Labor in Focus by Anthony K. Wikrent

Official unemployment hits new high

The "recovery" is hitting the U.S. labor force hard, with big layoffs in auto, aerospace, and the oil and gas industry.

In the first week of July, major American corporations announced more than 17,000 job cuts, while the Department of Labor reported that unemployment had hit an eight-year high of 7.8% in June, with 10 million Americans out of work. The real figure is over 20 million, when all categories of jobless are counted.

General Motors announced on July 14 that it planned to reduce its headquarters staff by three-quarters, eliminating 10,000 of its 13,500 white collar positions in Detroit and New York City.

Aircraft manufacturer McDonnell Douglas Corp. announced July 10 that it will eliminate another 5,000 jobs at its faltering commercial aviation division, concentrated in Long Beach, California. The cuts will leave Douglas Aircraft with about 31,000 employees, compared with a peak of 52,000 in the spring of 1990. Half of the cuts are manufacturing jobs.

Another 100 employees in McDonnell's Laser and Electronic Systems Division in St. Louis and St. Charles, Missouri were notified that their jobs were being eliminated because of the declining defense budget. Additional jobs have been lost as McDonnell Douglas, the nation's largest defense contractor, has begun winding down the F-15 fighter program, which is due to end by mid-1994.

The week before the McDonnell Douglas announcement, GM subsidiary Hughes Aircraft Co. reported that it will eliminate 9,000 employees, or 15% of its work force, over the next 18 months because of the shrinking defense budget. Two-thirds of the Hughes staff is located in California.

The McDonnell Douglas and Hughes cutbacks are further blows to the already-crippled California economy. The Golden State's tax base has been so decimated over the past two years, that the state government has been forced to pay its workers in scrip, which the banks are refusing to honor.

Analysts have estimated that as many as one in three aerospace jobs has disappeared from southern California in the past six years. Aerospace employment in Los Angeles County peaked in December 1986 at 304,000, and is projected to fall to 194,000 by the end of this year.

McDonnell Douglas, along with Boeing Corp., is also facing spending cutbacks by U.S. airlines, which are gushing red ink as one fare war follows another. The three largest U.S. airlines—American, United, and Delta—have slashed spending for new planes by $8 billion, $6.7 billion, and $5 billion, respectively.

United decided the week of July 6 to lease new aircraft from the European Airbus Industrie—the first time United has spurned new Boeing aircraft. Boeing already announced thousands of job cuts earlier this year in response to declining defense business. The weakening of the commercial airliner market, and United's bolting to Airbus, left all levels of management and workers at Boeing worrying about their jobs.

The U.S. oil and gas industry has been hit even harder than aerospace. Environmental restrictions and insane tax laws have combined to almost wipe out all exploratory activity in the United States and offshore, and production has been significantly curtailed as well. The result has been a mass exodus of equipment, expertise, and jobs, as U.S. companies uproot their domestic operations and relocate them abroad.

The most recent job losses were announced the first week of July by Mobil Corp., the second-largest U.S. oil company; fifth-largest Amoco Corp.; and Unocal Corp. Mobil is cutting its U.S. payroll by about 10%, or 2,000 employees, by the end of this year. Mobil is also reducing its 1992 capital appropriations budget by $800 million, to $4 billion.

Amoco is slashing 8,500 jobs, reducing its work force of 54,120 employees by 16% over the next 18 months. The area most affected by Amoco's cuts is Chicago, where Amoco is headquartered, and where 1,100 jobs will be cut. Amoco also announced that its $3.3 billion capital and exploration program this year will be chopped by $430 million, or 12%.

Los Angeles-based Unocal Corp. is cutting 1,100 jobs as part of a complete reorganization of its operating units. Four hundred and fifty jobs are being cut in petroleum and geothermal energy exploration and production, 400 in downstream operations, and 250 in corporate staff and research groups. Executive positions and total salaries will be reduced by more than 20%. Unocal's office complex in Schaumburg, Illinois, outside Chicago, will be closed entirely by September 1993.

British Petroleum announced on June 24 that it was cutting 600 to 700 jobs in the United States.

Exxon Corp., the largest U.S. oil company, said in May it would cut 1,000 salaried workers at its domestic unit. The U.S. oil and gas industry has lost more jobs than any other sector of the economy in the past decade—over 400,000 jobs have been lost, since a peak of 755,000 at the beginning of 1982.