

Philips cuts 6,000 jobs after sleep device recall

January 30 2023, by Danny KEMP



Philips announced a global recall in 2021 of its appliances to treat people suffering from sleep apnoea.

Embattled Dutch medical tech maker Philips said Monday that it would slash 6,000 more jobs worldwide in a bid to restore profitability after a

massive recall of faulty sleep respirators.

The Amsterdam-based firm revealed the "difficult but necessary" job cuts as it announced a loss of 1.6 billion euros (\$1.7 billion) for 2022, largely on the back of the safety issue.

The layoffs come just months after Philips announced it was cutting 4,000 jobs out of a total workforce of just under 80,000 employees around the globe.

Philips is facing investigations and lawsuits in the United States after it was forced to recall appliances to treat sleep problems that put people at risk of inhaling possibly toxic foam.

Chief Executive Roy Jakobs, who took over in October, said Philips had to make the "difficult, but necessary further reduction of our workforce by around 6,000 roles globally by 2025."

"2022 has been a very difficult year for Philips and our stakeholders, and we are taking firm actions to improve our execution and step up performance with urgency," Jakobs said in a statement.

Shares in Philips rose 6 percent on the Amsterdam stock exchange on Monday after the announcement.

Half of the jobs will be cut this year.

Philips unveiled net losses of 105 million euros (\$114 million) for the fourth quarter of 2022 and 1.6 billion euros for last year as a whole.

'Serious' challenges

Starting off as a lighting company more than 130 years ago, Philips has

undergone major changes in recent years, selling off assets to focus on high-end electronic healthcare products, often for use remotely.

But that shift has been called into question by the giant recall that has pushed it into loss and seen the previous CEO, Frans van Houten, step down.

Philips announced in 2021 the global recall of its appliances to help people suffering from sleep apnoea, a disorder in which breathing stops and starts during sleep.

The company said sound-dampening foam in the machines could degrade, causing people to inhale or swallow pieces of the foam with "possible toxic and carcinogenic effects".

Asked if Philips faced an existential risk from the issue, Jakobs acknowledged the firm faced "serious" challenges.

"What we present today is a very strong plan to secure the future of Philips," Jakobs said during a call with reporters.

"Yes, the challenges we have are serious, and we are addressing them head-on."

Philips will focus in particular on product innovation and on dealing with supply chain issues that are holding up its ability to fulfil its order book, Jakobs said.

The firm needed to "improve performance and simplify our way of working to improve our agility and productivity," he said.

US probe

But Jakobs said Philips would also focus on "strengthening our patient safety and quality management" and completing the respirator recall.

The firm has produced around 90 percent of the replacement devices it needs to get to patients, the company said.

However, it is also increasing the number of replacements, requiring the company to set aside a further 85 million euros.

The company is now under investigation by the US Department of Justice over the respirator issue and is negotiating with US authorities over a financial settlement.

Philips is also the defendant in several class-action lawsuits in the US.

The firm said it had not yet included possible US payouts in its accounts due to the "uncertain nature" of the eventual amounts.

In December, Jakobs told AFP that testing on the recalled respirators showed they were "within safety limits" for use but that a final verdict rested with global regulatory authorities.

© 2023 AFP

Citation: Philips cuts 6,000 jobs after sleep device recall (2023, January 30) retrieved 26 April 2024 from <https://techxplore.com/news/2023-01-dutch-electronics-giant-philips-jobs.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--