

## Mid-tier players make the most efficient employers

July 21, 2015

**As big pharma struggled with the delicate balance between spending and revenue, mid-cap speciality and big biotech groups surged ahead and are now firmly established as having the most efficient businesses in biopharma.**

Look no further than EvaluatePharma's annual jobs report which shows Gilead Sciences, Celgene and Shire way ahead of their larger peers in sales generated per employee. Not only that, but Gilead is – in absolute terms – among the top 10 midcap hirers of the past five years.

Speciality players bulking up through M&A is another trend, though it is unclear how many of these companies' new employees will survive post-takeover "rationalisation". It could also be argued that the likes of Gilead and Celgene have less diversified portfolios than big pharma, which puts their employment efficiency at risk if revenues slip.

For now, however, Gilead stands way ahead of the competition, with each of its 7,000 full-time employees accounting for the generation of a massive \$3.5m of 2014 revenue, the report finds. There is one main reason behind this: Gilead's hep C drugs Sovaldi and Harvoni, which are among the industry's highest-margin products, and enjoyed possibly the fastest-ever sales post-launch trajectories ever.

### Top 10 companies by revenue per employee

Company	2014 headcount	Sales (\$m)	Sales/employee (\$m)
Gilead Sciences	7,000	24,474.0	3.50
Celgene	6,012	7,563.8	1.26
Shire	5,016	5,830.4	1.16
Biogen	7,550	8,203.4	1.09
Amgen	17,900	19,327.0	1.08
Alexion	2,273	2,233.7	0.98
Pfizer	78,300	48,648.0	0.62
Actavis	21,600	13,062.3	0.60
Merck & Co	70,000	42,237.0	0.60
Johnson & Johnson	126,500	74,331.0	0.59

Source: EvaluatePharma

It might come as a surprise that Alexion, owner of one of the industry's most expensive drugs, Soliris, does not appear until sixth spot, with just under \$1m of sales per employee. The data in the report are based on an analysis of companies' annual reports.

The highest-placed big pharma company is Pfizer, something that might raise eyebrows given its historic struggles as one of the world's biggest healthcare groups. Still, a swathe of job cuts, estimated at 51,000 employees over the past seven years, clearly helped redress the balance, and greater efficiency is the result.

### Speciality “hirers” and firers

At present the likes of Actavis, Valeant, Mylan and Teva Pharmaceutical Industries stand among midcap pharma's biggest hirers, though this hardly represents the hiring of staff in the traditional sense, instead largely reflecting the numerical addition of staff by virtue of M&A transactions ([Speciality players define M&A as big pharma seeks focus](#), May 26, 2015).

### Biggest hirers of 2014 (excluding big pharma)

Company	Staff added	2014 headcount
Bayer	5,700	118,900
Baxter	5,000	66,000
Mylan	5,000	25,000
Novo Nordisk	3,014	41,450
Actavis	2,400	21,600
Celgene	912	6,012
Gilead Sciences	900	7,000
Biogen	700	7,550
Regeneron	585	2,925
Alexion	499	2,273

Source: EvaluatePharma

Nowhere has M&A been more fevered of late than among the speciality players. Recently Teva has been fighting to buy Mylan, which itself is trying to buy Perrigo, the acquirer of what remained of Elan; a little earlier Actavis had bought Allergan and Forest Labs (the acquirer has now been renamed Allergan), and Valeant bought Salix and Bausch + Lomb.

Bayer, too, benefited from the addition to its payroll of staff from Merck & Co's consumer care business, acquired last year.

However, it could be expected that these specialty players could follow the roadmap laid out by big pharma following the mega-merger spree of 2009 – the amalgamation of multiple companies resulting in an immediate swelling of employee numbers before a broad job cull.

#### Biggest hirers of the past five years (excluding big pharma)

Company	Staff added	2014 headcount
Baxter	16,300	66,000
Actavis	15,770	21,600
Valeant	15,509	16,800
Novo Nordisk	12,121	41,450
Bayer	10,500	118,900
Mylan	9,500	25,000
Teva	7,911	43,000
Celgene	3,199	6,012
Gilead Sciences	3,148	7,000
Biogen	2,800	7,550

Source: EvaluatePharma

Rather than M&A some of the most active organic hirers in 2014, and over the last five years, have been Baxter, Novo Nordisk and Celgene. For Novo and Celgene, as well as Biogen and of course Gilead and Regeneron Pharmaceuticals, employees have been added on the back of product launches.

