Office equipment giant Xerox cuts 5,200 jobs

Jerry White
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The world's number one office copier maker, Xerox Corp., said March 31 it will cut 5,200 jobs, or 5.5 percent of its global workforce, in a major restructuring intended to “enhance shareholder value” and boost profits, according to a company statement. Most of the job cuts will be in the United States—where the company has about 53,000 of its 94,600 worldwide employees—but jobs will also be slashed in Canada, Latin America, Europe and other regions.

The announcement last Friday was the company's fourth major restructuring in the last decade. Xerox has eliminated 27,700 jobs since 1991, including 9,000 positions just two years ago.

During the next two years, Xerox will cut from virtually every part of its business—first offering voluntary severance, then moving to firings. About 10 percent of the company's middle and upper level managers in the US and other regions will lose their jobs. Xerox spokesman Jeff Simek said an unspecified number of Xerox plants will be closed, along with some warehouses and distribution facilities.

Two thousand jobs will be eliminated from Xerox's largest worldwide manufacturing facility in Webster, New York, a suburb of Rochester, Simek said. The plant currently employs more than 14,000 workers. The layoffs are the latest bad news for the Rochester region, where cross-town competitor Eastman Kodak Co. has eliminated 6,300 jobs over the last two years.

The latest cuts do not involve unionized workers and President and Chief Executive Rick Thoman said he intends to maintain Rochester as the company's largest manufacturing site. But he said, "We can't promise this will never happen again, no one can.” Next March the labor contract with the Union of Needletrades, Industrial and Textile Employees (UNITE) expires and analysts say Xerox is likely to push for more job cuts in the manufacturing ranks. UNITE has not resisted the continuous job cutting, and just last month worked out severance packages for hundreds of older union workers as part of a previous round of downsizing.

Last Friday's announcement comes as the company is still reeling from the job cuts in 1998. The Rochester *Democrat and Chronicle* reported that last year the company reorganized its entire 16,000-strong sales force, uprooting them from longtime customers to focus on industry sectors such as banking or advertising firms in hopes that that would result in more sales of an expensive package of systems. Xerox also admitted having problems with a nationwide consolidation of more than 30 back offices into three, leaving sales staff to deal with billing problems and distracting them from selling.

The origins of the Stamford, Connecticut-based company date back to 1948, when it copyrighted the words “Xerox" and “xerography." In the last decade it has come under intensifying competition from Canon, Hewlett-Packard, Kodak and Ricoh as Xerox management has sought to shift the company's operations from making freestanding copiers into selling digital printers connected to computer networks.

“While these are difficult actions for our people, Xerox can no longer operate business as usual and expect to win," said CEO Thoman. “We're intensifying our drive to become a faster, leaner and more flexible enterprise," he said, adding that the moves were aimed “at eliminating activities not associated with core business functions and strengthening the areas that fuel Xerox' growth."

The company's profits fell 52 percent in the fourth quarter, with revenue down 6 percent. Xerox has said it expects to see another decline in earnings in the first quarter, which ended last Friday. The action is expected to save the company some $95 million this year, and $300 million in 2001, Xerox said. The company, which had 1999 revenues of $19.2 billion, said it will take a pretax, first-quarter charge of $625 million, including

$175 million in plant closings and other asset write-offs such as scrapping of inventory.

For more than a year big investors and analysts on Wall Street have been punishing Xerox stocks. The company's shares have fallen from 64 last May to 26 5/16 on March 30. Xerox shares closed off 5/16 at 26 on the New York Stock Exchange after the announcement. The company indicated on January 25 that a restructuring was in the works and analysts had already factored it in, although its specifics were in doubt.

Rebecca Runkle, an analyst with Morgan Stanley Dean Witter, said the company is making the right moves, but needed to go further. “I think the key here is that the company needs to recreate an infrastructure that is more efficient, lower-cost and that generates higher returns, which goes far beyond just taking out some general and administrative costs," Runkle said.

Xerox's announcement was one of several downsizing reports by corporate America over the last few weeks. On March 14, Southfield, Michigan-based auto parts maker Federal-Mogul announced a restructuring plan that will eliminate 1,500 employees from its worldwide workforce of 50,400. Under the restructuring, Federal-Mogul will close plants in Milan, Michigan and Mooresville, Indiana, close 22 North American aftermarket branch warehouses and consolidate 18 manufacturing and distribution plants in Europe and Asia.

On March 29, Minneapolis-based Pillsbury Company announced that it is eliminating about 750 positions as part of its plans to shift from research and development to marketing to consumers. Pillsbury, which employs 17,500 people worldwide, is the packaged food division of London-based Diageo and sells food under the Pillsbury, Green Giant, Haagen-Dazs, Progresso and other labels.

Friendly Ice Cream Corp. announced March 27 that it is closing nearly a quarter of its 604 Friendly's restaurants in an attempt to boost profits. The company said that 80 underperforming restaurants in 12 states, including New Jersey, Connecticut, Massachusetts and Ohio, were shut immediately and another 70 would be closed over the next two years. In addition, the 65-year-old chain is also eliminating 110 administrative and managerial jobs. Overall, Friendly's employs 24,000.

The layoffs were extended to US government jobs as well. On March 21, the US Postal Service, citing pressure from the Internet and large mailers opposed to higher postage rates, announced that it will cut 9,000 jobs in an attempt to reduce expenses by $4 billion over the next four years. The job cuts in postal operations and mail processing will be carried out primarily through attrition and hiring freezes. The workforce reduction comes on top of about 11,000 jobs already left vacant over the last two years as the Postal Service cut costs to meet revenue goals.

In addition, for fiscal 2001, the Postal Service plans to cut about 300 jobs at postal headquarters, up to 200 jobs at area offices and up to 900 jobs in the field, according to spokeswoman Judy A. de Torok.