

Cisco Systems to lay off more than 4,000 workers in latest sign of tighter times in tech

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An exterior view of Cisco Systems Inc. headquarters, May 9, 2012, in Santa Clara, Calif. On Wednesday, Feb. 14, 2024, internet networking pioneer Cisco Systems announced that more than 4,000 employees are being laid off, joining the parade of technology companies in a trend that has helped boost their profits and stock prices while serving as a sobering reminder job insecurity in the dawning age of artificial intelligence. Credit: AP Photo/Paul Sakuma, File

Internet networking pioneer Cisco Systems is jettisoning more than 4,000 employees, joining the parade of technology companies in a trend that has helped boost their profits and stock prices while providing a sobering reminder of the job insecurity hanging over an industry increasingly embracing artificial intelligence.

The [mass layoffs](#) announced Wednesday in conjunction with Cisco's latest quarterly results represent about 5% of its worldwide workforce of 84,900. The purge follows Cisco's late 2022 cutbacks that shed 5,000 workers and ahead of its \$28 billion acquisition of Splunk, a deal that management now expects to complete by April 30. Cisco—a company best known for making much of the technology that connects the internet—expects its reorganization to cost an additional \$800 million.

The double whammy of two big layoffs in two years has been a phenomenon affecting other prominent technology companies, such as Google and Amazon, both of which have trimmed their once-steadily growing payrolls multiple times since the end of 2022.

The reductions are being made even though most of the companies are still big moneymakers. Cisco, which is based in San Jose, California, earned \$2.6 billion, or 65 cents per share, during its fiscal second quarter covering October-January, a 5% decrease from the same time during the previous year. Revenue for the period fell 6% from the prior year to \$12.8 billion.

But Cisco foresees sluggish demand for its products and software services during the next three to six months while its customers exercise "a greater degree of caution" amid an uncertain economic outlook, CEO Chuck Robbins said Wednesday during a conference call with analysts.

Cisco's streamlining follows [a succession of significant layoffs](#) since the beginning of the year at Microsoft, TikTok, Riot Games, eBay and

PayPal, in addition to both Google and Alphabet. Combined with a wave of layoffs last year, the workforce reductions have helped the companies lift their already lofty profits even higher—a goal that has also elevated their collective market values.

Since the end of 2022, the tech-driven Nasdaq composite index has soared by about 50% in a rally that has put it back within reach of its all-time high hit in 2021 when pandemic-driven lockdowns shifted more of the economy to online services.

But Cisco's stock price has gained just 6% during the same period, a factor that might have played into management's decision to make even deeper payroll cuts than some of the company's tech brethren. And most of that paltry gain now appears poised to evaporate, with Cisco's shares shedding nearly 6% in Wednesday's extended trading after its latest quarterly numbers and lackluster forecast came out.

Despite the waves of layoffs washing over the tech industry, the U.S. economy has continued to add jobs at a robust rate that has kept the country's unemployment rate at 3.7%, just above a half-century low.

Like its peers, Cisco is also sharpening its focus on areas of tech most likely to produce future growth—an adjustment prompting many tech companies to eliminate positions in some departments, while creating more jobs in the still-nascent field of [artificial intelligence](#), or AI, which is becoming knowledgeable enough to begin tackling tasks that traditionally required a human brain.

Experts expect AI to eventually be able to do even more work and trigger more layoffs of people who won't be necessary to employ in the future.

Robbins hailed Cisco's close relationship with chipmaker Nvidia, whose

leadership in AI has transformed it into one of the world's most valuable companies during the past year, as a sign that it will also be well positioned to capitalize on the technology, too.

"We are clear beneficiaries of AI adoption," Robbins said.

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