

British drugmaker cutting hundreds of US jobs

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This April 28, 2010 file photo shows British drugmaker GlaxoSmithKline's headquarters in London. Hundreds of GlaxoSmithKline's 17,000 U.S.-based employees will lose their jobs by the end of 2015 under the pharmaceutical industry's latest restructuring. (AP Photo/Kirsty Wigglesworth, File)

Hundreds of British drugmaker GlaxoSmithKline's 17,000 U.S.-based employees will lose their jobs by the end of next year under the pharmaceutical industry's latest restructuring.

GlaxoSmithKline PLC, best known for its widely used asthma inhaler

Advair, is making changes worldwide that are meant to produce about \$1.6 billion in annual savings within about three years—from units including research and development, manufacturing, sales and marketing, and support functions.

The company also had considered selling off or otherwise divesting its European and U.S. established products, drugs that have lost patent protection and face cheaper generic competition. On Thursday, it issued a brief statement saying that after reviewing all the bids it received, it decided not to divest those medicines because that would not maximize shareholder value.

The restructuring plan was announced on Oct. 22, when the company reported third-quarter results that included a 13 percent drop in global sales and a 62 percent plunge in net income.

Details of the restructuring began emerging as GlaxoSmithKline on Wednesday started informing U.S. staff of specific plans. In a statement, the company said it will eliminate about 900 jobs in marketing and research in Research Triangle Park, North Carolina, though some cuts will be made through a hiring freeze and not filling vacant positions. Some positions will be shifted to the company's U.S. headquarters in the Philadelphia area.

About 450 of the 900 employees losing jobs in research and development at Research Triangle Park will be offered positions at Parexel International Corp., which has offices nearby in Durham, North Carolina. It provides contract research, consulting and other services to pharmaceutical companies.

In addition, hundreds of sales and marketing jobs will be eliminated, in Philadelphia, Research Triangle Park and among sales representatives around the U.S.

Glaxo's U.S. shares fell 82 cents, or 1.8 percent, to close at \$45.89 in trading Thursday.

The moves are being made to streamline the company, part of an industrywide trend to adjust to pressures including rising research costs, government and private health plans holding down and even reducing what they'll pay for medicines, and the expiration of patents on drugs that had generated billions in annual sales.

GlaxoSmithKline, the world's sixth-biggest drugmaker by revenue, said in October that while some parts of the company are growing, sales fell by 10 percent in the U.S. and by 2 percent in Europe, two of its biggest markets. Sales of Glaxo's medicines for respiratory disorders—the company's biggest franchise—have been particularly hurt, with sales of Advair down 24 percent in the U.S. over the first nine months of the year.

Glaxo's worsening financial picture comes despite a strong run of 10 new drug approvals in the U.S. over the past 18 months. Those include a once-weekly Type 2 diabetes treatment called Tanzeum, the combo HIV pill Triumeq and new inhalers for asthma and chronic obstructive pulmonary disease, plus six major approvals in 2013 of drugs for cancer, flu, respiratory disease and HIV.

The company said it is unsure how many employees will be affected by the U.S. layoffs, but some of those affected will be offered the chance to transfer to another job.

GlaxoSmithKline's global restructuring also includes an agreement with rival drugmaker Novartis AG for a three-part transaction that is set to close in the first half of next year. Under that deal, Glaxo will transfer its cancer drug business to Novartis in exchange for the Novartis vaccines business.

In addition, the companies will create a joint consumer health care business combining their products. Those include Glaxo's Sensodyne and Aquafresh toothpastes and Boost nutrition drinks, and Excedrin pain reliever, TheraFlu cough and cold medicines, and Benefiber fiber supplement from Novartis.

Glaxo has said that the deal would improve its three key businesses: prescription medicines, vaccines and consumer health.

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