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In America

BOB HERBERT

Firing Their Customers

The miserable retail sales figures from the holiday season should be taken as an S O S, a distress signal from American consumers who are loaded with debt and deeply insecure about employment.

The quintessential symbol of corporate profits in the 90's is the pink slip. The number of announced layoffs since 1989 will reach three million by New Year's Eve, according to the outplacement firm Challenger, Gray & Christmas.

"Downsizing has become the standard operating procedure for many companies today," said John A. Challenger, the firm's executive vice president. "You can no longer count on a job lasting for a long time."

With consumers maxed out on credit, and with many millions unemployed or underemployed, there is a danger that the nation's collective consumer buying power has been seriously compromised. Simply stated, there are dangerously high numbers of Americans with little or no money to spend.

This is a structural problem, not a cyclical one like a recession. It harbors the potential for an economic disaster.

"What these companies have been doing since the mid-1980's is firing their customers," said Eric Greenberg, director of management studies for the American Management Association. He noted that a consumer-driven expansion cannot be sustained when even high-salaried personnel — professionals, middle managers and technicians — are being thrown out of work.

Mr. Greenberg's comments echoed those of Henry Ford, who was hardly a champion of the rights of workers but realized that at the very least they had to earn enough to buy his cars.

Jeremy Rifkin, the author of "The End of Work," sees disturbing, even eerie parallels between today's economic situation and that of the 1920's, another period in which enormous numbers of workers were let go because of productivity gains that resulted from improvements in technology. To make up for that loss of buying power, those who remained employed in the so-called Roaring 20's were urged to spend far beyond their means by plunging into the wonderful new world of easy credit.

In the 20's, as now, said Mr. Rifkin, corporate leaders remained blind to the need to share productivity gains with working people. Instead, profits

Is downsizing leading the way toward disaster?

were pocketed and disaster loomed.

Mr. Rifkin, who heads the Foundation on Economic Trends, said business leaders were becoming increasingly concerned about the implications of their wage and employment policies but felt handicapped by the bottom-line needs of their individual corporations.

"They can see, at the macro level, the loss of purchasing power," he said. "But nevertheless, at the micro level, they are rewarded for reducing labor, for putting in the technology and the automatic processes, for improving the bottom line."

Thus the downsizing goes on, with no serious companion strategy (in the corporate world or in government) for creating the kinds of new employment opportunities necessary to maintain the levels of affluence to which so many Americans have become accustomed.

It's not that tough times are ahead; they are already here. The wages, salaries and benefits of American workers rose just 2.7 percent in the year that ended Sept. 30. It was the smallest increase on record and below the rate of inflation. The amount of family income going to creditors is approaching record levels. Credit-card delinquencies are up. Personal bankruptcies are up. And all of this is occurring as the economy, technically, is expanding. What will happen when, inevitably, a recession rolls in?

The bleak Christmas holiday season for retailers was part of a much bigger, much bleaker reality for the retail industry as a whole. At least eight major retailers filed for Chapter 11 bankruptcy protection this year. That is a huge number, and more are expected in 1996.

The economic warnings are coming from many directions, loud, insistent and increasingly dire.

We can heed them now by encouraging business, government and civic leaders to get their act together, to roll up their sleeves and engage these problems seriously, in a spirit of mutual cooperation and responsibility for the common good.

We can do that, which would be extremely tough.

Or we can wait. □