Banking giant Citigroup to cut 17,000 jobs

Naomi Spencer
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In an abrupt move to increase profits, global financial services company Citigroup announced Wednesday it was cutting 17,000 staff and middle-management positions. Company executives said the cuts were part of a restructuring plan projected to reduce operating costs by $10 billion over the next three years.

Overall, more than 26,500 workers, representing some 8 percent of the company's total workforce, will be affected by the restructuring, including over 9,500 US workers whose jobs are slated for outsourcing to "lower-cost locations" both overseas and within the US.

The move represents the largest single job-cut announcement outside of the auto industry in over two years, and a doubling of the number of financial sector layoffs announced in the first quarter of 2007. However, unlike other job cuts in the financial sector, those at Citigroup are not attributable to the downturn in the housing market.

Citigroup, with nearly $1.9 trillion in total assets, is ranked by *Forbes* magazine as the world's largest company. Representatives have not given many details on where jobs will be cut, but according to the *New York Times* some workers have already received termination notices.

According to company executives, middle managers and "back office" administrative staff will bear the brunt of the cuts. Human resource facilities, call centers and legal departments will be centralized in lower-wage regions.

"We are initiating a change in how we run the business," Citigroup Chairman and Chief Executive Charles O. Prince III announced in press statement April 11. "You will see a more efficient, more tightly managed, and more tough-minded Citigroup than you have in the past."

Justifying the initial $1.4 billion in estimated restructuring and severance costs, Prince said, "Ultimately these changes will streamline Citi and make us leaner, more efficient and better able to take advantage of high revenue opportunities."

Predictably, no "tough-minded" senior executives will see the slightest streamlining in their grotesque annual compensations. To the contrary, in the name of efficiency, this layer plans to continue creaming off company resources at the expense of the workforce, clients and shareholders.

Last year, CEO Prince hauled in $26 million, including a surprise $13.2 million cash bonus approved this January. This total package was 13 percent more than his 2005 pay. On top of that, he received $747,000 in new stock options and a pension increase of $137,000. According to filings last month with the federal Securities and Exchange Commission, Prince also expended $258,000 of company funds for personal use of corporate jets.

The pay lavished on other top Citigroup executives is equally obscene. Robert Rubin, chair of the company's executive committee, received $17.34 million. Citigroup recently reached a settlement worth at least $25 million with former chief financial officer Todd Thomson, who was forced out in January for non-performance and extravagant spending. In his absence, interim CFO Sallie Krawcheck collected $9.9 million in compensation last winter. In turn, her newly appointed replacement, Gary Crittenden, is receiving $10 million this year.

At its headquarters in New York City, Citigroup—the city's largest private sector employer—is eliminating 1,600 jobs. Another 200 positions will be cut throughout the state, and 75 are to be cut in Connecticut.

Many of the 9,500 US jobs scheduled for outsourcing are bound for Poland, India, and economically depressed US cities including Buffalo, New York. Positions in London are likely to move to Poland, according to the *New York Times*. Some Tokyo back office jobs will be moved to Okinawa. Many of these positions could be shifted to India, where Citigroup is hiring rapidly.

The *Times* reported that two-thirds of the jobs will be eliminated through attrition rather than layoffs, although the newspaper noted indications that "another round of cost-cutting may still be in the offing." Indeed, Citigroup stock slipped slightly on the news because major investors had wanted even more drastic cuts.

The *Baltimore Sun* reports that 240 Maryland employees will lose their jobs, but that next year perhaps as many as 300 positions could be relocated to the struggling city, most likely from New York.

Despite job cuts in the area, the Albuquerque, New Mexico *Sun* also tried to sound a positive note Thursday, pointing out that, thanks to its lower-wage labor pool, the city was a relocation prospect for Citigroup. In addition, "Some laid off workers will get first crack at the new Albuquerque jobs, but much will depend on whether their skills match the new positions," the newspaper was told by a company spokeswoman.

The Citigroup cuts are part of a relentless attack on the jobs and living standards of working people. In particular, as the housing market contracts, associated industries are swiftly shedding thousands of jobs.

A report from the economic consulting firm Challenger, Gray & Christmas released April 4 notes that first quarter 2007 job cuts within the housing market were nearly the same as the sector saw in all of 2006, soaring 346 percent over the first quarter a year ago.

Nearly 14,000 jobs were cut from construction, and mortgage lenders announced 6,138 job cuts in the first quarter.

The cuts were also extreme in other sectors. The automotive industry announced 23,481 job cuts in March alone, the most for any industry.

Communications firms have also announced layoffs and job cuts. US Internet phone carrier Vonage unveiled a $140 million cost-reduction plan that involved cutting some 180 workers, 10 percent of its workforce, and implementing a hiring freeze. Wireless firm Boston Communications Group and cable media company Discovery Communications also announced the termination of hundreds of positions.