

Big pharma becomes a smaller employer as biotech booms

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Big pharma has become a different employer over the past decade. From mega mergers and the push into emerging markets to the dramatic restructuring of sales and R&D departments, the shape and spread of their staff has shifted. Over the same period, however, the size of their employee roll call has actually changed very little.

At the end of 2013 big pharma employed only 3% fewer people than it did in 2003, a drop of almost 31,500, data collected by *EvaluatePharma* reveal. While huge redundancy programmes affecting thousands might still be making headlines; these topline figures do not paint a picture of a dramatically shrinking industry. Conversely, for an image of spectacular expansion look no further than the world just outside big pharma – other drug companies with a market cap of more than \$30bn more than doubled their headcount over the past decade, adding more than 130,000 employees.

The slow shrinking of big pharma employment

	No. of employees – year end								
	2003	2008	2013	Change 2012-13	Change 2008-13	Change 2003-13	% change 2012-13	% change 2008-13	% change 2003-13
Novartis	78,541	96,717	135,696	7,972	38,979	57,155	6%	40%	73%
Johnson & Johnson	110,600	118,700	128,100	100	9,400	17,500	0%	8%	16%
Sanofi	33,086	98,213	112,128	154	13,915	79,042	0%	14%	239%
GlaxoSmithKline	100,919	99,003	99,451	(37)	448	(1,468)	0%	0%	(1%)
Roche	65,357	80,080	85,080	2,991	5,000	19,723	4%	6%	30%
Pfizer	122,000	81,800	77,700	(13,800)	(4,100)	(44,300)	(15%)	(5%)	(36%)
Merck & Co	63,200	55,200	76,000	(7,000)	20,800	12,800	(8%)	38%	20%
Abbott Laboratories	72,200	69,000	69,000	(22,000)	0	(3,200)	(24%)	0%	(4%)
AstraZeneca	62,600	65,000	51,500	(200)	(13,500)	(11,100)	(0%)	(21%)	(18%)
Eli Lilly	46,100	40,450	37,925	(425)	(2,525)	(8,175)	(1%)	(6%)	(18%)
Bristol-Myers Squibb	44,000	35,000	28,000	0	(7,000)	(16,000)	0%	(20%)	(36%)
AbbVie	–	–	25,000	n/a	n/a	n/a	n/a	n/a	n/a
Wyeth	52,385	47,426	–	n/a	n/a	n/a	n/a	n/a	n/a
Schering-Plough	30,500	51,000	–	n/a	n/a	n/a	n/a	n/a	n/a
Aventis	75,567	–	–	n/a	n/a	n/a	n/a	n/a	n/a
Total big pharma	957,055	937,589	925,580	(7,245)	(12,009)	(31,475)	(1%)	(1%)	(3%)

Source: EvaluatePharma

The previous analysis, constructed from data found in annual reports, covers a period when a number of mega mergers had a huge impact on individual companies.

Pfizer completed two in the last decade – the move on Pharmacia in 2003 caused its year-end employee number to balloon to 122,000 and then fall gradually until it bought Wyeth in 2009. In 2004 the merger of Sanofi-Synthélabo and Aventis created Sanofi-Aventis, today's Sanofi, and Merck moved on Schering-Plough in 2009.

Novartis, currently the biggest pharma employer, began to consolidate Alcon in 2010, which had a marked impact on its staff numbers – the eye specialist employed 15,700 before it was taken over. Meanwhile Abbott has gone the other way and broken up, explaining its big drop last year and the appearance of AbbVie.

One hugely important strategic deal that did not affect these figures was Roche's consolidation of Genentech – the Swiss company included the biotech's employees in its headcount before the full takeover in 2009.

Acquisitions will always have an impact on headcount, and none more so than the mega-merger, both through the instant boom in staff numbers and the inevitable "synergies" pursued in the years following, when big headcount reductions are typically made.

But in the last decade these companies have also been travelling over huge patent cliffs and through an R&D productivity crisis. Their responses to these problems have arguably shaped their patterns of employment just as much as the mega mergers which, in certain cases, were considered the answer.



The substantial decline in US sales forces is one of the biggest employment shifts that happened before big patent expires. For example over the last decade Glaxo and Eli Lilly – neither of which underwent a mega-merger – trimmed their respective US workforces by a third. Most job losses, representing 7,500-8,000 positions at each company, would have been felt by the sales reps.

