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TODAY

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Take me to...

GO

THE IRISH TIMES | BREAKING NEWS | NEWS IN FOCUS | SPORT | BUSINESS | TECHNOLOGY | WEATHER

Breaking News



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In the Newspaper
Daily

- Front Page
- Ireland
- World
- Finance**
- Features
- Sport
- Opinion
- Letters
- Crossword
- Article Index

Weekly Index

- MONDAY
- Health
- TUESDAY
- Education and Living
- WEDNESDAY
- Motors
- An Teanga Bheo
- THURSDAY
- Science Today
- SATURDAY
- Weekend
- News Features
- Obituaries

Search

Search the newspaper
archive...

Finance

Reality bites as the e-boom subsides

For the first time, more jobs in the e-business sector are being eliminated than created

By NIALL MCKAY

It's been a bad month for the high-technology economy. It's not just the dot.coms that are experiencing difficulties; now the big blue-chip companies are feeling the pinch. Somewhat surprisingly, even telecommunications - a market sector that is still considered to be growing - is under pressure.

More than 16,000 jobs were cut at communications company Lucent. Telecommunications giant WorldCom said that it would let 11,000 workers go in the coming months. Other casualties include Amazon.com, which gave 1,300 employees their marching orders, and media giant AOL/Time Warner, which cut 2,000 jobs. Scores of smaller high-tech companies are asking workers to clear out their desks and be gone.

In fact, according to a recent report by recruitment firm Challenger, Gray & Christmas, more than 41,000 jobs at 500 firms have been cut since December 1999. E-services have been the hardest hit. Losing 47 per cent of its workforce has caused more than a raised eyebrow in Silicon Valley. Was ebusiness and the Web just a flight of fancy? Perhaps. More likely it's the biotech of the late 1990s - an area from which investors expected too much, too soon.

Until recently, the job cuts didn't matter because those being fired one day could walk into another job the next. For the past two years, there has been a chronic shortage of workers. This time last year, Silicon Valley companies

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complained they were 40 per cent short of the workers they needed - so much so that lawmakers were calling on the government to open up US emigration policy.

That changed this month. January's unemployment figures showed, for the first time, that more jobs are being eliminated than created. For the first time since this high-tech boom started, unemployment rose from 4 to 4.2 per cent.

Indeed, the US is so fearful of a recession that its financial wizard, Federal Reserve chairman Mr Alan Greenspan, slashed interest rates to help boost spending. It's good news for homeowners but bad news for the economy, because six months ago Mr Greenspan was raising interest rates to slow down the economy.

"As far as we can judge, we have had a very dramatic slowing down," Mr Greenspan told Congress, before endorsing a tax cut. "We are probably very close to zero [growth] at this particular moment."

Now the Federal Reserve is trying to get people and companies to spend more money rather than less. Why the sudden turnabout? Many of the companies that were supposedly revolutionising the economy failed to turn all that promise into earnings, driving down share prices and thrashing investor confidence, leading into, eh, .recession.

Still, the current economic climate has given rise to some new creative ways both of sacking and not sacking employees. For example, the 1,300 Amazon.com employees that have been let go will not go away empty-handed. Under US employment law, those asked to march will be given two weeks' pay. I suppose that is why it is said here that most workers, either blue collar or white collar, are about three pay cheques away from the street.

But Amazon, which can perhaps be regarded as the pioneer of e-commerce, will give employees stock options. Bizarre, eh? Especially, since stock options packages were originally thought to be a way of motivating people to work harder when the company succeeded.

Personally, I prefer Charles Schwab's approach. The world's largest online broker is going to ask about half its workforce to take three Fridays in unpaid leave in the next few months. That way, everybody wins. The company saves money and the employee gets that much-needed time - to look for another job perhaps.

Still, no need to worry in the Republic yet. Europe's economy is still reportedly booming and any US company that thinks it can fob off a couple of thousand Irish workers with two weeks' pay and a couple of stock options may find themselves waiting outside Mary O'Rourke's office for six of the best.

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