



ANALYSIS

The economic impact of the Viatris pharmaceutical plant closing in Morgantown, West Virginia

At the request of The Democracy Collaborative, economist Michael H. Shuman¹ has examined the economic impact of the closure, on July 31, 2021, of the Mylan (now Viatris) pharmaceutical manufacturing plant in Morgantown, West Virginia. The plant is the nation's largest manufacturer of generic pharmaceuticals. Viatris—the product of a merger in 2020 between the Mylan and Upjohn drug companies—made its initial restructuring announcement affecting the plant on December 11, 2020² and later made clear that an estimated 1,431 employees would eventually lose their jobs, 1,246 of them by the end of this month.³ Of those, 764 would be highly paid union workers.

Morgantown, with a population of about 30,000, is the seat of Monongalia County, the state's third-most populous. The closing of this plant would have a catastrophic economic impact on Monongalia County, Shuman concludes, based on economic modeling using IMPLAN, an input-output model widely used by economic development agencies across the country.

Shuman calculates that because of the indirect effects on other local businesses, the layoff of 1,431 employees will result in the loss of a total of 4,642 jobs in Monongalia County over the course of the coming year. That represents nearly 6% of the county's existing jobs. The layoffs would remove \$403 million in wages from the county economy in the next year and more than a billion dollars in value

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² "Viатris Inc. Announces Additional Details of Previously Disclosed Global Restructuring Initiative," <https://investor.viatris.com/news-releases/news-release-details/viatris-inc-announces-additional-details-previously-disclosed>. Accessed July 20, 2021.

³ Patricia Sabatini, "With Time Running Out for a Savior, Viatris Releases More Details About Morgantown Plant Closure," *Pittsburgh Post-Gazette*, 15 June 2021.

added (the local equivalent of GDP). Additionally, they will eliminate \$62.8 million in state and local tax receipts, and \$82 million in federal tax receipts.

For most plant closures, the loss of one job will indirectly eliminate an additional one-half to one job. Shuman finds that here the indirect effects are closer to two jobs lost because of a tight-knit web of local businesses connected to the Viartis plant and because many of the laid-off employees are well paid, with many workers earning more than three times the county median income of \$24,705.

These calculations are conservative. They leave out such effects as the job, wage, value-added, and tax impacts on the rest of West Virginia. Also are the higher costs facing the state from unemployment, job retraining, and social services are not accounted for in this study.

Policy recommendations

The Democracy Collaborative has long argued for an expansive public role in the healthcare sector. We believe that health care is a human right and an essential public service. Further, we have seen the COVID-19 pandemic expose the fragility of our global supply chains and our healthcare infrastructure. With the lessons we should be learning from the past 18 months, the last thing we should be doing is outsourcing a significant share of our generic pharmaceutical manufacturing capacity overseas. Instead, the federal government should take the lead in maintaining the level of domestic production necessary to secure the health and safety of Americans.

We believe the response should have these three key components:

Industrial Strategy. As a country, we need to recognize the critical nature of an industry like pharmaceuticals for our health and well-being and base our economic policy actions accordingly.

Public Pharmaceuticals. A key part of our industrial strategy would be a public option in pharmaceuticals throughout the supply chain, from full-cycle research and development through to manufacturing and retail.⁴ At a minimum, the public sector should step in to provide the essential medicines that the private sector does not provide, but the public sector also has a clear role in maintaining affordability and accessibility to a broad range of essential medicines, and ensuring the development of new ones for existing and emerging healthcare concerns.

Defense Production Act. In the meantime, the Biden administration has the capacity to use the Defense Production Act to declare the Viartis plant and its generic manufacturing capacity an essential public resource. The administration can then convene a group of stakeholders—including workers, community leaders, and health experts—to determine the future of the plant.

⁴ Dana Brown, *Medicine For All: The Case for a Public Option in the Pharmaceutical Industry*, <https://thenextsystem.org/medicineforall>, accessed July 20, 2021.

This is clearly a matter of economic health as well as physical health. Pharmaceutical manufacturing—especially the type of generic drug manufacturing done at Morgantown—could serve as a type of anchor institution, an enterprise locked in place in a community because of the essential nature of its services. That anchoring in place makes possible the virtuous cycle of money flowing through the community as other businesses develop to serve the needs of the plant and its workers, helping to enable broadly distributed community wealth. Viatrix, however, is doing what shareholder-driven corporations do—follow the highest returns for its shareholders, even if that amounts to dropping an economic bomb on the community that has developed a decades-long symbiotic relationship to the plant.

It is this trampling of the people of Morgantown and Monongalia County, West Virginia during Viatrix' race to the bottom that demands new, systemic solutions that put people—and their physical and economic well-being—first.

