Advanced Clinical

INSIGHT BRIEF

How to 'Right the Ship' in 2024 and Beyond: Navigating the First Extended Life Sciences Workforce Recession

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Abstract

In this very unique time in the history of the life science industry, an extended period of job market instability continues to cause uncertainty, interfering with companies' hiring and expansion plans. This instability is causing particular concerns for emerging and mid-sized pharmaceutical and biotech companies, as well as CDMOs and medical device firms. Authored by experts from Advanced Clinical, this insight brief examines approaches to address these issues by building resilient workforce strategies.

Introduction

"With biotech in a slump, the industry's job market is upside down," notes a recent STAT article.[i]

The industry "has gone from what some observers called a 'sugar high' to a downturn that is making it difficult for both public and private companies to raise money." The article notes that a major biotech stock index has fallen by almost 60% since a peak in early 2021, with many companies downsizing, merging, or going out of business.

In early 2023, it seemed likely that lay-off levels were at their highest, following heavy job losses in 2022.

In fact, the situation in 2023 has been worse. According to the industry association BIO, the Biotechnology Innovation Organization, at least 107 companies laid off employees in the first half of 2023, which was double the pace of the prior year.[ii] By August 18, 2023, 119 companies had reported lay-offs – already matching those for the whole of 2022; at least 5,596 employees were laid off from the 36 companies that reported numbers.[iii]

In parallel, there has been a dramatic decline in the number of open positions, with bioscience job postings falling from some 19,000 in February 2022 to 10,000 in October 2023, according to Lightcast, a labor market analytics firm.[iv]

Current trends

Throughout 2023, general trends have remained consistent, with a depressed market, slightly increased contract spend, and reduced permanent hiring. Several elements have played into these trends, with pandemic overfunding of research coupled with a market recession driving an extreme, prolonged downturn in the life sciences segment.

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Historically, life sciences have followed overall market trends, but have typically been less volatile than most other industries. The high levels of investment and IPOs during the COVID-19 pandemic had a positive impact on many smaller companies, leading to increased hiring, followed by a shortage of candidates to meet demand. This led to a significant inflation of salaries and titles.

Post-COVID, there has been an overcorrection, with venture capital companies and other investors seeking an improved return on investment and a more predictable exit strategy. This has led to an industry-wide recession unlike any previously experienced by the life sciences sector. The resulting flip in the supply-demand paradigm accounts for current hiring freezes and layoffs.

In this environment, career mobility has been stalled and the talent pool is saturated. As investors back off amid the larger economic downturn, funding for development is extremely tight, a challenge that is particularly affecting the

HOW DID WE GET HERE?

North American and European Union markets. In Europe, there is proposed restructuring of the landscape, with moves to new locations to reduce costs. For workers who do have jobs, the uncertainty has led to a reluctance to switch companies.

Reevaluating resources

For resourcing, there are several important implications based on current trends:

- **Layoffs continue at a rapid rate**, with organizations making deeper cuts than would be warranted in ‘normal’ times; contract hiring has been less severely affected
- **Research pipelines and programs are being scaled back**, and most organizations are prioritizing development programs with scope for rapid advances and strong likelihood of reaching the market in the near future; preclinical programs are being cut in favor of funding in-human trials
- **Companies are failing**, with large numbers closing, especially ones that did not cut or deprioritize programs in a timely manner
- **There is reduced interest in platform companies** that offer a collection of technologies for standardized development across multiple discovery targets, as organizations focus on a limited number of programs
- **Less reliance on fully outsourced models** in some instances, with sponsors seeking greater control and an option to bring contractors in-house instead; this trend can benefit clinical talent by providing more direct employment opportunities
- **More investment in current employees** to build loyalty, develop talent from within, and avoid the cost of replacing staff who leave, which is generally calculated as one-half to twice that person’s annual salary

Predicting future trends

While larger pharma companies have not yet started a buying spree of smaller biotechs with strong assets, there is potential for this to happen in future, along with forced M&A activity. As the next ‘patent cliff’ approaches, there may be major mergers as organizations attempt to find a path forward.

Increased numbers of drug approvals are expected, based on the fact that resources are currently flowing almost exclusively into programs that are already showing promise.

A skills gap is developing based on two parallel trends. One is the increase in remote work, which is particularly impactful in drug development, depriving younger workers of the opportunity for on-the-job learning alongside experienced professionals. The second is the sharp reduction in hiring, which is preventing individuals without jobs from developing new skills, while potentially seeing existing skills diminish through lack of use.

The longer the industry recession persists, the greater the likely reduction in investment in R&D. This will result in fewer development programs, fewer jobs, and more competition for those jobs, placing the most highly-skilled professionals in top positions. Ultimately, without a rebound in investment, fewer new drugs will reach the market to help the patients who need them.

Implementing a coherent resourcing strategy

Life science companies should incorporate intentional flexibility into their workforces, ensure a full understanding of the clinical development environment, and make appropriate changes to R&D plans and programs. Despite pressures, firms should avoid under-resourcing, since this can impact the chance of reaching key positive inflection points. Keeping a close eye on competitor and partner activity is also helpful in this challenging market.

