

DRUG DATA BRIEF

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Study of Job Data Reveals Drug Makers' Priorities

DRUG INDUSTRY MARKETING STAFF SOARS WHILE RESEARCH STAFFING STAGNATES

A new analysis of drug industry data reveals that:

- Brand name drug makers in the United States employ 81 percent more people in marketing than in research, and the gap has been growing. (See Exhibit A.)
- Their U.S. staff in marketing jumped by 59 percent between 1995 and 2000, while their research staff declined by 2 percent. (See Exhibit B.)

Companies making patented drugs in the United States employed 49,409 people in research and development in 1995, declining slightly to 48,527 in 2000. Over the same five years, marketing employment in those companies, however, rocketed from 55,348 to 87,810, finds a study by Boston University School of Public Health researchers.

“Despite the industry’s constant claims that it is committing ever more resources to R&D, its own employment data suggest the opposite,” observed authors Deborah Socolar, MPH, and Alan Sager, PhD. The drug makers added more than 32,000 employees in marketing during those five years—mainly sales people promoting drugs to physicians, HMOs, and others—but they devoted no additional staff to research.

In 1995, brand-name drug companies employed 12 percent more people in marketing than in R&D, but last year, Sager and Socolar found, the gap soared to 81 percent. (See Exhibit A.) For the past five years, drug makers have employed more people in marketing than in any other job type. It is the only job category that drug makers have expanded substantially.

“These staffing patterns call into question the brand-name drug makers’ self-definition as ‘research-based’ companies,” commented Socolar. “Since they now employ nearly 40,000 more people in marketing than in research, they might more appropriately call themselves

‘America’s marketing-based pharmaceutical companies.’ Their priority today does not seem to be developing new treatments but defining and selling their brands.”

These job data confirm evidence found in recent analyses of drug industry financial reports. Large drug makers spend just one-third to one-half as much annually on R&D as they spend on marketing, advertising, and administration, analyses of their annual reports have shown. Because drug makers usually report administrative and marketing expenses together, it has been hard for observers to determine the resources they devote to promotion alone. Measuring their priorities by their staffing permits separating out those categories. “With nearly four times as many people working in marketing as in administration,” commented Professor Sager, a health economist, “the combined figures that the drug makers report for marketing and administration expenses appear heavily weighted to marketing.”

“Brand-name prescription drug makers assert that their focus is on discovering new cures and that Americans must continue paying high prices to support research,” Sager noted. “But their employment priorities offer evidence that neither claim is true. It’s time to forge a peace treaty: cut prices to make drugs affordable and boost volume, while protecting drug makers’ current research funding and shifting resources from ads to innovative research.”

Overall for 2000, the Boston University researchers reported, brand-name drug makers employed 39 percent of their staff in marketing, 22 percent in R&D, 26 percent in production, 11 percent in administration, and 2 percent in other jobs. (See Exhibit C.) So about two of every five brand name drug company workers are marketers, while just one is a researcher.

Sager and Socolar, directors of the Health Reform Program at the Boston University School of Public Health, have been analyzing pharmaceutical industry cost and coverage problems since 1993. Selections from their previous reports, Congressional testimony, and fact sheets are available on the internet at <http://dcc2.bumc.bu.edu/hs/ushealthreform.htm>. This data brief reflects their analysis of figures from a survey of member firms by the Pharmaceutical Research and Manufacturers of America (PhRMA), the U.S. brand-name industry association.

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Disclaimer: As always, we write and speak only for ourselves,
not on behalf of Boston University or any of its components.

Calculations from Pharmaceutical Research and Manufacturers of America, *Pharmaceutical Industry Profile, 2001*, Washington: PhRMA, 2001, Appendix: Detailed Results from the Annual Survey, Table 18, <http://www.phrma.org/publications/publications/profile01/>.

EXHIBITS

DRUG INDUSTRY MARKETING STAFF SOARS WHILE RESEARCH STAFFING STAGNATES

Source:

Pharmaceutical Research and Manufacturers of America, *Industry Profile 2001*,
Washington: PhRMA, 2001, Appendix: Detailed Results from the Annual Survey.

