

Medtech employment buoyant in 2012 despite tax fears



[Elizabeth Cairns](#)

If death and taxes are the world's only certainties, the way the medtech sector reacted in 2012 to the then-looming US medical device sales levy might have led an observer to conclude that it believed them to be much the same thing. Analysts warned of pre-emptive restructurings and downsizings throughout 2012, insisting that the job-killing nature of the tax would make itself felt before it even became law.

But as far as the largest medtech companies go, at least, the doomsayers were wrong. The top 15 device makers by market cap actually increased their headcounts by an average of 4% during 2012, according to *EvaluateMedTech*, with only two companies reporting a workforce shrinkage (see table).

Restructuring

These two companies are Smith & Nephew, which shed 800 jobs, and St. Jude Medical, which specifically cited the medtech tax, a 2.3% duty on US sales, as a reason for its restructuring.

The 6% decrease in St Jude's headcount was aimed at saving St Jude \$50-60m, exactly the amount it said it would lose to the tax in 2013 ([St. Jude banks on innovation to see it through tough times for medtech](#), October 1, 2012).

For some companies, though, restructuring is not synonymous with job cuts. Boston Scientific, whose \$28bn 2006 acquisition of Guidant left it bloated and unfocused, sliced jobs between 2007 and 2011 but did not change its staffing levels in 2012. Instead it worked to alter its architecture profoundly, regrouping its businesses and investing in new cardiovascular technologies ([EP Vantage Interview - Boston Scientific remakes itself to face the future](#), October 22, 2012).

This strategy seems promising, but it will be a while before its effects are felt through revenue increases that would permit expansion. Boston's headcount is unlikely to change significantly in 2013.

The same cannot be said for Intuitive Surgical. Showing the biggest increase in its staff of all the companies in the table in 2012 - 23% - Intuitive's 2013 has been alarming, with its technology questioned in trials and payers beginning to wonder whether its surgical robots are worth their hefty price tag. If the group cannot halt its sliding sales it could soon find itself bidding its 438 newly hired workers goodbye ([Intuitive's poor sales cast a pall over the robotic surgery sector](#), July 10, 2013)

Employee numbers of the top 15 medtech companies by market cap

	2012 market cap (\$m)	YE 2007	YE 2008	YE 2009	YE 2010	YE 2011	YE 2012	Change (11-12)	Change (07-12)
Johnson & Johnson	194,772	119,200	118,700	115,000	114,000	117,900	128,000	9%	7%
Essilor International	20,966	31,534	34,320	34,759	38,112	48,700	50,688	4%	61%
Medtronic	41,443	36,484	37,665	43,000	45,000	45,000	46,000	2%	26%
Covidien	27,321	43,800	41,700	41,800	41,500	41,300	43,000	4%	-2%
Becton Dickinson	15,396	28,018	28,277	29,116	28,803	29,369	29,555	1%	5%
Boston Scientific	7,768	27,500	24,800	26,000	25,000	24,000	24,000	0%	-13%
Stryker	20,832	16,026	17,594	18,582	20,036	21,241	22,010	4%	37%
St. Jude Medical	10,685	12,000	14,000	14,000	15,000	16,000	15,000	-6%	25%
Getinge	7,945	10,358	11,604	12,135	12,208	13,111	14,909	14%	44%
C. R. Bard	7,985	10,200	11,000	11,000	11,700	12,100	12,200	1%	20%
DENTSPLY International	12,495	8,900	9,400	9,300	9,700	11,800	11,900	1%	34%
Smith & Nephew*	9,939	9,190	9,757	9,764	10,172	10,743	10,477	-2%	14%
Zimmer	11,439	7,600	8,500	8,200	8,800	8,700	9,300	7%	22%
Edwards Lifesciences	10,306	5,600	6,200	6,400	7,000	7,800	8,200	5%	46%
Intuitive Surgical	19,713	764	1,049	1,263	1,660	1,924	2,362	23%	209%
Total		367,174	374,566	380,319	388,691	409,688	427,601	4%	14%

**Numbers for Smith & Nephew are averages for the year*

Though Johnson & Johnson is the biggest company by both market cap and headcount, only 41% of its sales come from medtech. However, its 9% uptick in personnel in 2012 is mostly due to medtech operations, namely the \$20bn acquisition of the orthopaedics company Synthes that closed in June 2012.

Now that Abbott has separated pharma from medtech - it does not appear in the table as in 2012 pharmaceuticals made up most of its sales - Johnson & Johnson stands alone as a conglomerate.

In contrast, the second biggest medtech company by market cap and the largest pure-play firm, Medtronic, has barely changed its footprint. Two other cardiovascular-focused companies, Edwards and Covidien, have both seen mid-single-digit staffing rises, ticking over nicely in a sector that does not face waning demand.

The medtech tax will bite over the course of 2013, but staffing trends show that it has not scared device manufacturers away from expanding. The medical device sector might not have expanded as fast as big biotech, and the full picture will not become apparent until a year from now, but claims that medtech companies would have to slash jobs to cope with a 2.3% reduction in sales appear to have been wide of the mark.

All data sourced to EvaluateMedTech.

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