

# J&J to slash 7,000 to 8,000 jobs

---

Tue Nov 3, 2009 11:36am EST

By Ransdell Pierson

NEW YORK (Reuters) - Johnson & Johnson plans to cut up to 7 percent of its workforce in order to generate cost savings needed to finance increasingly costly drug research and to weather future challenges, the diversified healthcare company said on Tuesday.

J&J said the planned restructuring will eliminate 7,000 to 8,000 jobs and generate annualized cost savings of \$1.4 billion to \$1.7 billion by 2011, with \$800 million to \$900 million expected to be achieved in 2010.

"This is what we need to do to right-size the company to make sure we have the resources to invest" for long-term sustainable growth of the company, Chief Executive Officer William Weldon told analysts on a conference call, referring to J&J's "rich portfolio" of products in development.

Weldon said the restructuring -- most of it slated to occur overseas -- is not a response to hardships, including possible U.S. healthcare reform and new generic competition for its Risperdal schizophrenia drug and Topamax epilepsy treatment.

Instead, it will position J&J to better endure soaring research costs, possible looming overseas price controls on its medicines and unforeseen other challenges, he said.

The typical cost of developing a new medicine has now climbed to between \$1.3 billion to \$1.5 billion, from a cost of \$800 million only a few years ago, Weldon said. He noted that J&J and other drugmakers increasingly are partnering with rival companies in order to share such financial gambles.

J&J, which also sells medical devices and a vast array of consumer products, has boasted annual double-digit profit growth for most of the past century. But it is expected to post flat earnings this year and single-digit growth in 2010, hurt by patent expirations and a weak global economy that has crimped demand for its consumer brands and surgical products.

J&J, which employs about 117,000 people worldwide, said it will take a charge of \$1.1 billion to \$1.3 billion against its fourth-quarter earnings, but did not change its 2009 earnings forecast excluding one-time items of \$4.54 to \$4.59 per share.

Chief Financial Officer Dominic Caruso declined to provide a 2010 profit view. But he advised analysts to stick with their forecasts for next year, saying they had already considered J&J's ability to leverage profit growth.

The cost cuts will mainly be achieved by reducing layers of management and simplifying business structures and processes, J&J said. But the company, which is known for giving much autonomy to its hundreds of subsidiaries, said the restructuring is not a move toward centralization.

J&J joins the growing list of major pharmaceutical companies to slash jobs as big-selling drugs lose patent protection. J&J's prescription drug sales fell more than 14 percent to \$5.25 billion in the third quarter, hurt by less costly generic forms of Risperdal and Topamax.

Drug companies are struggling to refill their pipelines with new drugs to offset sales lost to generic competition, and although they are acquiring products from biotechnology companies, the new products are not enough.

Pfizer Inc, Merck & Co and Bristol-Myers Squibb Co have all announced sweeping job cuts, as have British drugmakers GlaxoSmithKline Plc and AstraZeneca.

J&J shares slipped 0.3 percent to \$59.31 in late-morning trading on the New York Stock Exchange.

(Reporting by Ransdell Pierson; additional reporting by Lewis Krauskopf and Toni Clarke; editing by Dave Zimmerman and Maureen Bavdek)