REPORT

Advanced Clinical

CURRENT & FUTURE CLINICAL RESEARCH HIRING TRENDS:

WHAT'S AHEAD FOR 2024

Pharmaceutical Industry Job Cuts

Jan - Apr 2022
797 Job Cuts

Jan - Apr 2023
4,368 Jobs Cuts

= 448% YoY Increase in Layoff Activity

As anyone following market trends is aware, there exists a great deal of uncertainty over the health of the economy and whether we're heading for (or are already in) a recession, defined as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months" by the National Bureau of Economic Research. While we won't weigh in on the overall concerns for the full global economy, we can illuminate how this uncertainty is shaping supply and demand for sponsors and the talent pool within the clinical research industry, as well as hazard some educated insight into what the future might hold should current industry patterns stay in place for an extended period of time.

During the COVID-19 pandemic, healthcare took center stage as people around the world looked for answers to and solutions for the type of widespread medical event unseen for generations. This caused hiring within pharmaceutical and adjacent industries to skyrocket, which in turn led to a marketplace that had too few candidates to keep up with demand. While this situation created its own lasting issues, it proved short lived, as concerns over the economy have flipped that supply-demand paradigm.

This downward market trend has become more apparent over the last year, with Fierce Biotech identifying layoffs at 119 companies in 2022 (equating to 7,387 people per *The Wall Street Journal*), with an additional 62 organizations announcing layoffs through April 4, 2023. To clarify the escalation of this issue, from January to April of 2022, 797 jobs were cut from the pharmaceutical industry, but during that same period in 2023, 4,368 positions were eliminated, per Challenger, Gray & Christmas, Inc. This equals a 448% YoY increase in layoff activity during the first four months of 2023 versus the same period in 2022.

Challenges in a Slow-Growth Environment

In short, the problem is money. Given the economic concerns around the globe, hesitance on the part of sponsors isn't entirely a surprise. Many companies without adequate funding have already been forced to close their doors, and in the aftermath, organizations are taking a wait-and-see approach to the overall research environment and their financial investment. **In the meantime, this lack of funding is exacerbating layoffs, which is in turn swelling an already oversaturated pool of available talent.**

Further adding to these talent issues is the fact that this pervasive uncertainty also leads to a lack of employee mobility. During strong economic times, people are more likely to consider career moves for a number of reasons (e.g., money, title, benefits, etc.), but these same individuals, rightfully concerned by the wave of colleagues they've seen shown the door, have shifted their focus away from advancement and company culture to instead embrace security in the workplace.

Given the unprecedented level of uncertainty, these employees may have the right idea. **While normally the talent market will shift with the economy, that's not what is happening at present. For example, in harsh economic times, hiring of contractors within the industry rises as hiring for permanent roles decreases (with the opposite holding true in a better economic climate), but with industry paralysis in full swing, demand for both contract and permanent talent is dropping.**

How the Industry is Responding to Current Industry Challenges

Wise organizations are utilizing this momentary paralysis to reevaluate their resource allocation and sourcing for efficiencies that can help stretch every dollar.

1. **Layoffs:** In some instances, this perpetuates the ongoing string of layoffs as programs are shuttered and employee numbers are reduced. Many organizations have already made deep cuts to their development programs, emphasizing projects that show measurable promise and are either likely to reach or are close to hitting the marketplace (and providing an influx of cash).

2. **Scaling back research pipelines and programs:** When the market was flush with capital, it enabled research across a wide range of therapies, but in the current environment, the likelihood of success guides clinical trial decisions. While this is unavoidable to some extent, consideration should be given to the importance of research on the chopping block. Organizations must protect their ability to keep their doors open and must also take chances where prudent to further the health of patients worldwide. The need for innovative treatments across therapeutic areas doesn't pause simply because the economy is shaky.

3. **Declining interest in platform companies, which offer a collection of technologies that provide a standardized foundation for development across multiple discovery targets:** As budgets tighten and programs are re-prioritized, the appeal of systems that work across many therapeutic areas is waning. Most organizations investing in research are interested in focusing on effectiveness within a limited number of areas, with the idea that once money begins coming in from those successes, programs can reopen for therapeutic areas that have been paused.

4. **Realizing savings in staffing provided by large CROs:** As many organizations have discovered, some CROs are simply outsourcing hiring for less skilled placements to third-party vendors. Instead of paying the markup a CRO places on these services to profit from them, companies could save money by bringing those services in-house using contractors and paying only the actual employee wage. This approach benefits clinical talent as well as the organization, giving them direct sponsor employment that provides greater access to knowledge and opportunities as well as allowing for a more impressive entry on their CVs.

