Cisco to cut 5,500 jobs, adding to wave of US tech layoffs

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Cisco Systems, the San Jose-based tech giant, announced Wednesday it will slash 5,500 jobs, or 7 percent of its 78,000-strong work force. In a conference call with analysts to discuss the firm's fiscal fourth-quarter results, CEO Chuck Robbins said layoff notices would begin going out next quarter.

The Cisco announcement is the latest in a growing wave of job cuts in the US hi-tech sector, based in Northern California's Silicon Valley. Last April, Intel said it would cut up to 12,000 jobs, nearly 20 percent of its global work force. In January, Dell said it had shed 10,000 jobs. The computer giant is expected to carry out further reductions after it closes a $67 billion deal to acquire data storage company EMC.

So far this year US technology companies have eliminated some 63,000 jobs, according to outplacement consulting firm Challenger, Gray & Christmas. *Fortune* magazine on Thursday quoted Trip Chowdhry, an analyst at Global Equities Research, as saying, "The high-tech industry is going through a serious deconstruction. There is more pain to come."

In January, Chowdhry projected layoffs in the tech industry hitting 330,000 this year. On Wednesday, he said he had raised his estimate to 370,000.

Two years ago this month, Cisco announced 6,000 job cuts. Since August of 2011, the company has slashed a total of 23,200 jobs.

Cisco is one of the world's largest producers of switches and routers used to funnel data over the Internet and between computers in data centers. However, its business in this area has slowed in recent years as telecom carriers and other service providers have increasingly turned to cheaper software-driven methods of moving data.

Particularly since Robbins took over as CEO a year ago, the company has focused on shifting its business model toward producing its own software, acquiring smaller companies that specialize in technologies such as cloud computing. Under Robbins, Cisco has already bought ten companies.

The turn to cheaper technologies is bound up with increasing competition and pressure on profit margins as well as a general downturn in investment in plants and equipment, a central feature of the continuing stagnation in the real economy worldwide since the Wall Street crash of 2008.

In his conference call Wednesday, Robbins reported that revenue from telecom carriers and other service providers declined 5 percent in Cisco's fiscal fourth quarter, ended July 30. Revenue from the company's router business declined 6 percent while switching revenue increased by 2 percent.

Despite an overall revenue decline of 1.6 percent, Cisco's fourth-quarter net profit rose to $2.81 billion, or 56 cents a share, from $2.32 billion, or 45 cents, a year earlier. The profit increase was mainly due to cost-cutting.