More recently R&D departments have borne the brunt of job losses, as a result of various initiatives to improve the return on investment in drug research. Glaxo and Sanofi, for example, have cut the number of people working in their labs by 23% and 12% respectively over the past five years, representing the loss of almost 6,000 positions in total.

So it is interesting that, despite these huge restructuring programmes, total big pharma employment has actually shifted only marginally over the 10-year period. The push into emerging markets and huge expansions in workforces employed outside of Europe and the US will be the main reason for this – Glaxo, Sanofi and Novartis report that staff numbers outside these regions ballooned by 40%, 34% and 27% respectively over the past five years, representing the addition of 30,000 positions.

Last year saw a small retraction in employment at big pharma, and it seems likely that a gradual reduction in staff numbers will be the trend for the next few years. This will be driven by an increasing focus on niche or specialised therapy areas that require smaller sales forces and the ongoing intense pressure on boards to keep improving profitability. And, if trends for divestments and demergers do gather pace, this group of companies could quickly lose big chunks of their employees to new organisations.

The growth of the other \$30bn+ drug makers

	No. of employees – year end			Change 2012-13	Change 2008-13	Change 2003-13	% change 2012-13	% change 2008-13	% change 2003-13
	2003	2008	2013						
Baxter	51,300	48,500	61,000	10,000	12,500	9,700	20%	26%	19%
Teva	10,960	38,307	45,000	(948)	6,693	34,040	(2%)	17%	311%
Novo Nordisk	18,756	27,068	38,436	3,705	11,368	19,680	11%	42%	105%
Amgen	12,900	16,900	20,000	2,000	3,100	7,100	11%	18%	55%
Actavis	3,983	5,070	19,200	1,500	14,130	15,217	8%	279%	382%
Valeant	1,958	1,368	17,200	10,200	15,832	15,242	146%	1157%	778%
Allergan	4,930	8,740	11,400	600	2,660	6,470	6%	30%	131%
CSL	7,565	9,276	11,285	770	2,009	3,720	7%	22%	49%
Biogen Idec	3,727	4,700	6,850	900	2,150	3,123	15%	46%	84%
Gilead Sciences	1,425	3,441	6,100	1,100	2,659	4,675	22%	77%	328%
Shire	1,814	3,769	5,338	(29)	1,569	3,524	(1%)	42%	194%
Celgene	679	2,441	5,100	400	2,659	4,421	9%	109%	651%
Regeneron	669	919	2,340	390	1,421	1,671	20%	155%	250%
Alexion	191	504	1,774	401	1,270	1,583	29%	252%	829%
Total other	120,857	171,003	251,023	30,989	80,020	130,166	14%	47%	108%

Source: EvaluatePharma

Pharma management teams might be keeping a close eye on headcount, but the industry's other big beasts are moving in the opposite direction.

Almost without exception the companies in the above analysis have added staff over every period analysed. For many, like Teva, Valeant and Actavis, this has been done largely via acquisitions. But others, like Novo Nordisk, Gilead and Regeneron, have been growing almost exclusively organically.

Novo Nordisk is perhaps the most remarkable company in this regard. The diabetes giant has not bought any other company in the last decade, yet has more than doubled its headcount, steadily expanding each year and creating almost 20,000 jobs in total.

