

# 2016



## life sciences / pharma **workplace trends guide**



**People** are the key factor linking innovation, competitiveness and growth for companies today. But securing top talent is getting more complex and challenging, with U.S. companies citing it as the second largest threat to meeting their business performance targets.

Based on a survey of more than 2,000 hiring decision-makers conducted for Randstad, the 2016 Workplace Trends Guide offers a close-up view of specific talent challenges, their impact on the bottom line and insights for addressing current issues and opportunities.

#### **recruitment effectiveness**

- Experienced talent: the missing ingredient?
- Job vacancies — how long is too long?
- Building the talent pipeline
- Hiring accuracy

#### **turnover & retention**

- Hold on tight
- Culture is king
- Get ready for the wage wars
- The bottom line: sample business case
- Money talks, but are we listening?

#### **workforce outlook**

- The changing world of work
- A holistic approach to talent
- Adapt to a Millennial workplace



## Catalysts for change

Do more with less. This is the mantra that has characterized the pharmaceutical and biotech industries in recent years. While a paradigm shift is unlikely, other significant changes are on the horizon that could forever alter the future of the industry. With the election approaching, the issues of prescription drug prices and spending will no doubt be hot topics. The pharmaceutical sector is largely considered the next target of healthcare reform, with politicians and patient advocates seeking ways to make prescription medications and medical equipment more affordable to U.S. consumers.

Healthcare reform has also placed greater emphasis on value-based purchasing, a movement that has influenced the pharmaceutical industry greatly. Both public and private insurers are increasingly refusing to pay for expensive treatments that do not demonstrate a significant benefit to patients or which threaten to bankrupt national health insurance programs. PricewaterhouseCoopers estimates that four-fifths of U.S. health insurers require pharmaceutical companies to demonstrate cost savings or show clear benefits to patients before agreeing to cover a new medicine.<sup>1</sup>

Randstad's Workplace Trends Study of pharmaceutical decision-makers uncovered that industry leaders are feeling the burden of these macro-trends, citing increased competitive pressure and regulatory actions among the biggest external threats to their abilities to meet revenue or business performance targets. Likewise, reducing operating expenses, improving productivity and the retention of qualified talent were among the most commonly cited internal challenges.

Most common external threats:

- increased competitive pressure
- regulatory actions
- inadequate supply of qualified talent

Most common internal threats:

- reducing operating expenses
- productivity levels/operational efficiency
- retention of qualified talent



## At the edge of the patent cliff

As investors continue to put pressure on pharmaceutical companies to generate additional revenue, the industry is facing substantial headwinds from patent expirations. In fact, pharmaceutical companies are projected to lose \$17 billion from expired patents in 2016, and generic erosion will wipe out a total of about \$148 billion of revenues between 2012 and 2018.<sup>1</sup>

As a result, executives are anxious to acquire fast-growing businesses to boost growth and secure additional revenue streams. In 2015, pharmaceutical companies set a new record for the value of the deals they struck in a single year at \$462.2 billion. The sheer volume of deals also grew by 21.5 percent year-over-year, up to 768 deals from 632 in 2014.<sup>2</sup>

But perhaps no other function of pharma and life sciences companies is more central to success than research and development (R&D). Adapting to a new marketplace, many companies are revamping their R&D organizational models to focus more on partnerships, alliances and even crowdsourcing. In fact, 35 percent of life science companies have revamped their R&D models in the past three years.<sup>3</sup> New skills requirements have emerged to complicate the ability to fill vacant positions and key roles to lead R&D initiatives. The pressures to seek partnerships and other ways to maintain profit margins are being felt by most pharmaceutical decision-makers in the Randstad study, naming it the most pressing issue that keeps them up at night.

*As a pharmaceutical business leader, what keeps you up at night?*

**#1** maintaining profit margins, operating cost management

**#2** leadership/strategy/vision/direction

**#3** talent acquisition/management



## The influence of talent

Although organizations in the life sciences arena face their own set of unique challenges, there is one common thread that ties every business together — the need to effectively hire, deploy, engage and retain human capital assets to drive profitability. The recruitment of STEM talent and employee engagement has become increasingly critical for driving research and development initiatives, implementing regulatory changes and achieving revenue-based performance expectations.

