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After All The Layoffs, Is Biopharma's Headcount Still Growing?

Sector's Recruitment Data Is Hard To Pin Down

by Andrew McConaghie

While biotech layoffs and big pharma restructuring dominate the news in 2023, the sector's job market remains buoyant.

More than halfway through the biopharma year, there is no question that 2023 has proven very difficult for many early stage biotech companies, due to heavy 'right sizing,' job losses and even company closures.

But despite the constant drip-feed of biotech redundancies and big pharma restructuring, the sector as a whole is thriving, with research suggesting the overall biopharma industry headcount is growing, not shrinking.

Biotech's Cutbacks

More than 100 announcement of job cuts were made in the first seven months of 2023, according to a recent analysis, a huge jump from the previous year.

Cutbacks have been widespread in pre-market biotechs, many of whom are struggling to stay afloat because new funding is hard to come by in the ongoing sector downturn.

A recent example of this is *Lava Therapeutics NV*, which announced a 36% cut to its employee numbers (from a total of 55 people) on 22 August. That followed a pipeline rethink after it decided to drop its Phase I candidate LAVA-051 for relapsed/refractory chronic lymphocytic leukemia and multiple myeloma, after reviewing the very crowded and competitive therapy area.

Another example is *Apellis Pharmaceuticals, Inc.*, which announced on 29 August that it was cutting a quarter of its workforce – about 225 jobs. Apellis' lead product is Syfovre (pegcetacoplan injection), an FDA-approved drug for geographic atrophy secondary to age-related macular degeneration. The company expects to save up to $300m through the restructuring. (Also see "*Radical Honesty Is Part Of The Secret To Apellis's Success*" - In Vivo, 18 May, 2023.)

In an early August report, analysts at Stifel estimated that a sample of 19 small cap biotech companies had undergone a 24% headcount reduction since February 2021.

Job cuts have not been restricted to small companies, however, with some big names also wielding the axe. One notable example is *Biogen, Inc.*, which under new CEO Chris Viehbacher announced in June 1,000 job losses, (around 11% of its workforce), reflecting a 'right sizing' after the commercial disappointment of Alzheimer's drug Aduhelm (aducanumab).

Meanwhile Novartis, one of the sector's biggest companies by turnover and headcount, last year set itself a target of cutting 8,000 jobs, or around 7.4% of its total headcount, in a new drive to improve efficiency and profitability. (Also see "*Novartis To Cut 8,000 Jobs In Global Restructure*" - Scrip, 29 Jun, 2022.)

In contrast, other big companies enjoying a strong run of growth are also taking on lots of new employees. Citeline's analysis shows that AbbVie, Roche, AstraZeneca and *Novo Nordisk A/S* have added thousands of jobs in the last decade (*see Exhibit 1*).

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Equally, the Stifel research found that in the six months between February and August 2023, the sector added more employees than in any half-year period since it had started tracking the stats in 2021.

Stifel's research tracks a sample of 78 companies, cross-referencing data from LinkedIn with company filings, which it claims produces an accurate picture of changing headcount numbers.

The employee count in its sample of 13 big pharma companies showed an increase of 3% in August 2023 compared to 12 months earlier. That added to an overall 11.6% rise since February 2021,which in total represents 96,000 new jobs created.

Backing up those findings was a 2022 report from US real estate services company CBRE. It found the number of employees in the US life sciences sector increase 5.3% from January 2021 to January 2022, outpacing the national job growth rate of 4.7% in the same period.

Stifel's report listed *Pfizer Inc.* and *Roche Holding AG* as the first and second fastest growing companies for the August 2022 to August 2023, estimating growth of more than 7,000 employees each, using its LinkedIn-based counting methods.

However, when contacted by *In Vivo*, Roche said Stifel's calculation of its growth was inaccurate, and that its full time equivalent headcount had risen around 2.6%, around half the rate implied by the figures. A spokesperson said calculations based on LinkedIn may be distorted by external consultants/contractors listing it as their employer, or simply individuals who have left the company but have failed to update their profiles.

Nevertheless, the company confirmed that it was on the lookout for people across its many functions. These included software developers and data scientists/engineers in IT, scientists, medical doctors and computational biologists in R&D, market access experts in commercial and procurement delivery in group functions.