5. **Investing in current employees and developing talent:** While there is a reluctance on the part of many to move jobs in the present climate, increasing retention is more vital than ever, as having the loyalty of skilled and experienced workers can help ensure your productivity while protecting your bottom line. According to Gallup, a "conservative estimate" puts the cost of replacing a position as "one-half to two times the employee's annual salary." In the current economic downturn, that's a double hit for organizations trying to stretch their dollars, since along with this outlay of cash for recruiting and training, they're also losing in-house expertise while hiring from a pool of applicants who often lack the industry knowledge and experience of the person they're replacing. As the talent pool bloats and money dries up, existing resources are, in most instances, also the best resources.

The cost of replacing an employee is half to double that position's annual salary.

Top 4 Predictions for the Future of the Clinical Research That May Impact the Talent Market

While the advent of COVID-19 and the market ups and downs that have followed make prognostication difficult, some aspects of the future can still be extrapolated by evaluating current trends.

1. **Among the earliest results of the present state of the industry may be an increase in merger and acquisition (M&A) activity.** Look for better-positioned organizations to identify complementary capabilities and synergies with less financially sound companies, while other organizations may merge in a stronger-together approach to the economic downturn. The opportunity to expand and streamline operations by bringing existing functionality aboard eliminates the difficulties met when starting from scratch, including issues with finding suitable talent. And as some organizations continue to struggle financially, healthier ones may find a relative bargain in the wild.

   For the talent market, much of the impact depends on the organizations being merged. If there is overlap between services and roles across the teams, it oftentimes leads to layoffs, adding more candidates to the pool and making the environment even more competitive. In the short term, however, contract workers are often brought aboard to assist with integrating the two companies, particularly in the areas of quality and validation. While these results will vary depending on the extent of duplication between the organizations, M&A often leads to this mix of long-term position cuts and short-term contract work gains.

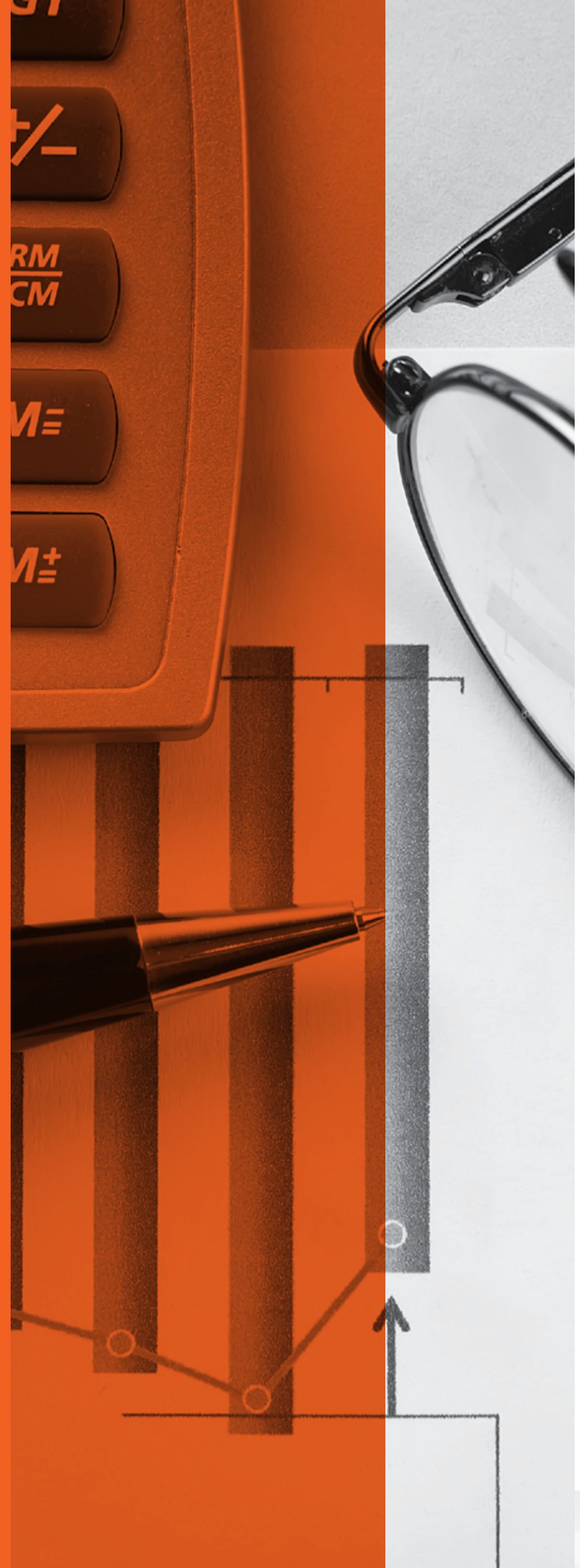
   There are a couple of upcoming legislative and regulatory issues that could further accelerate M&A activity. In the United States, the ability of Medicare to negotiate drug prices alongside a strong legislative push for further pharmaceutical pricing caps could threaten future profitability based on existing therapy offerings. In regions where public healthcare systems already negotiate drug prices, there have been mixed results, with organizations and/or drugs sometimes leaving the markets in which an agreement can't be reached. The need for solid clinical and economic data for guiding these negotiations already exists, but any increase in negotiating ability in the United States, which spends the most of any country on healthcare [($12,318 per person in 2021)](), should greatly increase demand for employees with expertise in health economics & outcomes research (HEOR) and market access within the country.