Some organizations are in the midst of playing a difficult game of catch-up. As economic decline and healthcare reform plagued the industry over the past decade, employers responded by scaling back hiring and some were forced to downsize. In fact, the erosion of profits and large-scale merger and acquisition activity caused pharmaceutical and biotech companies to lay off approximately 150,000 workers from 2009 to 2012.<sup>4</sup>

Now, on the verge of a renaissance, the demand is back to recruit and retain the best talent the sector has to offer. While industry leaders acknowledge the importance of bringing on quality talent, they are acutely aware of the challenges they now face in employing them and the impact that it can have on the bottom line.

As pharma decision-makers adapt to the changing nature of their work and cope with the demographic shift taking place across the U.S. workforce, several challenges continue to threaten their organizations' success, including:

- recruitment effectiveness
- turnover and retention
- workforce outlook and the next generation of talent

*recruitment  
effectiveness*



## Experienced talent: the missing ingredient?

This year's study highlights a reality faced by many hiring managers today: it is becoming incredibly difficult to find and successfully recruit qualified life sciences talent with the desired skills, experience and personal attributes. What are the most commonly perceived gaps? Companies reported that job candidates tend to be most lacking in relevant experience, soft skills, industry knowledge and work ethic.

*The majority of pharma leaders say their companies are struggling to recruit right-fit talent:*

“When positions become available at my organization, we struggle to find people whose skills match the job requirements.”



76%

“When positions become available at my organization, we struggle to find people who are a good cultural fit.”



70%

*Areas in which pharma job candidates tend to be most lacking:*

**44%** relevant on-the-job experience

**43%** soft skills/communication

**31%** knowledge of the industry/sector

**31%** work ethic

**24%** years of experience in the industry

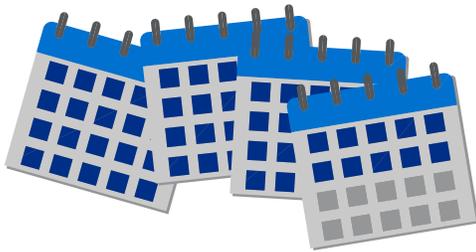


## Job vacancies — how long is too long?

Perhaps the greatest challenge on the horizon for companies is filling vacant positions and decreasing the time-to-fill for those positions. On average, pharma hiring decision-makers report they are currently 14 percent understaffed and have roughly 212 open positions at this time. It takes an average of 105 days to recruit and hire non-executive positions — one of the longest among all industries surveyed.

### 3.5 months

Time to fill non-executive positions



*Lengthy vacancies can erode corporate profits. In fact, companies lose an average of \$500 a day for every job that stays vacant.<sup>5</sup> Given the average time-to-fill is 105 days, the potential impact on the bottom line is indisputable.*



## Building the talent pipeline

What strategies are companies deploying in order to shorten the time it takes to find talent? More than half of pharma decision-makers have utilized social media and digital platforms to improve their recruiting, while nearly one in three are offering more competitive compensation or pay.

Facing an ongoing shortage of STEM talent, some business leaders are broadening their potential workforce by investing in cloud-based and other technologies to enable a remote workforce, encouraging virtual collaboration and extending HR searches well beyond existing geographic boundaries.

*Measures companies have taken to improve pharma recruitment:*

using a wider range of recruitment channels (i.e., social media, etc.)