In Novo's case they would have been hired two years ago in preparation for US introduction of Tresiba, though this event has still not occurred, given an FDA request in 2013 for more assurance over cardiovascular effects. The sales staff will likely have switched to promoting Novo's older diabetes drugs, including Levemir and Victoza, which have gained market share.

### Biggest hirers of the past decade (excluding big pharma)

Company	Staff added	2014 headcount
Teva	29,187	43,000
Bayer	27,200	118,900
Mylan	22,000	25,000
Novo Nordisk	21,165	41,450
Baxter	18,000	66,000
Actavis	17,749	21,600
Valeant	14,509	16,800
Gilead Sciences	5,346	7,000
Celgene	5,246	6,012
Amgen	3,500	17,900

Source: EvaluatePharma

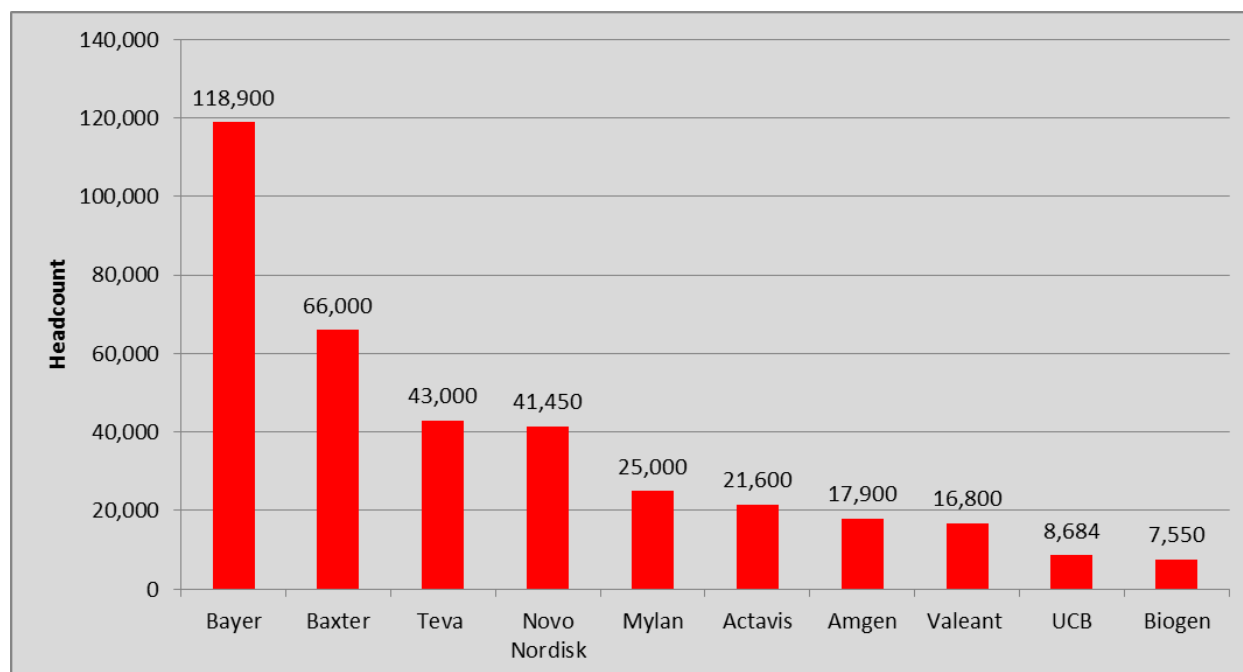
As far as speciality pharma's goes, its influence on job numbers is best seen in the longer-term table. Despite Teva's plans to save \$1bn of annual costs the Israeli group is the past decade's biggest hirer overall, though presumably some of its 43,000 positions must still be at risk given the damage that will be done now that generic versions of Copaxone have started entering the US market.

And Valeant might be up there as one of the top hirers of the decade, though in the context of the group's acquisitive history, which has seen it subsumed into Biovail and complete the acquisitions of Medicis Pharmaceutical, Bausch + Lomb, Salix and many others, its 16,800 year-end employee number is the end result of extensive redundancies.

