

Hewlett-Packard layoffs to total more than 55,000

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Hewlett-Packard confirmed Monday that job cuts at the company will hit more than 55,000 employees out of its total workforce of 317,500. The 75-year-old technology giant, symbolically known as the founding company of Silicon Valley, announced the layoffs as part of its plan to split into two separate organizations. The first would handle the company's existing personal computer and printer operations while the second would handle business technologies and services.

Some 35,000 of the 55,000 proposed layoffs already took place last July. While many West Coast-based tech companies have been drastically cutting personnel, the announcement by HP is one of the largest by far.

Wall Street reacted favorably to the news of the Hewlett-Packard layoff increase, with the company's stock price rising to \$36.87 per share, a 4.67 percent increase over the previous day's trading. Last December, the company's stock was at \$27.65 per share before the initial 2014 layoffs were announced.

HP CEO Meg Whitman, who will go on to lead one of the two spin-offs, said, "In short, by transitioning now from one HP to new companies, created out of our successful turnaround efforts, we will be in an even better position to compete in the market, support our customers and partners, and deliver maximum value to our shareholders."

Whitman has been under fire recently for implementing a five-year turnaround plan that still has not yielded sufficient fruit in the company's struggle to catch up to rivals Samsung, Apple and Lenovo Group, the latter of which recently overtook HP as the world's largest seller of personal computers.

Even though HP is still largely profitable, with a 1 percent increase in profits during the third quarter of this year, such lackluster performance is completely unacceptable to shareholders who are demanding

massive job cuts to compensate. This is also in spite of the fact that shareholder return had recently increased by 81 percent from 2012 to 2013 immediately before the job cuts were announced.

Whitman had a net worth exceeding \$2 billion when she took over the company in 2012, making her—according to *Forbes* magazine—one of the 400 richest people and 20 richest women in the United States. Her symbolic \$1 per year salary at HP was later increased to \$1.5 million in annual compensation in late 2013. The board of directors claimed that Whitman was a unique talent and that she had to be compensated at a level on par with similar positions in the industry. The \$1.5 million package, moreover, included \$260,000 in performance bonuses and \$275,300 in perks, including personal use of HP corporate aircraft.

Meanwhile, the Hewlett-Packard workforce has been bombarded by a virtually constant stream of layoff announcements. As of last May, the company had promised to lay off "only" 34,000 employees, with Whitman herself promising employees that layoffs and restructuring were over. This number then increased to 50,000 and now 55,000 with the latest announcement.

The company's announcement is only the latest in an ongoing spate of layoffs throughout the technology sector. Last Month, Microsoft Corporation announced that it would be letting go of 2,100 employees as part of 18,000 job cuts announced in July. The company's Mountain View Research and Development facility was closed as well. The center was deemed unprofitable as it was researching distributing computing and privacy technologies, both of which could not be immediately brought to market.

Earlier this year, IBM Corporation, employing more than 400,000 workers, cut 13,000 jobs after its acquisition of the Chinese-based Lenovo Group. The

company had already laid off 1,200 and 2,800 workers in its overseas and US divisions respectively during the previous year.

Network manufacturer Cisco Systems announced last August it was laying off 6,000 employees, or 8 percent of its workforce. In an internal company memo, CEO John Chambers said that the layoffs were part of the company's strategy of "investing in our growth and moving fast." He added, "We have a chance to lead the entire IT industry ... in markets if you don't move now, you get left behind." The new Cisco layoffs are in addition to 4,000 sackings at the company in 2013.

The split strategy is being increasingly adopted by older, larger technology companies that are losing revenue streams to smaller start-ups in emerging technologies, including mobile applications and cloud computing. Investment in such companies has become a highly lucrative and parasitic enterprise, with many such emerging companies overvalued by tens of billions of dollars.

On September 30, eBay, the online auctioning company, announced the spinning off of its PayPal online payments unit, effective in 2015. It is also widely expected that Cisco Systems may also adopt HP's strategy of splitting in two to increase shareholder value.



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