

Biotech gains clout in state's economy Study suggests growth has created jobs in other sectors

The Boston Globe

By Todd Wallack, Globe Staff | November 13, 2007

A study sponsored by the drug industry suggests that Massachusetts life science companies account for a small, but growing piece of the state's economy.

The full report, scheduled to be released tomorrow, found the state's biopharmaceutical industry employed 55,000 workers in 2005, up 12 percent from 2000 and up 46 percent since 1990.

"Massachusetts stands out as a national leader in job generation in the biopharmaceutical industry," the report says.

Moreover, the study found the industry has more impact on the local economy than some other business sectors because biotech and drug companies generally create high-paying jobs, purchase large amounts of goods and services from neighboring companies, and rely heavily on exports for revenue instead of cannibalizing sales of local competitors.

In fact, the study suggested that every job created in the pharmaceutical or medicine manufacturing industries generates an additional five jobs in other industries, something called the multiplier effect.

"The multiplier effect in the pharmaceuticals industry is far greater than you'll find in almost any other industry," said Andrew Sum, director of Northeastern University's Center for Labor Market Studies. Northeastern conducted the study for Pharmaceutical Research and Manufacturers of America, an industry trade group based in Washington, D.C.

The report comes when the drug industry has been trying to rally government support on Beacon Hill and in Washington.

In Massachusetts, some drug industry executives are backing Governor Deval Patrick's \$1 billion life sciences initiative, which includes economic incentives to encourage life sciences companies to expand in the state. In Washington, pharmaceutical lobbyists have been trying to fight proposals to limit drug prices or curb drug makers' patent rights, which companies say would hurt their ability to make money and invest in new potential life-saving medicines. Northeastern's Sum said the study bolsters the case for encouraging growth in the sector through initiatives like Patrick's life sciences proposal. At the same time, some legislators and business groups have questioned whether it makes sense to single out life sciences industries for government support.

Richard Lord, president of the Associated Industries of Massachusetts, which represents more than 7,000 Massachusetts companies, said the state should consider enacting a broader array of tax incentives to encourage growth, rather than solely focusing on biotech firms.

"Fifty-five thousand is a lot of jobs. But we have 3.2 million workers in Massachusetts," Lord said. "Picking winners and losers is a very difficult thing for state government to do."

The 55,000 figure is also higher than some previous estimates. A report prepared by PricewaterhouseCoopers this year found the pharmaceuticals industry and biotech industries together had 26,600 employees in Massachusetts as of 2005, half the total found by the Northeastern study. But the Northeastern study included workers at medical devices companies in its definition, accounting for most of the discrepancy. Sum said members of the trade group that sponsored the Northeastern study operate in all three industries, so it made sense to include all three in its report.

In addition, the PricewaterhouseCoopers study found employment in medical devices, biotech, and pharma was roughly flat - at around 49,000 - from 2001 to 2005, while the Northeastern study found 12 percent growth in the three industries from 2000 to 2005. Sum said the additional year in its study might account for the difference. The PricewaterhouseCoopers coauthors did not return calls seeking comment.

Regardless, the Northeastern study confirmed Massachusetts is one of the country's leading centers in the biotech and pharmaceutical industry.

Overall, Massachusetts ranked sixth in the number of jobs as of 2005 - or third, if the results are adjusted to account for the fact Massachusetts is smaller than California and some other states with more workers. Only New Jersey and New Mexico had more biopharmaceutical jobs as a percentage of their overall workforce than Massachusetts.

The study also found Massachusetts workers in the sector were paid an average of \$73,760, two-thirds higher than the state average overall.

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