

Procter & Gamble to cut 15,000 jobs worldwide

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Consumer products giant Procter & Gamble announced Wednesday that it will eliminate 15,000 jobs—or 13 percent of its 110,000 employees worldwide—and close 10 factories over the next six years. Ten thousand of the jobs will be gone by the end of 2001.

Europe, the Middle East and Africa will bear the brunt of the cuts, with 6,250 positions to go. North America will see 4,300 jobs cut, including 1,900 in the greater Cincinnati, Ohio area, where the 120-year old company's headquarters are located. Another 2,450 jobs in Latin America and 2,000 jobs in Asia will also be shed.

P&G's latest restructuring plan, dubbed Organization 2005, comes only six years after its last reorganization. In 1993 the company eliminated 13,000 jobs and closed 20 plants, promising investors that it would double revenues to \$70 billion by 2005.

P&G is highly profitable, with earnings of \$3.78 billion in 1998. It has sales of more than \$37 billion in 140 countries, with more than 300 different brands, including Tide detergent, Crest toothpaste, Pampers diapers and Ivory soap. However Wall Street investors, unsatisfied with their current rate of returns, have criticized the company for making bad business decisions in overseas markets and losing ground to US consumer products companies.

Like many US consumer goods companies, such as Coca-Cola and Gillette, the economic upheavals in Asia, Russia and Brazil have held back sales growth.

Durk I. Jager, P&G's recently appointed chief executive, said the company's focus from the 1980s on—expanding the sales of existing products in emerging markets—had come at the expense of innovation. The cuts, Jager assured investors, would save P&G \$900 million a year by 2004, and speed up

the introduction of new products, particularly in the US and Europe, its most profitable markets. Jager promised the cutbacks would bring about a 13 to 15 percent annual per share earnings growth.

Wall Street investors, who had recently bid up P&G's share values on news of impending mass layoffs, were generally unenthusiastic Wednesday. With the company all but admitting that it would not reach its 10-year goal of doubling revenues, investors punished P&G's stocks, which fell by \$2.56 Wednesday, or 2.7 percent.

“Organization 2005 is more of an evolution than a revolution,” said Wendy Nicholson of Salomon Smith Barney. “This is a six-year program, and investors need to be wary of exactly how long Procter might take to get this business where they want it to be.”



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