

# Merck Serono closes its factory in Geneva

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On April 24, pharmaceutical company Merck Serono announced the closure of its factory in Geneva, affecting 1,250 jobs. The company plans to cut 500 jobs outright, while an additional 750 jobs will be outsourced to other countries, with Merck Serono offering employees transfers to Germany, the US or China. In addition to the immediate jobs cuts, many companies and local services are affected.

The company's production facilities at Corsier-sur-Vevey, and Aubonne in the Canton of Vaud are not affected by the cuts. Eight-hundred workers are employed at these two factories, which specialise in the field of biotechnological production. Its plant in Coinsins, also in the Canton of Vaud, will be closed, however, with the loss of eighty jobs.

Financial figures for Merck Serono for 2011 show a net profit of 600 million euros and 1.4 billion euros in cash holdings. This prompted the company's CEO to announce on April 20, four days before the closure announcement, a dividend increase of 20 percent. The company's drug Rebif, for the treatment of multiple sclerosis, has a turnover of almost 1.7 billion euros and accounts for 31 percent of total sales. Its second-best selling drug, Erbitux, for the treatment of lung cancer, has a turnover of 855 million euros, or 15 percent of total sales.

Based in Darmstadt, the German Merck parent company is the oldest pharmaceutical and chemical company in the world. In early 2007, Merck took over Serono for 16 billion Swiss francs (10.6 billion euros)—the largest acquisition in the company's history. Since then, the new company, Merck Serono, has concentrated on the bio-pharmaceutical business based in Geneva.

The owners of Serono—the Bertarelli family—received over ten billion francs (nearly seven billion euros) for their shares in the company. Ernesto Bertarelli, CEO of the biotech company until its sale to Merck, is well known outside the country for his sailing escapades, winning the “America's Cup” in March 2003. Following the sale of the Serono company, the Bertarellis' personal wealth has swelled to an estimated ten to eleven billion Swiss francs, making it one of the richest families in Switzerland.

In the 1970s, Fabio Bertarelli senior took over the Istituto

Farmacologico Serono, which had belonged to the Vatican, and moved its location from Turin to Geneva. From its new base, the company produced fertility hormones, the sales of which boomed following the discovery of in-vitro fertilization in the 1980s. Due to technological advances in biotechnology, drugs made with the help of genetically modified animal cells commenced production in 1989, followed by the fertility treatment Gonal-F in 1996, which remains one of the most successful products of the biotechnology company.

The Merck Group, which bought the company in 2007, was keen to expand its market share through acquisitions in the pharmaceutical sector. It was therefore willing to buy up its competitor Serono, although the company was involved in several court cases in the US, where it was charged with illegal business practices such as “kickback” payments to doctors who proscribed their patients Serono products.

The pharmaceutical giant Merck is currently aiming to cut its operating costs by slashing over 2,000 jobs worldwide. The global company has over 40,000 employees, 10,600 of whom are based in Germany. At least 10 percent of these jobs in Germany are to go by this November.

Merck Serono notches up a profit every year based on its sales growth, and the closure of its plant in Geneva is clearly aimed at driving up profits and dividends for shareholders at the expense of workers. The company has refused to give any extensive overview of its restructuring plans for the coming years.

The announced closure of the plants and the company's cynical offer to transfer employees half way across the globe has led to much anger and frustration in the workforce—particularly in light of the company's positive business and financial position. There have been several strikes, demonstrations and occupations of the factory gates since the beginning of May, and on May 30 a delegation of over 100 employees travelled to the German city of Darmstadt to conduct a joint demonstration with their German colleagues.

The struggle for jobs, however, is being sabotaged by the unions—both Swiss and German—which are seeking to lead workers into a nationalist dead end.

In Germany, works council members and union representatives sit on the Supervisory Board of Merck and for months have refused to reveal details of the company's plans. Acting as junior partner to the executive committee, they have even taken over responsibility for eliminating jobs. In its June 5 edition, the *Frankfurter Rundschau* quoted Merck works council chairman Heiner Wilhelm saying: "I expect that [in Germany] up to 900 will accept the offer of early retirement and voluntary redundancy."

On the Swiss side, the largest Swiss trade union, Unia, is also active. For three months it has mobilized workers in the hopeless undertaking of pressuring politicians and company management in Geneva to adopt an alternative business model drawn up by Unia. The union plan incorporates three different scenarios, all of which involve cutting several hundred jobs.

The maximum demand of the union provides for the elimination of 250 of the 1,250 jobs in Geneva, support for a restructuring and efficiency program, as well as the loss of pay and bonus cuts of between 10 to 20 percent. According to the second model just 500 jobs will be retained in Geneva with headquarters functions to be relocated to Darmstadt. Finally, the union's third model calls for setting up a *Geneva Biotech Cluster* with an initial funding of 100 million euros in which employees will be employed independently in spin-offs and start-ups, with Merck Serono also serving other clients.

In order to support these alternative models, Unia appealed to the national and cantonal governments: "The political authorities must step up their support, finally pronounce their full solidarity with employees and do everything possible to ensure that the location at Geneva can be maintained", declared a union statement of May 10.

From the start, the aim of Unia was to work together with management and bourgeois politicians to find an alternative solution for the Geneva plants that had slightly less impact on the jobs of the workforce.

In order to prevent any effective solidarity between Swiss workers and their colleagues in other locations, Unia organized limited strikes, which were immediately called off in order not to create problems for the union's negotiations with management. The trip to Darmstadt and the joint rally with Darmstadt workers also served this purpose. It was a manoeuvre allowing workers to let off steam while covering up the union's collaboration with management.

The first day of strike took place on June 12. At the rally, the head of the federal Department of Economic Affairs Johann Schneider-Ammann, expressed his admiration for the proposals

submitted by union. He told the strikers, that his office had met with representatives of the Canton of Geneva to discuss the union proposals.

The executive of Merck Serono flatly refused, however, to take part in these discussions. Instead, it reaffirmed on June 19 the final closure of the Geneva plants in late 2012.

Once again, the Unia trade union organized a strike for the next day to force management to the negotiating table. This time, however, Unia no longer pursued the goal of retaining some jobs but merely improved conditions for employees made redundant.

After just two days, on June 22, union representatives broke off the strike arguing that the Geneva cantonal government should be given a chance to mediate. The government had invited employee representatives and the management of Merck Serono to negotiate an improved redundancy scheme.

Management also boycotted this attempt at mediation. Up to now, the executive of Merck Serono has refused to take part in any negotiations with staff or union representatives.

To save face, the Swiss government felt obliged to summon the management of Merck Serono to appear before the Geneva Chamber of collective labor relations on June 28. The aim of the meeting was to organize the redundancies at Merck Serono via a social plan. Merck refused to budge an inch, however, on the issue of plant closures.

Today, three months after the closure announcement, it is clear that the policy of the union has led to an impasse. The only way to defend jobs at the Geneva location is a socialist perspective, which puts the interests of Merck employees in Geneva, Europe and worldwide before the profits of shareholders. A determined struggle to defend all jobs in Geneva would send a strong signal to workers in Germany and all other Merck sites.



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