

Medtech employment stable despite harsh environment



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After the surprisingly rosy state of medtech employment last year, it is encouraging to see a similar pattern this year. Only three of the top 15 medtech companies saw a drop in their headcount in 2013, and two of those were due to the companies hiving off their pharmaceutical operations. Big medtech seems to be getting purer.

And in fact, had those two companies – Abbott Laboratories and Covidien – held on to their pharma units, both companies would have been net hirers. This leaves Boston Scientific stark and alone as the only one of the top 15 medtech companies by market cap to have cut its staff last year without a specific narrowing of its focus (see tables below and [click here for our free full report](#)).

Among the top 15, Baxter International has increased its headcount by the greatest proportion in the past year, and it did most of it with a medtech acquisition. Its \$4bn purchase of Gambro was the biggest deal to close in 2013, and netted it an additional 8,000 employees. Its workforce increased by a net 10,000 over the year, though, and its other 2013 acquisition – of tiny Flowsense Medical – cannot account for this. The company has grown organically as well, though these jobs may have been added in its biopharma or generic drugs arms.

It will lose weight in the future: Baxter intends to spin off its biotechnology operations and its vaccines business. However, this will not affect the jobs numbers until the divestments conclude in calendar 2015.

Another fast-hiring company in 2013 was Stryker, and again acquisitions played a large part. The company is right to seek scale in a highly consolidated marketplace, and the forthcoming \$13.4bn megadeal between Zimmer and Biomet will only add to this environment. Stryker and fellow top 15 ortho firm Smith & Nephew would both be well advised to either grow rapidly through acquisitions or look for a buyer.

The big trend among the top 15 was not acquisitions – 2013 was a pretty dismal year for mergers – but divestments of drug units. Slimmer of the year was Abbott, losing a quarter of its workforce in the formation of the AbbVie pure-play pharma company, and Covidien followed in its footsteps, spinning off its Mallinkrodt pharma business and 10% of its employees with it.

Employee numbers of the top 5 medtech companies by market cap

Company	Market Cap YE2013 (\$bn)	No. of Employees - Year End						% change 2008-13	% change 2012-13
		2008	2009	2010	2011	2012	2013		
Johnson & Johnson	258.3	118,700	115,000	114,000	117,900	128,000	128,100	8%	0%
Abbott Laboratories	59.3	69,000	73,000	90,000	91,000	91,000	69,000*	0%	(24%)
Baxter International	37.8	48,500	49,700	48,000	48,500	51,000	61,000	26%	20%
Essilor International	16.6	34,320	34,759	38,112	48,700	50,688	55,129	61%	9%
Medtronic	57.1	37,665	43,000	45,000	45,000	46,000	49,000	30%	7%
Total for the top 15 companies		472,429	482,314	505,067	523,849	542,467	539,599	14%	(0.5%)

*94,000 if AbbVie included

For the full table please see the [report](#)

Johnson & Johnson is left as the only company in the top 15 to still have significant pharma operations. It is possible that J&J might follow the demerger trend, splitting its pharma business off entirely in the manner of Abbott or Covidien – or, in future, Baxter. However, the usual reason for these splits is to make the value of the separate units clearer, and J&J’s medtech, pharma and consumer health segments, which make up 40%, 39% and 21% of its revenues respectively, are already unusually distinct.

If a company can grow organically, maybe there is also such a thing as organic shrinkage. Without selling or spinning off a specific division, Boston Scientific cut 1,000 jobs last year. It is important to note that this analysis just covers top-line numbers, so Boston may not be the only top 15 company to have cut significant staff volume: others could have done so, but hired similar numbers of workers in other departments. It is not always possible to capture these changes.

The divestment trend means that the top 15 decreased their headcounts overall, albeit by less than 1%, in 2013.

Excluding the pharma spinouts of Abbott and Covidien, but including all strictly medtech acquisitions and divestments, the cohort grew at an average of 6%.

But smaller companies put this growth rate in the shade, as a look at the top hirers of the last year in percentage terms shows.

With the exception of Baxter, these companies have on average fewer than 900 employees, and an average market cap of around \$1bn. The leader, tiny Baxano Surgical, ended 2013 with 140 workers and a market value of just \$47m. It welcomed 51 new employees through its doors last year, and thus expanded faster percentagewise than anyone else.

Top 5 hirers of the last year

By percentage of staff added			By number of staff added		
Company	% increase	2013 headcount	Company	Number added	2013 headcount
Baxano Surgical	57%	140	Baxter International	10,000	61,000
RTI Surgical	46%	1,100	Essilor International	4,441	55,129
Trinity Biotech	45%	571	Medtronic	3,000	49,000
HeartWare	44%	569	Stryker	2,990	25,000
AtriCure	39%	320	St. Jude Medical	818	16,000

For the full table please see the [report](#)

There is of course a huge difference in the nature of the top hirers by percentage - tiny companies often with a single product - and the top hirers by volume - multinationals with headcounts in the tens of thousands.

The medtech industry had a difficult 2013, with a downturn in M&A activity, a sharp drop in US device approvals and ongoing pressures on pricing forcing companies to find efficiencies anywhere they could.

Despite this, the story in medtech employment over the course of 2013 is one of slow and steady growth, enlivened by a handful of dramatic mergers and divestments. But this story is going to change in the coming years as even bigger mergers and spinouts produce greater peaks and troughs. Fasten your seatbelts - it is going to be a bumpy ride.

For our full report, which includes:

- The sector's biggest growers over the past five years
- The sector's biggest shrinkers over the past five years

[please click here](#).

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