Methodology

Two scenarios of job loss were run in IMPLAN. Scenario 1 modeled the impact of losing 1,431 jobs in the pharmaceutical preparation manufacturing sector (IMPLAN Sector 172). Scenario 2 looked at the more immediate impact of losing 1,246 employees at the end of this month.

Results from Scenario 1

A summary of the impacts from Scenario 1 are shown below, in Chart 1.

Chart 1: Summary of Impacts from 1,431 Job Cuts

Impact Type	Employment	Labor Income	Total Value Added	Output
Direct Effect	(1,431)	(\$192,420,429)	(\$628,664,763)	(\$1,902,547,610)
Indirect Effect	(1,939)	(\$151,373,457)	(\$294,794,128)	(\$548,409,037)
Induced Effect	(1,272)	(\$58,854,340)	(\$103,642,739)	(\$179,194,316)
Total Effect	(4,642)	(\$402,648,227)	(\$1,027,101,629)	(\$2,630,150,963)

Direct effects are the immediate effects of the Viatris cuts. The reduced spending by Viatris on goods and services provided by other local businesses are the “indirect effects.” The reduced spending by unemployed Viatris employees and the shrunken labor force at other local businesses constitute the “induced effects.”

The “total effect” will be a loss of 4,642 jobs in the county. This will remove \$403 million in wages from the economy and more than a billion dollars in value added (the local equivalent of GDP).

In addition, Scenario 1 will wipe out \$62.8 million in state and local taxes, as detailed below in Chart 2. The biggest loss is the state tax on production and imports (\$49.5 million) followed by household taxes (\$8 million) and corporate taxes (\$5 million).

Chart 2: State and Local Tax Impacts from 1,431 Job Cuts

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Dividends					(\$494,973)
Social Ins Tax- Employee Contribution	(\$132,207)				
Social Ins Tax- Employer Contribution	(\$202,240)				
TOPI: Sales Tax			(\$27,732,286)		
TOPI: Property Tax			(\$13,302,159)		
TOPI: Motor Vehicle Lic			(\$566,284)		
TOPI: Severance Tax			(\$3,883,728)		
TOPI: Other Taxes			(\$4,028,861)		
TOPI: S/L NonTaxes			(\$1,143)		
Corporate Profits Tax					(\$4,541,651)
Personal Tax: Income Tax				(\$6,738,914)	
Personal Tax: NonTaxes (Fines- Fees				(\$551,192)	
Personal Tax: Motor Vehicle License				(\$380,649)	
Personal Tax: Property Taxes				(\$149,583)	
Personal Tax: Other Tax (Fish/Hunt)				(\$166,155)	
Total State and Local Tax	(\$334,448)		(\$49,514,461)	(\$7,986,492)	(\$5,036,624)

Scenario 1 also will reduce \$82 million in federal taxes, including \$41 million in social security taxes, \$18 million in corporate taxes, and \$15 million in household taxes. These are summarized in Chart 3 below.

Chart 3: Federal Tax Impacts from 1,431 Job Cuts

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Social Ins Tax- Employee Contribution	(\$21,298,098)	(\$772,161)			
Social Ins Tax- Employer Contribution	(\$19,535,106)				
TOPI: Excise Taxes			(\$3,998,379)		
TOPI: Custom Duty			(\$3,240,818)		
TOPI: Fed NonTaxes			(\$352,458)		
Corporate Profits Tax					(\$17,832,964)
Personal Tax: Income Tax				(\$14,573,121)	
Total Federal Tax	(\$40,833,204)	(\$772,161)	(\$7,591,655)	(\$14,573,121)	(\$17,832,964)

For most plant closures, the loss of one job will eliminate between 0.5 and 1 jobs indirectly. Here the indirect effects are closer to 2 jobs lost, because of a tight-knit web of local businesses connected to the Viatrix plant and because many of the laid-off employees are well paid. A summary of the sectors in the county economy where the greatest job losses will occur is below, in Chart 4.

