



Increasing Layoffs in the Biotech Sector

Layoffs are occurring throughout the nation. There are many companies who have taken a major hit and laid off thousands of employees. Some companies have shut down entirely. One industry that is taking a major hit with the economy today is the pharmaceutical and biotechnology industries. The companies who have taken the worst hits with layoffs for biotech jobs include companies like Pfizer, AstraZeneca, Bayer, Johnson & Johnson, and GlaxoSmithKline.

Many companies have shut down in 2008, due to numerous problems. These problems with the pharmaceutical world include issues with patent expirations, acquisitions, and streamlining, decreasing sales due to drug safety concerns, and the need to cut costs. Many companies are closing their doors in the United States and reopening in other countries that are cheaper to operate. This is primarily due to tax issues. Companies pay too high of taxes in the United States and it is too expensive to operate. They will reestablish themselves in a country that is glad to have them that won't charge such high fees. Companies save millions in government taxes alone when they operate in a country other than the United States.

The [biotech industries](#) have taken major hits with layoffs getting rid of over 20,000 employees in just a handful of companies. The layoffs are chain reactions due to many problems with the industry. If a company has a hard time gaining a patent for a certain drug or renewing a patent for a drug this immediately causes a loss of revenues. Drug companies also rely on insurance companies to pay for drugs because consumers cannot afford to pay for the much-needed prescriptions at the full price. The biggest impacting insurer in fact, has been Medicare. Acquisitions also have caused problems also when companies join together finding they have more employees than they really need. Another major problem causing revenue loss is because people are becoming more leery of the safety of certain drugs. There are many things that affect drug companies and cause people to be out of biotech jobs.

The biggest and most talked about layoff in the biotech industry is from Pfizer. Pfizer is known as the world's largest drug developer and they decreased their workforce by 10,000 jobs. The primary reason Pfizer was forced to layoff so many biotech jobs was because the drug known as *trocetrapib* failed the third phase of testing. This drug was supposed to replace Lipitor. Lipitor will no longer have a patent as of 2010. The research centers in Michigan along with two manufacturing

plants closed the doors in order to save money for the company. This decision was forced because they were faced with a loss in revenue over 40% to the competitors of generic brands.

AstraZeneca cut 7,600 jobs which totaled 11% of their entire workforce. This allowed the company to save \$900 million by 2010 throughout their global supply chain. The company's analysts say it was a smart move and a good business decision. Even though the company was not losing money and they had strong quarterly earnings, they felt the cut in biotech jobs were necessary to prepare for the coming recession. AstraZeneca is doing quite well this year and they have faced many acquisitions. The layoffs came as a big surprise because the company was supposed to be doing quite well.

Bayer was another company in the biotech industry that took a direct hit with company-wide layoffs. It was a direct result of an acquisition with the drug maker Schering. Bayer purchased the company for \$20 billion. The problem that caused the layoffs was that when the companies merged there were too many people doing the same job. This is a very common problem when companies try to integrate with other businesses. It is usually part of the deal that the company being purchased demands that their employees get to keep their jobs and the buying company suffers the impact of the overlapping jobs. Over 6,000 biotech jobs were axed with Bayer from the United States and in Europe. It is expected that Bayer will save over \$200 million a year with the cut jobs.

Johnson & Johnson was next in line in the [pharmaceutical and biotech industry](#) to affect layoffs. The division of the company that took the hit was the pharmacy division. This division suffered from almost 5,000 employees being given pink slips. This allowed the company to cut up to \$750 million in operational costs. The biotech jobs cut were designed to improve the cost structure of the business and ensure a profitable growth for the future. The company does plan on investing on new technologies but they also have suffered



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from losing several patents. The patent losses have impacted sales of the best selling product provided by Johnson & Johnson which is Procrit. This revenue loss occurred when Medicare decided to cut approvals for reimbursing people for this anemia drug. The two major facilities of Johnson & Johnson that are closing the doors are Alza and Scios.

GlaxoSmithKline cut up to 5,000 biotech jobs commencing the operation by shutting down the Avandia plant in Puerto Rico. This plant produces diabetes medications. They will continue to manufacture the drugs but the work was distributed among other facilities. The company also plans to begin outsourcing for the manufacturing of some of their off-patent drugs, which will total a 40% workforce reduction. This structure is said to cut the costs of operation with GlaxoSmithKline by at least \$3.1 billion.

Many pharmaceutical and biotech companies have made big changes by restructuring their operations in order to save money and cut costs. These changes might have a direct impact due to problems with patents, acquisitions, insurance companies not paying for drugs, and other issues. Bristol-Myers Squibb, Novartis, and Amgen are some other companies in the biotech industry that laid off more than 10,000 more employees. The pharmaceutical industry is not the only industry suffering and planning for the years ahead. Consumer budgets are tight and more people are turning to the generic and local brands of drugs because they don't have the money for the branded drugs.

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