminate one shift at Belvedere, Illinois; Jefferson North in Detroit; a plant in Toledo, Ohio; and Bramalea and Pillette Road, Ontario. Chrysler will shut down two factories in Toluca, Mexico, and one in Córdoba, Argentina. An assembly plant in Paraná, Brazil will be idled.

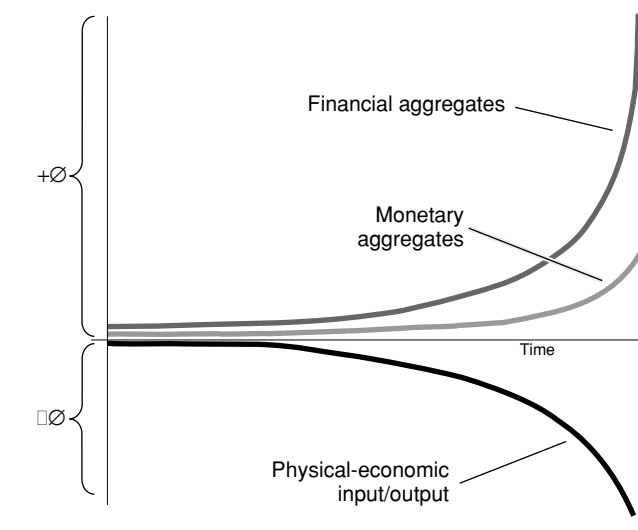
The week before, Ford “idled” 33,600 workers for one week and shut down plants in Illinois, Missouri, Michigan, Virginia, New Jersey, Mexico, and Canada. Other automakers are expected to close down factories, as auto sales are expected to go down by 1.4 million this year. The job cuts “may be painful for many people,” said Chrysler president Dieter Zetsche. “However,” he added, “to be truly competitive in today’s auto industry, we need to be a more nimble company.”

Textron Inc. announced in late January, that it will sell or shut dozens of factories and fire 3,600 workers to cut costs. Based in Providence, Rhode Island, the firm makes Cessna airplanes and Bell helicopters.

Caterpillar shut down two plants for the week of Jan. 21-27, idling nearly 2,500 workers in Mossville and East Peoria, Illinois, in an effort to bring production in line with falling demand.

International Truck and Engineer Corp. of Springfield, Ohio, plans to lay off 500 workers on March 5 because of slow truck sales, the company announced on Jan. 24. The

FIGURE 1
LaRouche's Typical Collapse Function



company, a subsidiary of Navistar (née International Harvester), laid off 500 workers in November, and halted production at its plant from Dec. 18 to Jan. 2; also, one of its production lines was shut down for two weeks in January, temporarily idling 600 workers.

Boeing Co. on Jan. 15 announced plans to further reduce its workforce in Ridley, Pennsylvania, by 300-500 workers this year. Its helicopter facility in Ridley now has 5,500 workers, already down from 6,400 in 1997. This downsizing has come in conjunction with a 1998 subcontracting agreement between Boeing and British Aerospace. Boeing announced massive corporate-wide restructuring and job-cutting in 1997.

Xerox Corp. announced on Jan. 29, it will cut 4,000 jobs immediately, and fire an additional number of workers later this year, after a fall in its sales of 13%. Xerox’s strategy “to return to profitability,” is to cut \$1 billion in annual costs. Last October, Xerox fired 2,000 employees. “We are aggressively implementing our cost-reduction plans which will yield more than \$1 billion in savings by the end of 2001,” said the president of Xerox.

Mining and Metals:

Phelps Dodge, based in Phoenix, announced in late January, that 2,360 persons may be laid off, if the company reduces operations at three copper sites in Arizona and New Mexico. The immediate cause cited, is high energy costs.

Kaiser Aluminum, whose operations are based in the West, warned at the end of January that it cannot stay in business, if electricity rates continue to increase. Under the power crisis, Kaiser has curtailed production, shutting several sites, and laying off hundreds of workers.

Telecommunications:

Lucent Technologies, the telecommunications equipment maker and AT&T spin-off formerly known as Bell Labs, announced on Jan. 24 that it will eliminate up to 16,000 jobs (13% of its worldwide workforce of 123,000). Some 10,000 of the jobs will be cut mostly by layoffs, with some by attrition and retirements; another 6,000 jobs will be moved off the payroll through selling plants in Oklahoma and Ohio to companies which will then be hired as contractors—contractors which would be expected to hire the majority of Lucent's former plant workers.

WorldCom, Inc. plans to cut 10-15% (as many as 11,550 people) of its 77,000 workforce, to eliminate jobs in its slower-growing operations, particularly its long-distance MCI Communications business. The cuts were announced in late January. In 1998, WorldCom cut some 2,300 jobs in connection with its acquisition of MCI.

AT&T Corp., the largest U.S. long-distance phone company, announced in late January a drop of 68% in profits in the fourth quarter. Interest expenses rose from \$577 million to \$1.03 billion; debt soared by \$29.2 billion to \$65 billion.

AOL Time Warner, which have just merged, will issue pink slips to some 2,400 workers—3% of its 83,000 workforce—and may cut another 3,800 workers at its Warner Brothers retail stores. In 1999, AOL cut 825 jobs as part of its acquisition of Netscape.

Food Processing:

Sara Lee Corp. is laying off 7,000 employees worldwide, or more than 4% of its 154,000 employees in 40 countries, the company announced on Jan. 24. The Chicago-based firm plans to sell 14 subsidiary companies as part of a global consolidation. The 7,000 job cuts will be primarily in food processing and apparel.

Vlasic Foods International filed for Chapter 11 bankruptcy on Jan. 29.

Retail:

J.C. Penney Co. announced on Jan. 25 that it will close 47 stores and cut as many as 5,565 jobs, or 1.5% of its workforce. In 2000, Penney closed about 40 stores and cut 2,000 jobs. Penney has about 1,100 department stores and more than 2,600 Eckerd drugstores.

Amazon.com, the Internet retailer, announced on Jan. 30 that it is eliminating 1,300 jobs, a workforce cut of 15%.

Crown Books, based in Maryland, announced in late Jan-

uary, that it will close 28 stores, eliminating 450 jobs.

Transportation:

Norfolk Southern Corp. announced on Jan. 24, that it will eliminate 1-2,000 jobs over the next year. This comes on top of some 3,500 layoffs and early retirement of workers in 2000, paring the company's payroll down to 33,000. The firm's job cuts are part of cost reductions, including disposing of 12,000 "surplus" freight cars, and other extreme downsizing of railroad operations. The company says it must adjust to the decline in the economy.

Power:

Southern California Edison announced on Jan. 5 that it had laid off 1,450 workers; this is in addition to 400 employees previously laid off.

Oil and Gas:

Texaco expects to abandon its headquarters in suburban Harrison, New York, and cut or move 1,000 jobs, if its takeover by San Francisco-based Chevron is approved by regulators.

El Paso Energy, which completed on Jan. 29, its \$21.7 billion merger with Coastal Corp., announced that it will cut 3,285 jobs—about 20% of its U.S. workforce. Earlier, the company implemented a job reduction of 1,635 workers, through early retirement. El Paso is the largest interstate gas transmission company.

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