56%

offering higher salaries



30%

developing relationships at local colleges and universities



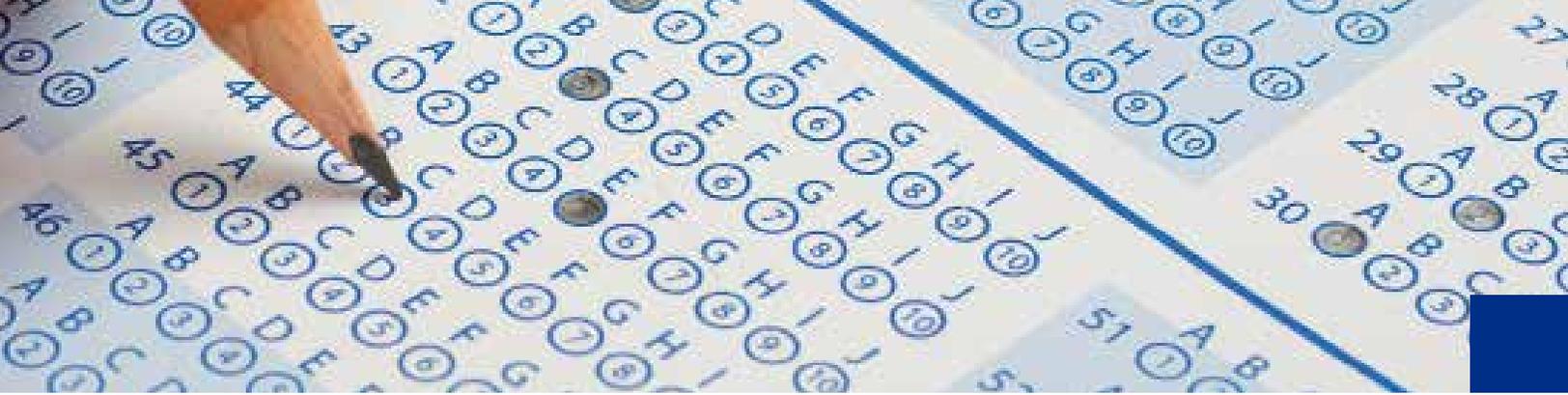
29%

offering more training and development to potential new hires



19%

While employers are focused on expanding their range of recruitment channels as a way to improve efforts, most named staffing and recruiting companies as the top method for recruiting talent (70%), followed by job boards (63%). When asked to identify their *most effective* recruiting method, staffing and recruitment companies ranked the highest.



