

FIRMS SEEING PROFIT AFTER LAYOFFS IN '02

By PAUL THARP



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Last year's bloodbath in corporate America is showing signs of paying off at the bottom line.

- AP

Xerox is the latest company to pull out of a downward earnings spiral because of its cost-cutting and layoffs.

After firing 9,000 last year, Xerox reported a surprise quarterly profit yesterday of \$19 million, or one cent a share, compared with a loss of \$140 million, or 19 cents a share, in the prior fourth quarter.

Analysts had expected a loss of 11 cents per share.

CEO Anne Mulcahy has restored profits by cutting more than 17,000 jobs in the past two years, and slowed Xerox's sales slide by pushing cheaper copiers.

Two other giants - Merrill Lynch and Kodak - also managed to post profits in the latest quarter as a result of their steep layoffs.

Merrill, which fired 6,500 last year, showed a fourth-quarter profit of \$603 million, or 63 cents a share, compared with a loss of \$1.26 billion, or \$1.51 a share, in the prior fourth quarter.

Kodak, which slashed its payroll by 7,300 last year, said its profits rebounded in the fourth quarter to \$113 million, or 39 cents a share, vs. a loss of \$206 million, or 71 cents a share, in the prior fourth quarter.

"Laying off people is about the only way to make profits in today's environment," said John Challenger, CEO of Challenger, Gray & Christmas, a consulting firm that tracks layoffs.

"There aren't many companies out there that can make their numbers just on revenue alone."

Corporate America laid off nearly 1.5 million people last year - about triple the number of annual cuts made at any point during the 1990s. The worst year ever for job cuts was 2001, with nearly 2 million jobs eliminated, said Challenger.

"Management is focusing on expenses and cutting costs, and usually this lands squarely on the employees, through layoffs," he said.

"The risk is that that if we cut too many jobs, we cut out our consumer confidence and purchasing power, and that's the one leg the economy is standing on," Challenger warned.

Xerox, the largest copier maker, suffered the 11th straight quarter of declining sales, with sales down 3.1 percent to \$4.25 billion in the latest quarter.

Still, Xerox managed to show a profit thanks to the cutbacks and a tax benefit from foreign operations. Xerox shares have lost about two-thirds of their value over the past two years, thanks to a series of profit restatements and probes into the company's accounting practices.

Xerox, which cut \$1 billion in costs last year, will eliminate another 2,400 jobs and \$800 million this year and another \$200 million in 2004.

Merrill, the world's biggest securities firm, slashed its expenses by \$5.7 billion last year and fired more than 21,700 since third-quarter 2000.

Revenue in the latest quarter fell 12 percent to \$4.2 billion, and expenses dropped 46 percent to \$3.3 billion.

Kodak, the biggest maker of film, has also mounted one of the biggest bloodbaths in the work force in the past two years, totaling more than 70,000.

Kodak also plans to eliminate another 2,200 jobs this year, due to a consumer switch to digital cameras that don't use film. The company hopes to save \$85 million a year with the new layoffs.

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