Big Pharma Gets Bigger Overall

An analysis by Citeline comparing employee numbers in 15 of the sectors biggest companies in 2022 with 10 years earlier shows a 6.5% increase in total headcount – representing a rise of more than 67,000 positions over the period.

This confounds impressions that big pharma has shrunk in recent years by outsourcing much of its drug discovery to biotechs and drug development to contract manufacturing and development organizations, and shows big pharma headcounts still growing, despite this strategy.

That said, some further headcount reductions are coming this year, via the trend for companies to spin-off non-pharma divisions. The sector's biggest employer, *Johnson & Johnson*, will sheds 22,200 jobs with the separation of its consumer health division, now known as Kenvue, and *Novartis AG* is to follow suit with generics and biosimilars division Sandoz.

GSK is the company which has shrunk its headcount most over the period, cutting back its workforce by 30%. In contrast AbbVie has grown most, more than doubling over the last 10 years, swelled by its merger with Allergan and Humira's blockbuster success.

Biotech Has Switched Its Priorities

Karl Simpson is founder and CEO of Liftstream,
an executive search and leadership advisory company for the life sciences sector. On the impact of the downturn on biotech he confirms: "There have been a lot of organizations that have merged, or been acquired. Many others have disappeared, companies that were in stealth mode but never came out, and small organizations that were just wiped out by the current economic circumstances."

At the same time, Simpson added that daily media reports of layoffs (especially in smaller companies) builds a negative picture of the overall recruitment market, which is not necessarily accurate.

He reserved judgement on whether the sector overall is growing or not, and points out that obtaining a “transparent view of what is going on from the standpoint of human capital” in individual companies and the sector as a whole remains difficult without clear and consistent corporate reporting of relevant metrics.

Simpson said that even well-funded companies are making headcount reductions, “simply because they don’t know when they can raise funds again.”

That means the focus across the sector is on extending the cash runway and reducing cash burn in order to ensure companies can survive the downturn, especially as no-one can be quite sure when it will lift.

The new environment means the IPO window is closed to most private companies, and their focus has switched to doing in-licensing or M&A deals with big pharma. That has in turn changed recruitment priorities.

“So 24 months ago, pretty much every [pre-market biotech] was in search of a CFO with public markets experience as they prepared for their IPO,” noted Simpson. “That has definitely fallen down the priority list, in preference for perhaps somebody who's got a lot of business development and transaction experience.”

A Silver Lining?

The silver lining, at least from the hiring company perspective, is that the cooling biotech market has made hiring less difficult.

“Prior to this downturn, the market had got incredibly stretched, and companies had to fight very hard to get people through the door to work with them. That pressure will ease off a little bit,” said Simpson.

That long-term ‘war for talent’ has made the sector better at carefully managing workforce levels, and Simpson said companies have been less focused on laying off people, and have instead “held on to their human capital” by offering reduced hours or creative alternatives.”

One notable trend during the biotech boom of 2020 and 2021 was the movement of big pharma execs into senior roles into new well-funded biotech start-ups. So are we now seeing that flow of talent switch, with execs moving back to big pharma?

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"We clearly saw that trend [of people leaving for biotech] but I think it's too early to suggest there's a reversal. But clearly in pharma, a number of positions would have lain vacant for some time, or were needing to be filled, and one would expect to see people migrating to the places where that demand continues."

COVID's Legacy And Dawn Of AI

Simpson said the greatest legacy of the COVID-19 pandemic is the workforce management challenge, created by the fact that so many employees want to continue working remotely, at least some of the time.

"People are working remotely so much more now, but how do we make that work for a sector like biopharma? Because science is such a collaborative effort, right? Simpson asked. "I think there are lots of divided opinions on exactly how to move that forward, it's a difficult challenge for a lot of organizations."

For now, the mid- to long-term trajectory of the sector remains promising, thanks to an aging global population, and the promise of continued scientific breakthroughs to fuel new medicine launches. Even the advent of US price controls via the Inflation Reduction Act look likely to have only a modest impact on the sector.

One technology which could prove to be disruptive to employment is artificial intelligence, which could impact every function of the biopharma sector. Big pharma is now investing heavily in new applications for AI and tech in R&D, manufacturing and marketing, with the hope of boosting efficiency and cutting costs. This will undoubtedly create demand for new skills and new jobs, but just how many existing ones will be made obsolete is yet to be seen.