

Fewer, but bigger: medtech jobs jump thanks to mergers



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Had it not already been obvious that 2014 was the year of the medtech megamerger, the changes in the largest companies' workforces would make this crystal clear. Medtronic is now by far the largest medtech company in terms of headcount, with more than 90,000 on the payroll at the end of its 2014 fiscal year.

This analysis counts only those companies that obtain at least 40% of their sales from medical technologies. Johnson & Johnson met this criterion a year ago, but after the divestment of its Ortho-Clinical Diagnostics business in 2014 this is no longer the case. Thanks to its purchase of Covidien – the largest acquisition in the sector's history – Medtronic is now the undisputed industry leader by market cap, medtech sales and staff numbers (see tables below and [click here for our free full report](#)).

Even discounting the 39,500 jobs that the Covidien deal added, the number of Medtronic employees grew by 3,500 or 7% from 2013 to 2014. It is usual for headcount to be reduced after a merger closes, but Medtronic's organic growth might well make up for any "rationalisation" of the Covidien workforce.

Employee numbers of the top 5 medtech companies by market cap

Company	Market cap YE 2014 (\$bn)	No. of employees - year end						% change 2009-14	% change 2013-14
		2009	2010	2011	2012	2013	2014		
Medtronic	102.6	43,000	45,000	45,000	46,000	49,000	92,000	114%	88%
Abbott Laboratories	67.9	73,000	90,000	91,000	91,000	69,000	77,000	5%	12%
Baxter International	39.8	49,700	48,000	48,500	51,000	61,000	66,000	33%	8%
Stryker	35.7	18,582	20,036	21,241	22,010	25,000	26,000	40%	4%
Becton Dickinson	27.1	29,116	28,803	29,369	29,555	29,979	30,619	5%	2%
Total for the top 15		338,757	364,407	380,672	388,619	391,128	458,531	41%	12%

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

Another huge buy was responsible for the next greatest year-on-year increase. Smith & Nephew's 22% expansion in its staffing levels is largely due to its \$1.5bn purchase of the sports medicine specialist ArthroCare, which added around 1,800 jobs.

Acquisitions are set to have a big impact in the coming year, too. Zimmer's purchase of Biomet and Becton Dickinson's of CareFusion are now complete, but closed too late to be included in the 2014 analysis. Both Zimmer and BD should see a sizeable boost: in 2013, Biomet had 4,204 employees and CareFusion had 16,000.

Back to the past year, and Abbott's 12% uptick in staffing cannot be explained by medtech acquisitions. The company's one purchase in the period was Topera, a group developing electrophysiology technologies for atrial fibrillation, too small to account for the 8,000 more jobs added. Instead the increase is due to Abbott buying pharma companies, adding around 6,500 employees via its purchases of CFR Pharmaceuticals and

Veropharm. Abbott seems to be shoring up its drugs business again as the dust settles from the separation of AbbVie.

Not one of the top 15 medtech companies by market capitalisation saw a net decrease in staff numbers last year. It could be that the economic upturn – at least in the US – is making medtech groups more confident of growing sales, and they are hiring accordingly.

Even Boston Scientific, which has been cutting jobs for some time to bolster its bottom line, brought in another 1,000 employees in 2014, and this was only partly down to the 350 workers gained through its acquisition of Bayer’s interventional cardiology business.

The only company among the top 15 not to show a net gain in jobs was St. Jude Medical, flat year-on-year. The firm has long been contending with shaky sales in its key cardiac rhythm management division, and in 2014 underwent a reorganisation that involved combining its manufacturing and supply chain operations. Although St. Jude said at the time that job cuts were not on the cards, things have, at best, merely remained steady.

Not for long, though. Assuming that the acquisition of the heart pump maker Thoratec for \$3.4bn, announced in July, closes in the coming year, St. Jude will be at least 1,000 workers stronger this time next year – barring any divestments.

In percentage terms, so great was the jump in Medtronic’s headcount that it takes second place in the table of percentage increases among all companies last year. This analysis by its nature usually highlights smaller businesses, so this is an unusual finding.

Top 5 headcount increases of the last year					
By percentage of staff added			By number of staff added		
Company	% added	2014 headcount	Company	Number added	2014 heacount
Exact Sciences	131%	236	Medtronic	43,000	92,000
Medtronic	88%	92,000	Abbott Laboratories	8,000	77,000
Cogentix Medical	81%	214	Baxter International	5,000	66,000
MiMedx Group	74%	386	B. Braun Melsungen	4,128	54,017
Lombard Medical Technologies	73%	192	Essilor International	2,903	58,032

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

Even Medtronic’s 88% increase is beaten, however, by the 131% boost in Exact Sciences’ employee numbers. The company is ramping up its sales force for the launch of its Cologuard colorectal cancer stool test, which got the go-ahead from the FDA and also gained US reimbursement approval last year.

This hiring trend looks set to continue. The company recently highlighted the “strong” launch of Cologuard, noting that over 21,000 tests had been carried out so far. Exact also recently raised \$179m in follow-on financing, and plans to use a portion of this to expand commercialisation activities for the test.

After slow and steady growth in medtech employment in 2013, 2014 was more extreme, with big mergers and divestments leading to greater gains and losses. With industry consolidation, along with the likely continuing popularity of spinouts, the coming year could bring more of the same.

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

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