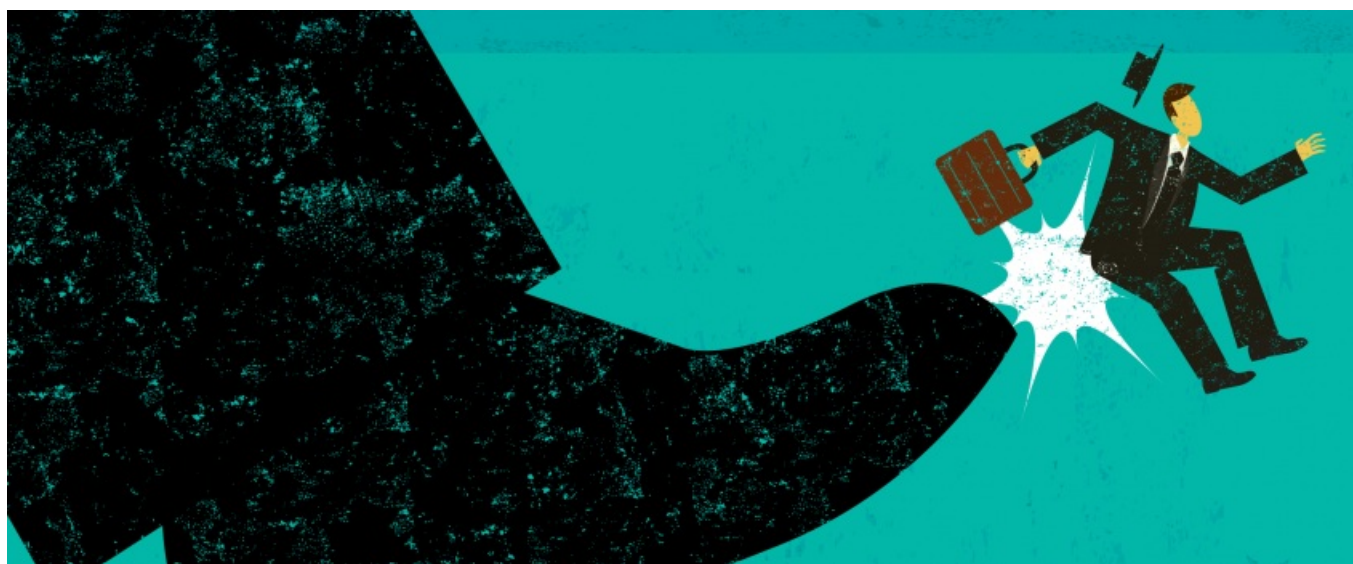


Pharma tightens its belt on jobs in 2016 as markets fall



[Madeleine Armstrong](#)



Big pharma swings the axe as sales per employee falls and big biotech could be forced to follow suit.

2016 was a tough year for biopharma – and this is reflected by shifts in the number of people employed by the sector. After a buoyant 2015, in which barely any of the big companies cut staff, the trend was reversed last year with only three large players increasing headcounts (see tables below).

And the second tier could soon be forced to slim down, too. The most productive companies – the big cap biotechs – largely avoided reductions in staff last year but, with efficiency falling, these groups might be tempted to wield the axe in the not-too-distant future.

The top four companies by efficiency – measured by sales generated per employee – were the same as in 2015, but all except Biogen saw productivity decrease ([Slimmed-down big pharma starts growing again, August 16, 2016](#)).

Allergan’s efficiency shot up after it offloaded its generics business to Teva; the group replaced Shire, which fell down the rankings as its headcount surged with the purchase of Baxalta. No doubt Shire will be looking for “synergies” to bolster its efficiency in the years to come.

Efficiency squeezed in 2016

| Company | YE 2016 employees | Sales per employee (\$m) | 2015/16 change in employees |
|-----------------|-------------------|--------------------------|-----------------------------|
| Gilead Sciences | 9,000 | 3.33 | 13% |
| Celgene | 7,132 | 1.57 | 2% |
| Biogen | 7,400 | 1.33 | 1% |
| Amgen | 19,200 | 1.14 | 7% |
| Allergan | 16,700 | 0.88 | -46% |

Source: year-end reports; Companies with mkt cap >\$30bn.

A similar fate could await Gilead, which continues its hiring strategy in spite of struggles with its hepatitis C franchise, and even as its peers have become more cautious about adding staff. A better-than-expected second quarter could mask the group's underlying problems for a bit longer, but the need for an acquisition is growing.

Incyte, one of the names Gilead has been linked with, fell out of the list of the top five most productive smaller groups last year. Being a niche player is still working for some – like United Therapeutics and Alexion – but the speciality pharma companies Jazz and Indivior also came near the top in terms of efficiency last year.

| The most efficient mid-caps* | | |
|-------------------------------------|---------------------|---------------------------------|
| | YE employees | Sales per employee (\$m) |
| United Therapeutics | 750 | 2.13 |
| Jazz Pharmaceuticals | 1,040 | 1.42 |
| Indivior | 965 | 1.10 |
| Horizon Pharma | 1,050 | 1.00 |
| Alexion Pharmaceuticals | 3,121 | 0.99 |

*Note: *mkt cap \$2.5-30bn; source: year-end reports.*

Targeting ultra-rare diseases has paid off so far for Alexion, as products like the company's paroxysmal nocturnal haemoglobinuria therapy Soliris have avoided the pricing pressure that has hit higher-volume markets such as diabetes.

There is no guarantee that the good times will continue, as Glaxosmithkline appeared to acknowledge last week when it said it was considering options for its rare diseases unit ([Glaxo gets out the axe, July 26, 2017](#)).

Glaxo was one of several big pharma groups to reduce headcount last year, and there could be more cuts to come – during its second quarter it revealed a cost-reduction programme aims to save £1bn per year by 2020.

But it was far from the only company downsizing. Indeed, the only big groups hiring last year were Abbvie, Merck & Co and Lilly. Novartis, which culled the most jobs in 2015, held steady in 2016.

| Big pharma hirers and firers | | | | |
|-------------------------------------|---------------------------|----------------|----------------|--------------------------|
| | Year-end employees | | | |
| | 2006 | 2011 | 2016 | Chg, 2016 vs 2015 |
| Abbvie | - | - | 30,000 | 7% |
| Roche | 74,372 | 80,129 | 94,052 | 3% |
| Eli Lilly | 41,500 | 38,080 | 41,975 | 2% |
| Novartis | 100,735 | 123,686 | 118,393 | 0% |
| Merck & Co | 60,000 | 86,000 | 68,000 | 0% |
| Bristol-Myers Squibb | 43,000 | 27,000 | 25,000 | 0% |
| Johnson & Johnson | 122,200 | 117,900 | 126,400 | -1% |
| Pfizer | 98,000 | 103,700 | 96,500 | -1% |
| Glaxosmithkline | 102,695 | 97,389 | 99,300 | -2% |
| Astrazeneca | 66,800 | 57,200 | 59,700 | -3% |
| Sanofi | 100,289 | 113,719 | 106,859 | -8% |
| Total | 809,591 | 844,803 | 866,179 | -1% |

Source: year-end reports.

It appears that normal service has resumed after a surge in headcounts in 2015 – which, probably not coincidentally, marked the peak of the biotech boom. But, with shares of big and mid cap drug makers rallying in the first half of this year, employee numbers could rise again in 2017.

Ultimately, though, headwinds like pricing pressure are not going away, and the turbulent US political environment can only add to the uncertainty the industry is facing – which could make companies think twice before adding to their numbers.

You might also be interested in [our story on medtech jobs](#).

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