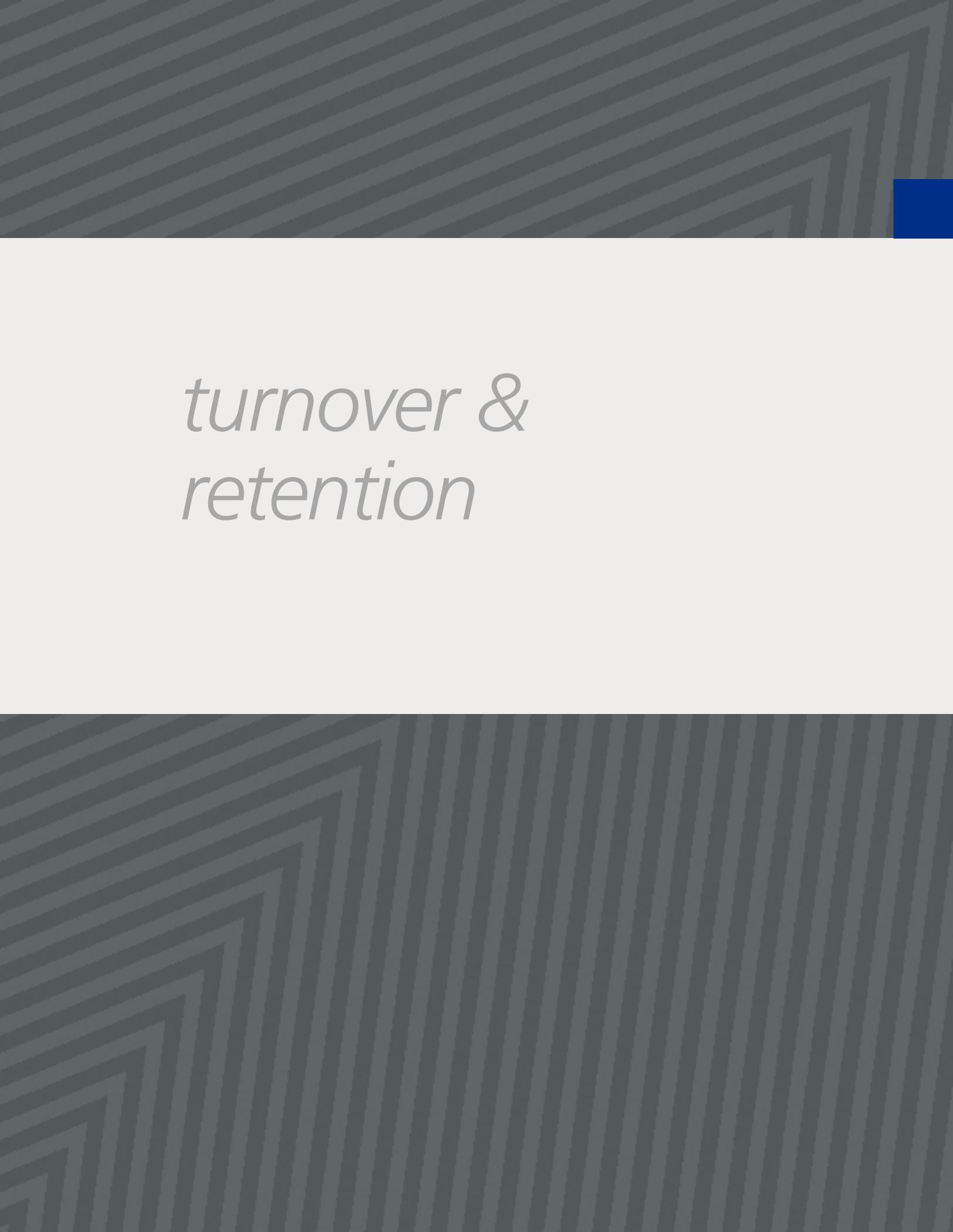
## Hiring accuracy

Once a great candidate has been identified, how can a manager ensure the individual will be a good fit for the team? HR teams and talent management partners increasingly leverage data and analytics to bring greater accuracy, efficiency and predictability to the hiring process — and hiring managers should leverage all of the resources available to them.

As employers continue to struggle with turnover, open positions and costly vacancies, they simply cannot afford to take an uneducated guess on whether a job candidate will ultimately meet expectations. Skills assessments are a proven method of gauging whether a candidate is a match — from technical and communication skills to work ethic and cultural fit. More than one in three (34%) pharma hiring decision-makers, however, reported they are not currently using them. Meanwhile, the overwhelming majority of companies currently using skills assessments say they are critical to their hiring processes.

**93%** of pharmaceutical decision-makers that use skill assessments say the tools are valuable to their hiring processes.





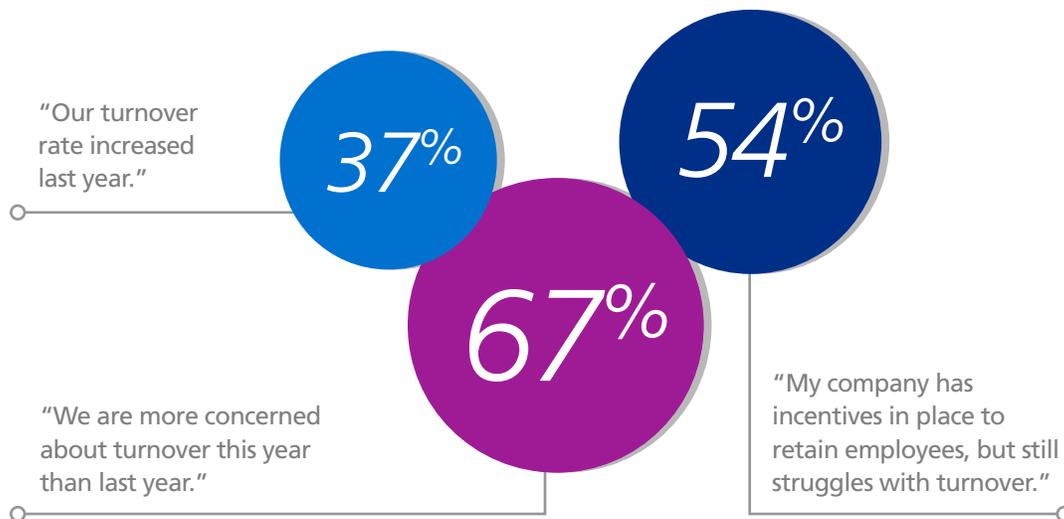
*turnover &  
retention*



## Hold on tight

Beyond finding the qualified talent needed in order to grow and achieve business objectives, retaining high-performing employees continues to be a challenge for most companies. Thirty-seven percent of pharma decision-makers surveyed report that their companies experienced an increase in turnover in 2015, and the majority (67%) is more concerned about expected turnover in 2016. In a competitive market where finding qualified professionals is difficult, business leaders across the industry must be proactive in working to reduce turnover.