Chart 4: Top 25 Sectors Affected by 1,431 Job Cuts

IMPLAN Sector	Description	Direct	Indirect	Induced	Total
172	Pharmaceutical preparation manufacturing	(1,431)	(1)	(0)	(1,432)
469	Management of companies and enterprises	0	(320)	(8)	(328)
397	Wholesale - Drugs and druggists' sundries	0	(321)	(3)	(324)
490	Hospitals	0	0	(135)	(135)
509	Full-service restaurants	0	(24)	(91)	(115)
447	Other real estate	0	(78)	(35)	(113)
460	Computer systems design services	0	(92)	(6)	(97)
417	Truck transportation	0	(78)	(8)	(86)
510	Limited-service restaurants	0	(7)	(75)	(82)
422	Warehousing and storage	0	(68)	(11)	(78)
473	Business support services	0	(66)	(6)	(71)
483	Offices of physicians	0	0	(67)	(67)
455	Legal services	0	(55)	(10)	(65)
511	All other food and drinking places	0	(12)	(39)	(52)
465	Advertising, public relations, and related services	0	(49)	(2)	(51)
472	Employment services	0	(38)	(13)	(51)
421	Couriers and messengers	0	(40)	(3)	(43)
411	Retail - General merchandise stores	0	(2)	(41)	(43)
515	Commercial and industrial machinery and equipment	0	(38)	(4)	(42)
476	Services to buildings	0	(37)	(6)	(42)
470	Office administrative services	0	(35)	(7)	(41)
521	Religious organizations	0	0	(41)	(41)
456	Accounting, tax preparation, bookkeeping, and payroll services	0	(33)	(8)	(41)
512	Automotive repair and maintenance, except car washing	0	(27)	(12)	(39)
462	Management consulting services	0	(34)	(3)	(37)

Results from Scenario 2

The impact from this month's cut of 1,246 jobs will be almost as devastating to Monongalia County. A summary of the impacts is presented in Chart 5, below.

Chart 5 Summary of Impacts from 1,246 Job Cuts

	Employment	Labor Income	Total Value Added	Output
Direct Effect	(1,246)	(\$167,544,267)	(\$547,390,821)	(\$1,656,585,768)
Indirect Effect	(1,688)	(\$131,803,858)	(\$256,683,068)	(\$477,510,576)
Induced Effect	(1,107)	(\$51,245,636)	(\$90,243,779)	(\$156,028,029)
Total Effect	(4,042)	(\$350,593,761)	(\$894,317,667)	(\$2,290,124,372)

The bottom line is that a total of 4,042 jobs will be lost in the county. This will remove \$351 million in wages from the economy and more than \$894 million dollars in value added (the local equivalent of GDP).

In addition, Scenario 2 will wipe out \$54.7 million in state and local taxes, as detailed below in Chart 6. The biggest loss is the state tax on production and imports (\$43.1 million) followed by household taxes (\$7 million) and corporate taxes (\$4.3 million).

Chart 6: State and Local Tax Impacts from 1,246 Job Cuts

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Dividends					(\$430,983)
Social Ins Tax- Employee Contribution	(\$115,116)				
Social Ins Tax- Employer Contribution	(\$176,095)				
TOPI: Sales Tax			(\$24,147,049)		
TOPI: Property Tax			(\$11,582,452)		
TOPI: Motor Vehicle Lic			(\$493,075)		
TOPI: Severance Tax			(\$3,381,638)		
TOPI: Other Taxes			(\$3,508,009)		
TOPI: S/L NonTaxes			(\$995)		
Corporate Profits Tax					(\$3,954,505)
Personal Tax: Income Tax				(\$5,867,705)	
Personal Tax: NonTaxes (Fines- Fees				(\$479,933)	
Personal Tax: Motor Vehicle License				(\$331,438)	
Personal Tax: Property Taxes				(\$130,245)	
Personal Tax: Other Tax (Fish/Hunt)				(\$144,674)	
Total State and Local Tax	(\$291,210)		(\$43,113,218)	(\$6,953,996)	(\$4,385,488)

Scenario 2 also will wipe out \$71 million in federal taxes, including \$36 million in social security taxes, \$16 million in corporate taxes, and \$13 million in household taxes, as summarized in Chart 7.

Chart 7: Federal Tax Impacts from 1,246 Job Cuts

Description	Employee Compensation	Proprietor Income	Tax on Production and Imports	Households	Corporations
Social Ins Tax- Employee Contribution	(\$18,544,674)	(\$672,336)			
Social Ins Tax- Employer Contribution	(\$17,009,602)				
TOPI: Excise Taxes			(\$3,481,467)		
TOPI: Custom Duty			(\$2,821,844)		
TOPI: Fed NonTaxes			(\$306,893)		
Corporate Profits Tax					(\$15,527,514)
Personal Tax: Income Tax				(\$12,689,104)	
Total Federal Tax	(\$35,554,276)	(\$672,336)	(\$6,610,203)	(\$12,689,104)	(\$15,527,514)

Final Note About Methodology

These calculations are conservative, in that many important impacts are not counted. Among them:

- The job, wage, value-added, and tax impacts on the rest of West Virginia (only those impacts in Monongalia County are counted);
- The higher costs facing the state from unemployment, job retraining, and social services; and
- The secondary efforts on unemployed workers, especially at a time of national economic turndown, including depression, alcohol and drug abuse, divorce, suicide, etc.