Percentages are calculated by Alan Sager and Deborah Socolar, Health Reform Program,
Boston University School of Public Health.

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Exhibit A

WHERE DO BRAND-NAME DRUG MAKERS' PRIORITIES LIE?

Expanding Marketing Staff While Research Staff Declines, 1995-2000

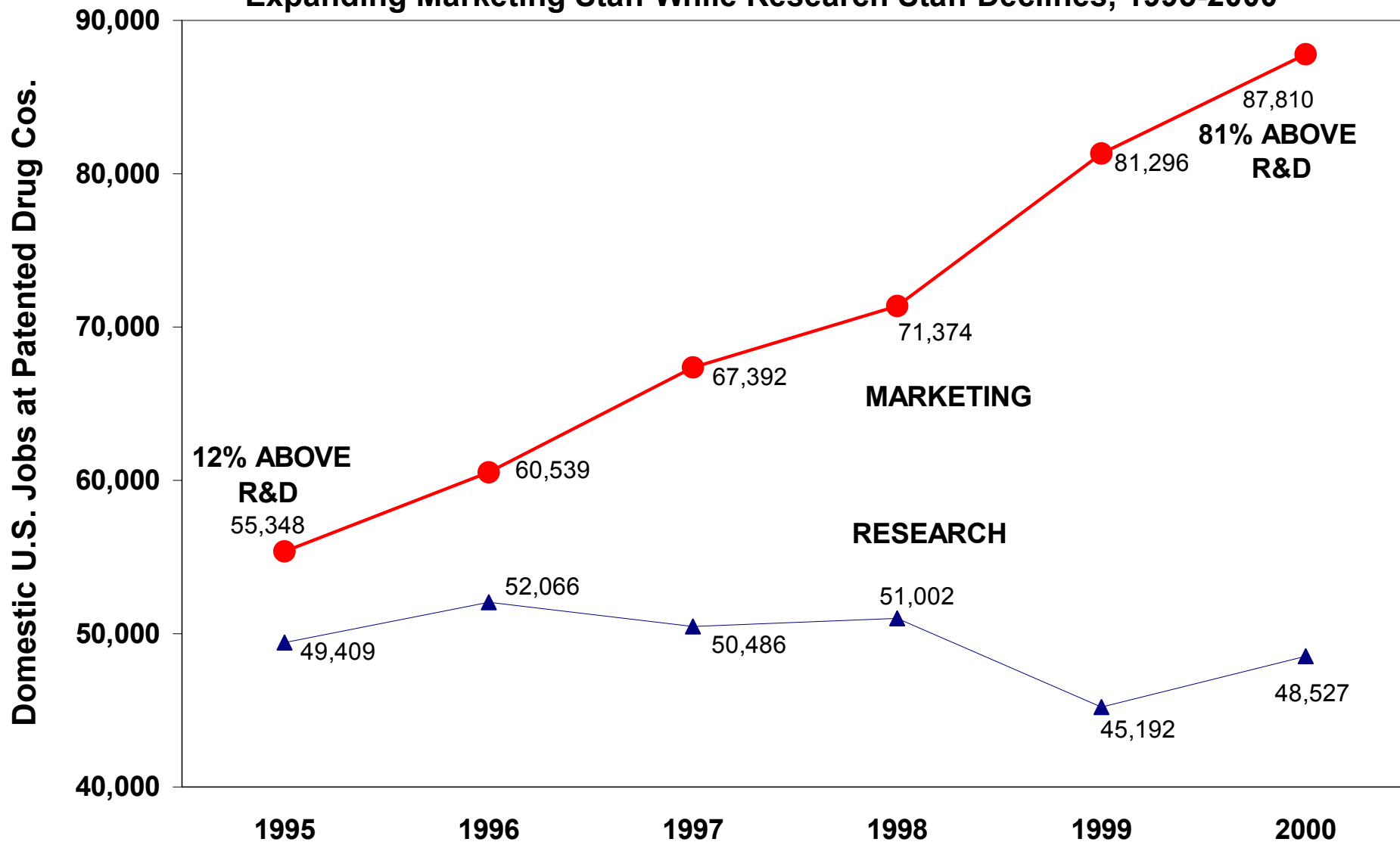


Exhibit B: Drug R&D and Marketing Employment U.S. Brand-Name Drug Manufacturers, 1995 and 2000

