Hewlett-Packard announces 27,000 job cuts

David Brown
25 May 2012

On Wednesday, Hewlett-Packard announced that the company would be cutting 27,000 jobs. These layoffs amount to 8 percent of the company's total global workforce. According to HP's press release, the layoffs will provide over $3 billion in savings for the company by 2014, allowing "investments in people, processes, and technology," yielding "significant improvements in efficiency and customer service."

Hewlett-Packard, the world's largest maker of personal computers and server system, has offices across the globe. About a third of the job cuts are expected to be in the United States, although a precise breakdown has not been released yet.

HP has been laying off workers regularly in order to "restructure" since well before the economic crisis. The company has failed to successfully market mobile devices and has consistently lost market share against other tech companies such as Apple.

Using the justification of "investing in future development," HP has eliminated 75,000 jobs since 2005. Beginning under CEO Mark Hurd the company laid off 14,500 workers in 2005, 24,600 in 2008, and 9,000 in 2010. In total, these layoffs amounted to an almost 20 percent reduction in the company's workforce over just seven years.

Many market analysts were skeptical of HP's claims that the newest round of layoffs would alleviate the company's difficulties. Deutsche Bank said in a note to their clients that HP "has been restructuring for the past decade," and that past layoffs have done little to "reduce its reliance on declining or troubled businesses."

Other analysts point toward industry-wide drops in stock prices as evidence that more companies should be following Hewlett-Packard's lead and laying off more workers. An analyst at ISI group told the *San Francisco Chronicle* that the jobs cuts were "the first step in the recovery process," and "HP is looking like a good place to park some money. Those guys have already been taken behind the woodshed." The layoffs were announced after the close of the New York Stock Exchange Wednesday, causing an overnight jump in HP's stock price of 9 percent.

In an interview with CNBC, HP's current president and CEO, former California gubernatorial candidate Meg Whitman, said the new layoffs are part of a "re-engineering" that is "about 10 to 15 percent complete," and will allow HP to make "a small number of very big bets" in high growth areas.

Like many corporations today, the main issue for Hewlett-Packard is whether they can turn a profit large enough to satisfy their financial backers. Workers all over the world are paying for the banks' demands for large profits with layoffs, wage and benefit cuts, and speed-up.

When Whitman ran as a Republican for California governor in the 2010 election she emphasized the need for job creation, ultimately releasing a 34-page booklet on the topic that outlined her outlandish plan to create 2 million new jobs in California by 2015 through tax cuts and deregulation. The current situation of HP demonstrates the lie behind that approach.

Hewlett Packard made over $7 billion in profits in 2011 and around one-third of the money freed up through the new layoffs is expected to be put straight to the bottom line instead of any kind of reinvestment. Significantly, her Democratic opponent in 2010, Jerry Brown, the current California governor, made no criticism of her plans to enrich the wealthiest layers of society.

Indeed, throughout the recession Democrats as well as Republicans have insisted that corporations are the only real source of jobs. Obama has continually repeated that "the true engine of job creation in this country is the private sector," and even went so far as to brag that his term in office was "the only time that government employment has gone down during a recession."

This servility to the wealthy suffuses all levels of the government. In Plano, Texas, where HP employs 5,000 people, the city government announced that it was at the company's service. Sallie Bane, the executive director of the Plano Economic Development Board, told the *Dallas Business Journal* that they were asking HP for details on their planned cuts and that "Once we better understand how they're reshaping their business, we'll be better able to know how we might be able to help."

HP is far from alone in laying off employees. General Mills announced Tuesday that it will be laying off 850 workers, 2.5 percent of its workforce. This is despite an almost 20 percent increase in profits to $1.8 billion last year. Like Hewlett-Packard, General Mills claims it needs to fire these workers to increase efficiency.

Following the cuts to extended unemployment benefits earlier this month, the workers laid off by these companies face a difficult future. The official unemployment rate in the US as a whole stands at 8.1 percent; in California, where HP is headquartered, it is still at 10.9 percent. Earlier this year the Government Accountability Office released a report that estimated 11 million workers had exhausted their benefits by the end of 2011 before they could find a job. With the vast reduction in benefit extensions that number will continue to rise.