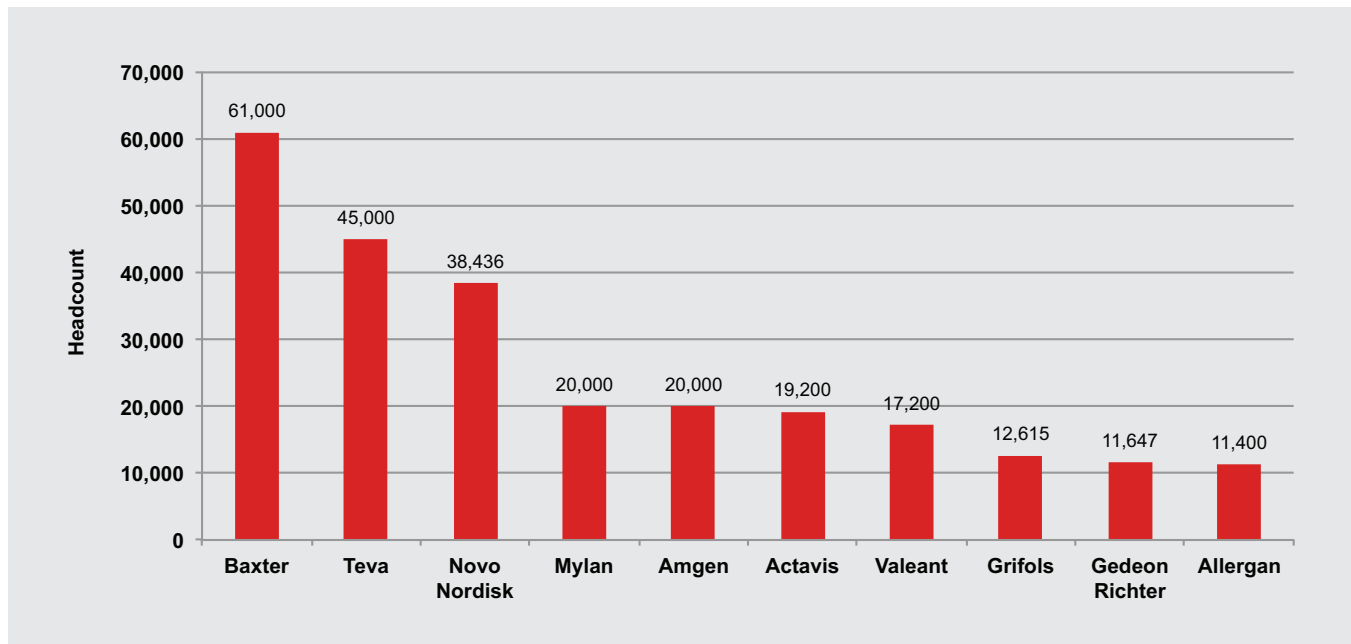
Gilead has been more active on the M&A front, but its acquisitions have been skewed to research-stage companies that tend not have more than a couple of hundred employees. It has grown its employees more than fourfold in 10 years, with a big jump last year before the launch of its new hepatitis C drug, Sovaldi.

In fact all the big biotechs – Celgene, Biogen Idec and Amgen – have been strong job creators on the back of organic growth.

Allergan also stands out, having added almost 6,500 positions over the decade. It has struck several acquisitions that will have helped it grow headcount, but a large proportion of its products were either originated in house or via licensing deals, suggesting that much of its expansion was driven from within. Should it eventually succumb to the approaches of Valeant, which has grown entirely by takeovers, it is likely that a lot of its employees will disappear.

Valeant itself ranks so highly in these tables thanks only to last year’s acquisition of Bausch + Lomb, which employed 11,200 people at the end of 2012. However both Valeant and Allergan already feature among the sector’s top 10 employers outside big pharma. So if any takeover does happen, even with the inevitable job cuts, Valeant would become an even bigger force to be reckoned with.

Top 10 employers outside of big pharma



Source: EvaluatePharma

Five and 10-year records

In terms of percentage job growth smaller companies will nearly always stand out. On this measure companies like Alexion, Questcor, Pharmacyclics and Seattle Genetics have all grown substantially over the past five and 10 years, the tables below show.

The expansion of the orphan disease specialist Alexion, which sells only one product, Soliris, is particularly remarkable, in that the company had only 191 employees a decade ago and is now worth more than \$30bn. It still employs considerably fewer people than other similarly valued companies.

Questcor, which was earlier this year bought by Mallinckrodt, grew its workforce by more than any other drug developer percentage-wise over the last 10 and five years, our analysis reveals. However, it started from a very low base, with only 39 employees in 2003, and only got into triple figures in 2010.

Few other companies started off with such low numbers. So the percentage growth that US biotechnology companies like Pharmacyclics, United Therapeutics, Seattle Genetics and Medivation have managed over the last five and 10 years is still remarkable, and befitting these companies' description as growth stocks.

Biggest hirers of the last decade*

By percentage of staff added		2013 headcount	By number of staff added		2013 headcount
Questcor Pharmaceuticals	1703%	703	Teva	34,040	45,000
Alexion	829%	1,774	Novo Nordisk	19,680	38,436
Valeant	778%	17,200	Mylan	17,200	20,000
Celgene	651%	5,100	Valeant	15,242	17,200
Mylan	614%	20,000	Actavis	15,217	19,200
Endo International	585%	3,371	Baxter	9,700	61,000
Seattle Genetics	439%	582	Perrigo	7,435	10,145
BioMarin	393%	1,341	Amgen	7,100	20,000
Actavis	382%	19,200	Allergan	6,470	11,400
United Therapeutics	341%	706	Krka Group	5,526	10,048

* Stada, Grifols and Hikma excluded from this list as full 10-year data are unavailable

Source: EvaluatePharma

In terms of actual numbers of people added, many of the companies that top these tables are predictably the serial acquirers like Teva, Valeant and Actavis. Other less well-known candidates to make the list include the Slovenian generics group Krka, which has almost doubled its headcount, adding 5,500 staff over the last 10 years without making any significant acquisitions.