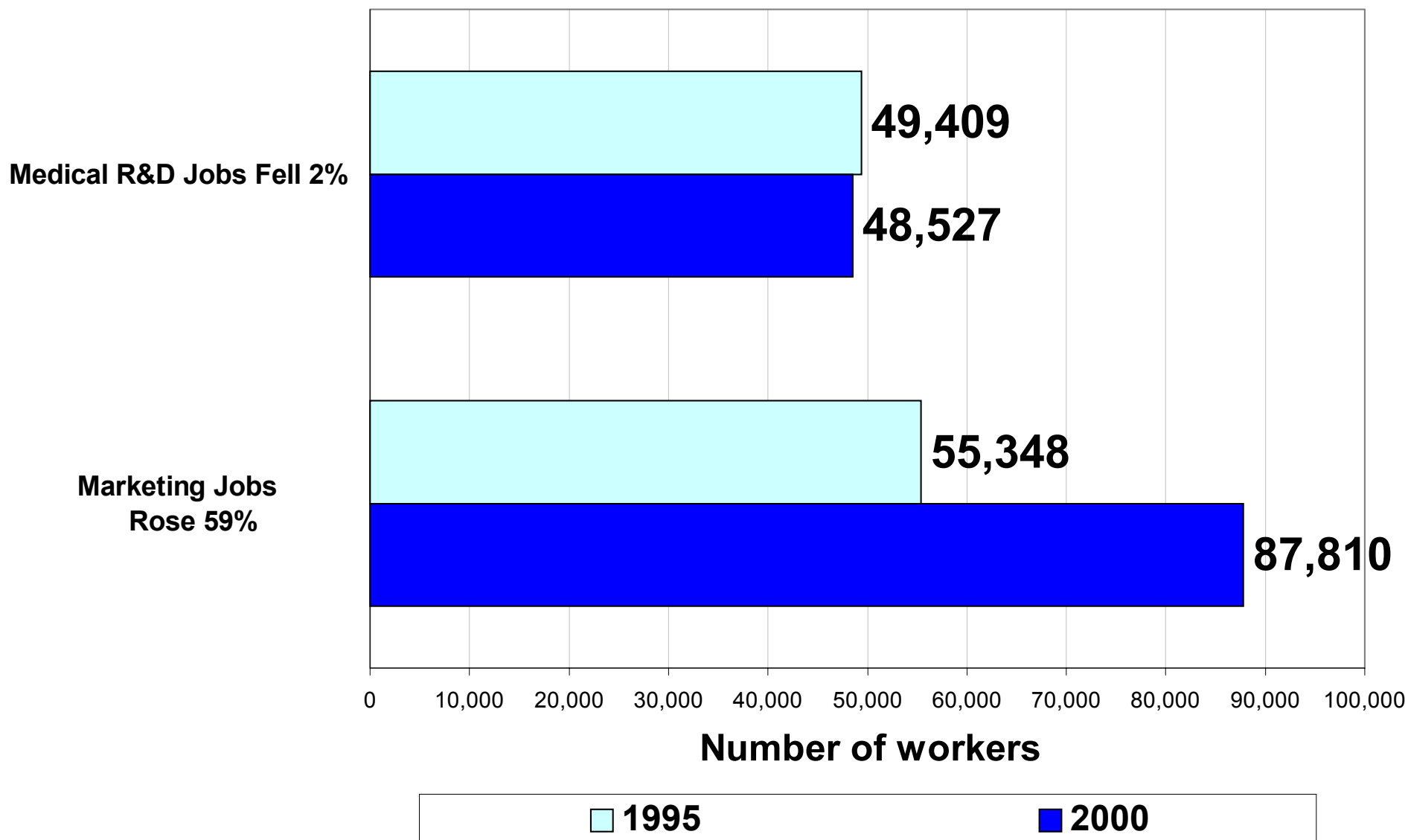


Exhibit C: MAIN TASK OF DRUG COMPANY EMPLOYEES, 2000

