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PAULSON WARNS OF MORE GOLDMAN CUTS

By BETH PISKORA

January 29, 2003 -- If you work at Goldman Sachs, watch out - CEO Hank Paulson is threatening more layoffs.

Paulson is the latest Wall Street CEO to say things are not looking up, and more jobs are on the line.

"I want to be optimistic, but we haven't seen signs of the upturn yet," Paulson told institutional investors at the Salomon Smith Barney financial services conference. "I'm not calling an upturn this year. If the situation worsens or doesn't get better, we'll take more people out of the business."

Goldman already cut 2,900 employees last year - or about 13 percent of its work force - leaving it with a head count of about 19,750.

And Goldman was not alone in its cutbacks. Overall, securities firms slashed 78,000 jobs, or about 10 percent of the Wall Street work force, in the past two years.

But analysts say the cuts haven't gone deep enough, considering the downturn in retail brokerage, asset management, investment banking and corporate finance revenues.

"I wouldn't be surprised if there were further head-count reductions," said Robert McMillan, an analyst with Standard & Poor's. "If there's no investment banking business, then you don't need investment bankers."

Analysts said the cuts would go deepest at places like Goldman, Lehman and J.P. Morgan Chase & Co., which do a lot of underwriting and advising on mergers and acquisitions.

Other places with more of an emphasis on retail brokerage and asset management, like Merrill Lynch, may also have to cut, but probably not as much, since those businesses are likely to recover earlier.

"I don't want to sound heartless, but in almost every one of our businesses, there are 15 to 20 percent of the people that really add 80 percent of the value," the Goldman CEO said. "Although we have a lot of good people, you can cut a fair amount and still be well-positioned for the upturn."

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