Citigroup to Lay Off 17,000 in Overhaul
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Citigroup announced today that it would eliminate or reassign more than 26,500 jobs as part of a sweeping overhaul to cut costs and streamline the global bank's sprawling operations.

Under intense pressure from investors, the company announced plans to lay off more than 17,000 workers, with the first pink slips coming this week. About 9,500 jobs will be moved to locations overseas or around the United States where the cost of doing business is lower, from more expensive locations like London, Hong Kong, and New York, where the company's headquarters are based. Two-thirds of those jobs will be lost through attrition and half will stay in the country or the region.

Roughly 8 percent of Citigroup's 327,000 workers, from entry-level consumer bankers to senior executives in the investment bank, will be affected by the restructuring. All five of its major business divisions will face cuts. About 1,600 jobs will be eliminated in New York City, where Citigroup currently has 27,000 employees.

"Ultimately these changes will streamline Citi and make us leaner, more efficient, and better able to take advantage of high revenue opportunities," Charles O. Prince III, Citigroup's chairman and chief executive officer said in a statement.

To cover the cost of the restructuring, Citigroup said it would take a $1.38 billion pre-tax charge against earnings in the first quarter of 2007, and another $200 million over subsequent quarters the rest of the year. However, Citigroup expects the initiative to yield about $2.1 billion in cost-savings in 2007 and for that number to grow to $4.76 billion by 2009.

The restructuring is Citigroup's first major overhaul since the banking giant was forged by a merger nearly a decade ago, and has been anxiously awaited by Wall Street since plans for the restructuring were announced in December. It comes as Mr. Prince faces mounting criticism from shareholders frustrated by expenses that are rising twice as fast as revenues.

Yesterday, Citigroup shares closed at $52.40, up 82 cents, in anticipation of this morning's announcement. But shares have barely budged since Mr. Prince took over as chief executive in October 2003.

On Wall Street, investors and analysts had been expecting the restructuring to reduce operating expenses by at least $2 billion a year, including $400 million of previously announced cost-savings from technology improvements. But whether the reorganization alone can fuel growth at Citigroup remains an open question.

Not only have Citigroup's expenses been high, but revenue growth, particularly in the United States consumer division, has been sluggish. Mr. Prince must confront both problems amid a challenging operating environment. "2007 is a pivotal year for the company," said Jason Goldberg, banking analyst at Lehman Brothers. "It just takes a long time to turn an oil tanker, and one of the things we hope this restructuring does is make Citigroup a bit more nimble."

Over the past three months, Citigroup's chief operating officer, Robert Druskin, has been working with consultants from Mercer Oliver Wyman, a boutique firm specializing in the financial services industry, to conduct a broad-based "structural review." Their task: to flush out big expenses that have bogged down the company as it has bulked up.

Citigroup expects to achieve much of the cost-savings by streamlining its technology systems and management ranks. It plans to shutter offices around the world, centralize its purchasing, consolidate data centers, and eliminate overlapping positions, including legal, human resources, and risk management staff jobs.

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