The big biotechs, meanwhile, continue to be strong job creators, though interestingly Amgen, which had previously featured heavily in these annual analyses, has been forced to join big pharma in swinging the axe under the pressure of its own efficiency problems.

Among the sector's mid-tier players Amgen ranks as the seventh-biggest employer overall, its 17,900 staff putting it – for now – between Actavis and Valeant. This grouping is led by Bayer, Baxter and Teva.

### Non-big pharma employee numbers



Source: EvaluatePharma

### Big beasts

Beyond these shifts in the middle order of biopharma, the top ranking of the industry's biggest players reveals barely any differences relative to last year ([Big pharma becomes a smaller employer as biotech booms](#), June 18, 2014).

What this shows is again that major cuts to US sales forces and, more recently, pharma's R&D departments, ahead of big patent expiries have had a more gradual effect than might have been expected. Rather than a huge ditching of jobs the broad picture suggests a slow dribbling away of employees, and the effect of redundancies in the West will to some extent have been counterbalanced by hires in the emerging markets.

Just three big pharma companies stand out as having undergone significant headcount changes during the past year: Merck & Co, Bristol-Myers Squibb and AstraZeneca.

Merck's headcount shrinking 8%, or by some 7,400 employees, probably shows the effects of a plan implemented in late 2013 to lay off 20% of its headcount, which at that time had stood at 81,000; at the end of last year this had come down to 70,000.

The overall picture at Bristol suggests that over the past decade the group's headcount has almost halved from a total of 43,000 employees in 2004. However, the fall is largely due to divestments, most notably that of its Mead Johnson baby nutrition business in 2009.

Still, the group has been cutting back on staff too, though not in large swathes. Last November it was reported by local media that Bristol was to lay off up to 1,000 employees in China as a result of changing market conditions.

### Big Pharma employee numbers

	No of employees at year end			Change in employee count			% change		
	2004	2009	2014	2013-14	2009-14	2004-14	2013-14	2009-14	2004-14
<b>Novartis</b>	81,392	99,834	133,413	-2,283	33,579	52,021	-2%	34%	64%
<b>Johnson &amp; Johnson</b>	109,900	115,000	126,500	-1,600	11,500	16,600	-1%	10%	15%
<b>Sanofi</b>	96,439	104,867	113,496	1,368	8,629	17,057	1%	8%	18%
<b>GlaxoSmithKline</b>	100,019	99,913	97,921	-1,530	-1,992	-2,098	-2%	-2%	-2%
<b>Roche</b>	64,594	81,507	88,509	3,429	7,002	23,915	4%	9%	37%
<b>Pfizer</b>	115,000	116,500	78,300	600	-38,200	-36,700	1%	-33%	-32%
<b>Merck &amp; Co</b>	62,600	100,000	70,000	-6,000	-30,000	7,400	-8%	-30%	12%
<b>AstraZeneca</b>	64,200	62,700	57,500	6,000	-5,200	-6,700	12%	-8%	-10%
<b>Eli Lilly</b>	44,500	40,360	39,135	1,210	-1,225	-5,365	3%	-3%	-12%
<b>AbbVie</b>	–	–	26,000	1,000	–	–	4%	–	–
<b>Bristol-Myers Squibb</b>	43,000	28,000	25,000	-3,000	-3,000	-18,000	-11%	-11%	-42%

Source: EvaluatePharma

Astra, however, is unusual. Its headcount actually rose last year – by an impressive 12%, or 6,000 employees. This is surely a turnaround story; after years of scaling back in the run-up to two of the industry's most crippling patent expiries – Nexium and Crestor – the group had cut headcount from 64,200 in 2005 to 62,700 in 2009 and 51,500 last year.

But 2014 seems to have been the watershed, a point from which Astra's relatively recently appointed chief executive, Pascal Soriot, could start growing the business again. In Astra's peer group Bristol might be in a similar position, especially having established itself as one of the leaders – some would say the leader – in immuno-oncology.



Astra, after overhauling middle and senior management and undertaking one of the more impressive biotech licensing sprees of recent times, now looks like having set itself a more realistic cost base. Indeed, a combined analysis of the big and medium market cap players would put it ahead of Bayer and the speciality groups as 2014's biggest hirer of new staff.

That said, relative to company size there is no doubt that it is the sector's slightly smaller players that are now leading the charge in terms of job creation.

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