And in the last five years the emergence of the blood specialists Grifols and Baxter stand out. The former has been expanding aggressively both organically and through acquisition; its most sizeable transaction was the takeout of Talecris in 2011. Baxter has also been a keen deal maker but the diversified group intends to spin off its drug-focused business next year, so is likely to shrink in the coming years.

The biggest hirers of the last five years

By percentage of staff added			By number of staff added		
		2013 headcount			2013 headcount
Questcor Pharmaceuticals	1428%	703	Valeant	15,832	17,200
Valeant	1157%	17,200	Actavis	14,130	19,200
Pharmacyclics	952%	484	Baxter	12,500	61,000
OPKO Health	925%	625	Novo Nordisk	11,368	38,436
Medivation	527%	370	Teva	6,693	45,000
NPS Pharmaceuticals	340%	207	Grifols	6,681	12,615
Actavis	279%	19,200	Mylan	5,000	20,000
Jazz Pharmaceuticals	275%	810	Galenica	4,232	7,663
Alexion	252%	1,774	Amgen	3,100	20,000
Ironwood Pharmaceuticals	220%	534	Perrigo	2,895	10,145

Source: EvaluatePharma

It is notable that US companies dominate this analysis, with not one of the biggest hirers in percentage terms coming from outside America. That Europe has not managed to provide a drug growth stock to stand alongside US-based peers in this analysis is a disappointing but not unsurprising finding for the region.

The companies growing the most in actual terms are more widespread – notwithstanding the various tax-driven domiciles. Teva is Israeli and CSL is based in Australia, while the continental Europeans are represented by Novo Nordisk (Denmark), Grifols (Spain), Galenica (Switzerland), Stada (Germany) and Krka (Slovenia). While Europe might not be creating the young upstarts it is at least supporting the growth of more substantial organisations.

The last year

A look at the big hirers of last year reveals the companies that have aggressive expansion strategies under way.

Biggest hirers of the last year

By percentage of staff added			By number of staff added		
		2013 headcount			2013 headcount
Valeant	146%	17,200	Valeant	10,200	17,200
Pharmacyclics	116%	484	Baxter	10,000	61,000
Medivation	44%	370	Novo Nordisk	3,705	38,436
NPS Pharmaceuticals	39%	207	STADA Arzneimittel	2,064	9,825
Jazz Pharmaceuticals	33%	810	Amgen	2,000	20,000
InterMune	31%	353	Actavis	1,500	19,200
Alexion	29%	1,774	Grifols	1,197	12,615
Alnylam	28%	165	Gilead Sciences	1,100	6,100
STADA Arzneimittel	27%	9,825	Biogen Idec	900	6,850
Questcor Pharmaceuticals	26%	703	CSL	770	11,285

Source: EvaluatePharma

The RNAi specialist Alnylam is no doubt seeking to capitalise on renewed faith in its technology platform. NPS with Gattex, Medivation with Xtandi and Pharmacyclics with Imbruvica are in the midst of drug launches and hiring accordingly, while Intermune is hoping to bring its treatment for idiopathic pulmonary fibrosis, Esbriet, to the US market.

Drug launches are also likely to be at least partly responsible for the hiring sprees at some of the bigger groups – Sovaldi in the case of Gilead and Tecfidera in the case of Biogen Idec.

Of course, it is not surprising that these so-called growth stocks are quickly adding staff. There are arguably much more important measures of their success, particularly to shareholders, but the companies that made it into this analysis got there for a reason.

It is also no revelation to see the huge, multinational big pharma groups shifting in structure – for employers of tens of thousands of people, restructuring never really ends.

While big pharma will continue to dominate the employment prospects of the drug development sector, it is clear that many of the firms working in their shadows represent a hugely important source of job creation.

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Methodology notes:

- Japanese companies were excluded from this analysis as they work to different reporting periods and 2013 data are not yet available.
- This report does not include medtech or pure-play diagnostics companies.
- Companies that provided limited or patchy disclosure on job numbers were also excluded, which naturally limited the analysis to a largely US and Europe-based cohort of listed groups. In total, the analysis covered 63 companies.



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