Per Capita Pharmaceutical Spending (Top 4)

Source: https://www.statista.com/statistics/266141/pharmaceutical-spending-per-capita-in-selected-countries/

What Will Affect the Workforce?

1. M&A Increase
2. Approvals Increase
3. Skills Gap
4. Investment Reduction



Additionally, a number of high-profile drugs go over the patent cliff in 2023, losing exclusivity and suddenly facing competition from generics. Ten of the most lucrative drugs losing or having already lost patent protection in 2023 raked in close to $34 billion in 2022 per Fierce Pharma, and to protect future profits, as related by Biopharma Dive, organizations must “replenish their research pipelines,” for which M&A activity could prove cost-effective.

2. **Another interesting development we anticipate is an increase in drug approvals**, which will be in part because money is currently flowing primarily to research already showing promise. With development limited to therapies on a presumed path to market, there simply won’t be as many programs that fail. It is also possible that enhanced quality could play a role here as a shift to focus on quality over quantity may create a better system of internal due diligence. As successes begin to receive approval, we anticipate more money moving into those therapies, but if trends hold, the spread of investment to other areas will remain slow for some time. There is even the possibility of some research areas dying out altogether. For the talent market, this increases opportunity within proven fields but could spell trouble for those people with specializations in areas not being funded. In some cases, they may be able to transition into other specializations, but it is likely some percentage of people would simply leave the industry. Those who do stay in their specialty, however, may be able to command higher payment if there aren’t enough skilled candidates in accordance with standards of supply and demand.

3. **While working remotely has helped organizations find talent that would otherwise be unattainable and minimized some hard business costs (e.g., office space), it does create potential roadblocks for the future.** This is particularly true when considering individuals early in their careers, who often grow their skill set by working alongside more seasoned professionals. As in every industry offering remote work, pharma will eventually encounter a skills gap, in which employees weren't given sufficient opportunity to improve their abilities through hands-on cooperative work at the beginning of their careers and are therefore unable to perform as well in their positions as their predecessors.

4. **Ultimately, the limits of current financial investments will create some of the biggest issues in the talent market.** While therapies already on a promising path toward approval are receiving money, preclinical and early-stage work is, for the most part, on hold. Depending on how long this industry paralysis toward less-tested treatments continues, it will at some point catch up to the industry in the form of an innovation gap. Therapies currently funded will be approved or denied, leaving a near-empty bench in their wake. A potential years-long gap in new medical advances will adversely affect patients as well as profits, so organizations must begin to plan past the projects currently in their pipeline if they want to avoid that scenario.

   This lack of investment may lead to a demand for very experienced and skilled R&D specialists, as it becomes more and more important to get it right the first time and ensure key milestones are hit given monetary limitations. While this will provide opportunities within the specific areas that are receiving money, that focus could cause individuals very skilled in other areas but who have no interest in the ones being funded to leave the marketplace entirely and seek other employment. If this trend continues, the optics and realities of the constricted pipeline could lead students and job seekers to see no real future in the industry and avoid it altogether.

Thriving in a Difficult Climate

Maintaining momentum in the face of financial restrictions is never simple, but disruptions can be minimized through expert strategic resourcing. By partnering with an organization that specializes in the clinical research space with access to a deep talent pool, you can save money while retaining the best available talent. This means partnering with a company eager to work through your specific needs and utilize their robust resources to find the right individual for your unique requirements, whether contract, permanent, or other.

With the right resources in place for new and open positions, strategies can be employed to retain talent, helping maintain quality, increasing the value of the talent investment, and saving time and money consumed by replacing employees. Make the most of uncertain times by evaluating today's trends and adapting plans to meet them.

Ready to stretch your cash flow while enhancing the quality of your employees? Explore how Advanced Clinical creates a better clinical experience through sound strategy and an extensive array of expert talent.

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