Unilever to shed 10 percent of workforce in global restructuring

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Last week, Unilever announced plans to shed 25,000 jobs over the next five years. The Anglo-Dutch company is the world's biggest consumer goods concern; its global restructuring plan is one of the largest ever in Europe and will result in 10 percent of its workforce being made redundant. Although the company has not yet specified where the job cuts will take place, the majority of the losses are expected in Europe and the Americas.

Unilever employs 246,000 staff world-wide and has sales in excess of £27 billion, with 300 operating units in 88 countries. The restructuring operation will cost £3.3 billion and Unilever has forecast savings of £1 billion a year by 2004. As a result, the company plans to increase its profit margins to 15 percent by 2004 from their present level of 11.1 percent. Unilever has also forecast a growth level of 5 percent annually by 2004.

The announcement came at the same time as the company revealed its 1999 pre-tax profits, which showed a drop of 5 percent to £2.9 billion. The company's share price subsequently rose by 4 percent during the day on the London stock exchange, while the Dutch-listed stock gained 7 percent.

Announcing the plan on February 22, Unilever chairman Niall FitzGerald said that the company would make “radical changes” to its supply chain of 380 manufacturing plants world-wide: “There will be probably about 100 sites surplus to requirements, which we will dispose of.” The plant closures will consume around £2 billion of the total cost of the restructuring.

FitzGerald said, “I am absolutely convinced that this will work. We see our future in a portfolio of strong brands with international and local scale. These will increasingly reach the consumer via a diversity of channels and a variety of communications media.... The consequence of that is that the tail brands will fall away in due course and that we will be able to simplify and make major improvements to the supply chain and to the way in which we do business generally.”

The company plans to step up the marketing and promotion of the 400 top brands from its 1,600-strong product range. Unilever produces numerous goods that are household names: Lipton Tea, Persil, Dove soap, Calvin Klein fragrances, Oxo, Vaseline and Magnum ice cream. Last September the company began a review of its product range and announced it would be reducing the number of brands; revealing that out of a total of 1,600 brands 1,000 accounted for only 8 percent of turnover.

This year the company is reviewing its Elizabeth Arden cosmetic range and its European baking division, which “is under review. It is being restructured to improve performance significantly or it will be divested by the year-end”. Unilever is also spending £130 million this year on developing its e-business ventures in conjunction with AOL, Microsoft, Excite and iVillage. The company has predicted that it can make substantial savings by selling its products directly online.

Commenting on the job losses, the Manufacturing, Science and Finance union responded in typical nationalist fashion as the champions of “British manufacturing,” saying it was pleased that most of the job losses would be made outside Britain. General Secretary Roger Lyons said, “We welcome Unilever's commitment to British manufacturing, which marks a pleasant change.”

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