A RESOURCE REEVALUATION

How the industry is responding:

Layoffs

Scaling back research pipelines and programs

Moving away from platform companies

Bringing hiring in-house

Investing in current employees

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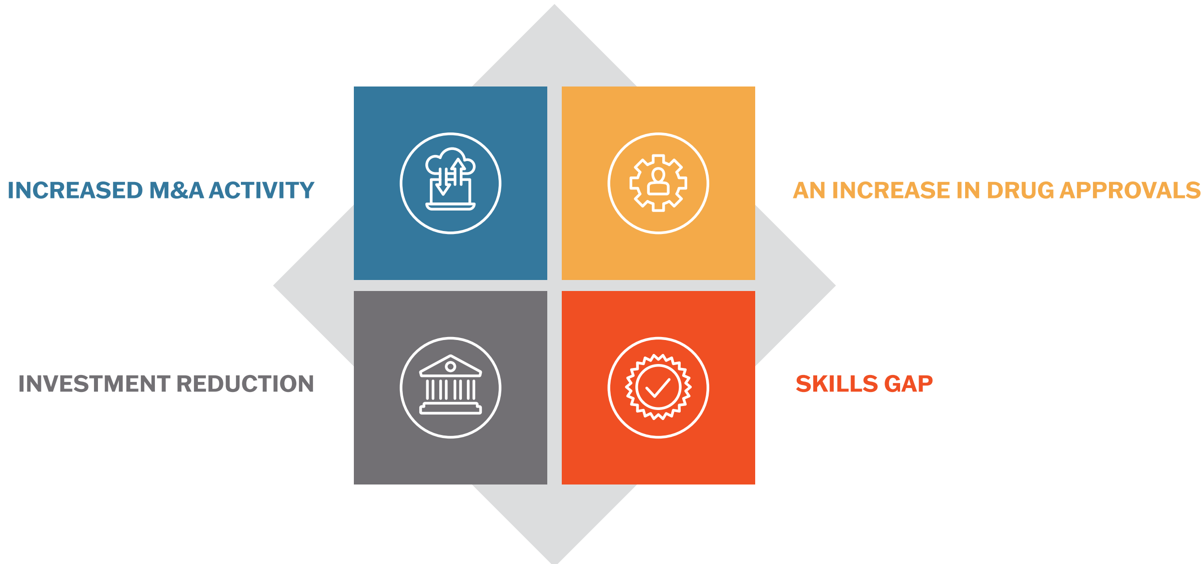
FORECASTING THE FUTURE



Looking ahead to when the workforce recession resolves, there is a risk that reduced hiring will lead to a lack of preparedness to take advantage of this improvement – risking a period of frenzied hiring and drawn-out ramp-up times. Another possible issue is that if a sponsor is under-resourced and has a CRO partner, there will be less opportunity for oversight of CRO efforts, which could decrease the sponsor’s ability to catch and correct any issues.

Life science companies should plan ahead and take steps to right-fit their R&D pipelines, with plans to scale up when the funding environment permits. Having a thorough understanding of inflection points is another key element, enabling companies to optimize factors such as stock price. This will help establish the stability that will be the foundation of success once the funding environment improves, enabling timely restarting of late-phase studies.

> **At the very core, an external resourcing partner should have the ability to advise on an appropriate workforce planning solution that can help better inform a life science company’s workforce structure and hiring strategy, incorporating a necessary degree of flexibility and scalability into the model.**

The benefits of a flexible clinical resourcing partner

To prepare for an uncertain future, sponsors should consider aligning with an external partner that specializes in recommending a resourcing strategy that provides a right-size solution for the needs of life sciences companies both big and small. This partner should have a proven track record of success, with access to extensive networks of high-quality talent -- both in-house and external as consultants that can be drawn upon at a moment’s notice to scale up or scale down. Another benefit of a close working relationship with a specialized clinical resourcing partner is the ability to gain clear insights into market trends. This will inform planning efforts and help ensure readiness for market rebounds in coming years.

While the industry is in uncharted territory, there are positive developments. IPOs and acquisitions continue, albeit at a slower pace, with promising science as the bedrock of the best R&D programs. The coming months will be critical. It will be important to continue to monitor key indicators of likely future market dynamics, including IPO activity and series A and B funding rounds. With a dozen or so companies aiming for IPOs in late 2023 and early 2024, a positive trend may be on the horizon. A strong resourcing strategy can ensure that life science companies are to take early advantage of market improvements.

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Steve has over 20 years of strategic staffing experience across the information technology and life sciences industries. Mr. Matas is responsible for leading the staffing efforts across the company, including recruitment, sales, and operations. Prior to joining Advanced Clinical, Steve served as Vice President of Sales, Health and Life Sciences, IT Staffing and Solutions at DISYS, where he was responsible for the Healthcare and Life Sciences technology practice and supported 15 of the largest global Healthcare and Life Sciences clients. He has built and led a global sales and delivery team focused on growing the IT staffing and services business.

Matt Gallant

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Matt has 12 years of experience in the staffing industry, 11 of which have been in sales. Matt got his start in Healthcare Staffing and has spent the last six years in Life Sciences Staffing. At Advanced Clinical, Matt is responsible for leading the United States Staffing Business Development team. Prior to leading staffing sales efforts at Advanced Clinical, Matt successfully developed a client base in the Boston Life Sciences market, including over 60 BioPharma sponsors in a six-year period. Matt has a degree in Business Administration with a minor in Pre-Law from Flagler College.

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