Xerox cuts severance plan ahead of layoffs

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As it gears up to eliminate 2,500 positions worldwide this year in a cost-cutting move, Xerox Corp. also is reducing what it pays U.S. workers in severance.

Xerox, the fifth-largest employer in the Rochester area with about 7,000 local workers, declined to say how much money it hopes to save from the cut to severance benefits.

But in an internal memo sent out Friday to employees, James A. Firestone, the president of corporate operations, said the severance policy change, like the 2010 job eliminations, are due to business woes.

"We are identifying various cost reduction actions to help us re-size our company in the face of significant revenue decline and to be better positioned to invest going forward," Firestone said in the memo.

The document and imaging company currently provides 1.5 weeks of compensation to workers who are laid off or accept buyouts for each year they have been with the company.

Under the new severance policy, which goes into effect Monday, employees will receive one week of compensation for each year.

Employees who have been with Xerox for 10 or more years would receive some additional compensation: three weeks of extra pay for workers who have been with the company 10 to 19 years; six weeks' worth for 20 to 29 years of service; and nine weeks for 30 or more years.

The changes mean a sizable hit in what many employees receive. A five-year employee of Xerox would get five weeks of severance pay instead of 7.5 weeks, a 15-year employee would receive 18 weeks of paychecks instead of 22.5; and a 25-year employee would receive 31 weeks of compensation instead of 37.5.

One aspect of severance remains the same: a cap of 52 weeks' worth of pay for dismissed workers.

The new severance terms bring Xerox more in line with the business world overall, as one week for each year is relatively common, said Jerry Newman, a professor at the State University of New York at Buffalo's School of Management and co-author of the book Compensation.

And Xerox is among a broad number of companies that have cut employee benefits during the recession, Newman said.

"Every component (companies) can possibly cut during this Great Recession, they're cutting," he said. "Benefits are being cut left and right."

Xerox last year froze employee salaries and suspended 401(k) retirement plan matches.
Company officials indicated earlier this month when they released fourth-quarter financial results that they plan to end some of those cost-cutting moves in 2010.

But they did not elaborate.

Xerox employs 53,600 people worldwide.

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