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Pharma’s hatchet men ask, are you local?

Jacob Plieth

With Sanofi apparently set to swing the axe over a couple of thousand jobs on its home turf, big pharma redundancies are back in fashion and are increasingly going local.

The French company looks likely to join Roche and Merck KGaA with recent plans to scale back or eliminate jobs in a specific western location. Whether, as has been seen with other big pharmas, this is accompanied by an expansion in emerging markets remains to be seen (see table below). But it is clear that, with many of Sanofi’s peers also in the throes of job cutting, cost reduction is set to remain on the agenda.

While the French company has yet to announce the move officially, news of the layoffs emerged in July through the trade unions with which it had reportedly started discussing the plan. The French newspaper *Le Figaro* has reported that some 2,000 French jobs might go, including many in R&D.

That R&D – in many ways the lifeblood of the industry – is not immune from cutbacks should surprise no one. In June Roche announced the closure of its research campus in Nutley, New Jersey, leading to the loss of 1,000 positions, while last year its crosstown rival Novartis said it would cut 2,000 staff, citing a shift in development work to Asia as well as a declining European drug market (*Roche R&D cull highlights pressure on pipelines to perform, June 27, 2012*).

Shifting east

Big pharma’s move of employment away from the west to developing markets is something that has been taking place openly in some companies and more covertly at others (*Big pharma ups ante as China appeal grows, September 19, 2012*). For instance, Bayer is still in the midst of a late-2010 plan to shed 4,500 jobs, including 1,700 in Germany, by the end of this year, while at the same time creating 2,500 new ones largely in emerging markets.

Meanwhile, annual reports reveal that GlaxoSmithKline's US numbers have fallen by 29% since 2006 and Europe-based employees are down 13%, while employment in emerging markets has grown (*Buys boost big pharma staff numbers as axe continues to fall in some regions, May 23, 2012*).

Earlier this month Merck KGaA said it would eliminate 1,100 jobs in Germany – some 10% of the workforce in its home market. This came shortly after it decided to move the headquarters of its pharmaceutical division, Merck Serono – a legacy unit stemming from its acquisition of the private Swiss company five years ago – from Geneva to Darmstadt.

The old productivity problem

Of course, the rising cost of doing business in the West versus emerging economies is only one reason behind economy drives. Another is dwindling R&D pipelines and late-stage development failures, which have made it difficult for some companies to justify a bloated R&D budget.

The R&D “streamlining” at Roche in the US, for instance, came a month after the highly disappointing failure of its CETP-inhibiting cholesterol-lowerer dalcetrapib, even though overall the Swiss firm is among the better performers in terms of recent drug development successes.

Not so AstraZeneca. The UK company's patent expiry cliff is one of the most acute in the industry and has coincided with multiple development setbacks, in February it launched a plan to eliminate 7,300 positions. The scheme is intended to bring $1.6bn of additional savings by 2014, and is to include 2,200 jobs in R&D; it comes after two previous redundancy rounds hit 5,330 R&D positions (*AstraZeneca's shrinking act could increase its appeal, February 2, 2012*).

The German Merck has also suffered its share of R&D setbacks, although there was no suggestion that the latest round of redundancies was a direct result of this. Indeed, the company appeared to focus more on the local aspect of the move, and said layoffs would span functions across divisions such as logistics.

Who’s next?

It seems that almost all of pharma's top companies have recently announced swingeing job cuts, as the table below shows. Those that have not are still digesting earlier layoffs.

Recent layoffs in big pharma			
Ranking by 2011 sales	**Company**	**Date**	**Notes**
1	Novartis	Jan 2012	2,000 US sales jobs
2	Sanofi	Imminent	Reportedly up to 2,000 French jobs
3	Pfizer	2005	Still another 12,100 of planned 60,000 jobs to be cut
4	Roche	Jun 2012	Nutley site to close, 1,000 R&D jobs
5	GlaxoSmithKline	NA	Ongoing restructuring, no specific job target announced
6	Merck & Co	Jul 2011	12-13% workforce reduction, in addition to earlier cuts following Schering-Plough takeover
7	Johnson & Johnson	Nov 2009	7,000-8,200 jobs
8	Abbott Laboratories	Jan 2012	700 manufacturing jobs
9	Bristol-Myers Squibb	NA	Ongoing, 295 jobs cut so far in 2012
10	AstraZeneca	Feb 2012	7,300 jobs, including 2,200 in R&D

As of mid-2012 Pfizer, from whom big pharma traditionally used to take its cue, had only axed 47,900 employees out of a total 60,000 slated for termination in 2005, implying that more than 12,000 more pink slips are to come in the near term. Merck & Co has another three years to complete a global layoff plan due to its acquisition of Schering-Plough.

Lilly, another company badly hit by the patent cliff, detailed last year that between 2004 and 2010 its workforce underwent a net reduction of 7,500 – following acquisitions that added almost 4,000 new positions. No recent plans to scale back further have been announced.

Given the Indianapolis company's R&D troubles, further restructuring might not be surprising, as might be the case for Bristol-Myers Squibb, which recently completed the joint acquisition of Amylin with AstraZeneca and has largely completed an earlier round of terminations.

Another significant biotech takeover – that of Human Genome Sciences – also closed in August, and other big takeovers have lately caused a surge in staff numbers at companies including Novartis, Sanofi and Johnson & Johnson. This could indicate future cuts.

When it comes to layoffs, despite big pharma's bull run the sector is unlikely to sit on its laurels.

To contact the writer of this story email Jacob Plieth in London at jacobp@epvantage.com