*Pharmaceutical decision-makers surveyed that somewhat or strongly agree:*





## Culture is king

It really pays to have a rich company culture, and it's undeniable that corporate culture and product quality are linked. However, there appears to be a culture crisis in the life sciences industry, particularly within the pharmaceutical sector. The traditional management styles, philosophies and strategies that worked well for companies in the past are now overshadowed by new ways of doing business and a new generation of workers with different expectations, but many companies have yet to adapt.

The type of innovation and creativity that is needed to drive revenue growth and sustainability is often stifled, or at the very least more difficult to execute, within large, well-established organizations. And while that is not unique to pharma, a study of R&D executives by Heidrick & Struggles found that 54 percent of pharma companies surveyed reported a lack of creativity as a key organizational issue.<sup>6</sup> Too many decisions by committee, a fear of risk and the fallout from mergers and reorganizations are all impacting companies' abilities to drive breakthrough innovation. The secondary effects are an increase in employee dissatisfaction, and, consequentially, turnover. It should come as no surprise then that among the pharma professionals surveyed, leadership or strategic vision is one of their most pressing concerns.

*Top reasons for companies' increasing turnover rates:*

- #1 poor company culture**
- #2 talent being recruited by competitors**

*Building a quality culture – strategies to consider:*

- Empower your team by including every employee in process improvement initiatives, so there is a sense of ownership and accountability for quality and compliance.
- When pay increases are not possible, consider other means of rewards and recognition to motivate staff.
- Offer training and development opportunities to help employees gain new skills and qualifications that will support their personal development and benefit the future needs of the business.
- Establish an environment where work life balance is achievable; refreshed and happy workers result in a more productive team.



## Get ready for the wage wars

One of the most universal talent issues in 2016 will be the continued pressure on wages and compensation. Nearly half of the pharma leaders surveyed realize that proactively addressing compensation may be their best chance at both recruiting top talent and retaining their best people. Most employee turnover can be attributed to one of two things: employees are dissatisfied with some aspect of their jobs, or they are presented with more attractive job offers elsewhere.

While few professionals today take or leave a job based solely on what they are paid, it remains a critical component for employers to remain competitive in today's market. Business leaders should avoid making the mistake of getting caught up in internal equity thinking, or shying away from paying a new employee more than their current workers for fear that it will upset the status quo. Organizations can pay for good employees now, or they can pay more for them later.

*Top reasons for employees' decisions to leave:*

**#1 received a better offer elsewhere (better pay, benefits, etc.)**

**#2 do not feel supported by management**

*Strategies believed to be most effective at decreasing turnover rates:*



**47%**

salary increases



**46%**

opportunities for advancement



**33%**

bonuses

## The bottom line: sample business case

### Company A

#### Profile

- Number of employees: 1,000
- Average salary: \$95,000
- Current turnover rate: 15%
- Number of open positions: 79

#### Cost of annual turnover: **\$2.4 million**

- 150 x \$16,000 (average cost to replace employee)

#### Cost of vacancies: **\$2.9 million**

- Average number of open positions x the average cost of one unfilled position for 2.5 months\*

Company A raises salaries of existing and open positions by 10 percent. **Total investment: \$1.4 million**

### Company A: *after salary increases*

#### Profile

- Number of employees: 1,039
- Average salary: \$104,500
- Current turnover rate: 10% (reduced turnover rate by 5%)
- Number of open positions: 39 (filled about half of vacant positions)

#### Cost of annual turnover: **\$1.6 million**

- 104 x \$16,000 (average cost to replace employee)

#### Cost of vacancies: **\$1.5 million**

- Average number of open positions x the average cost of one unfilled position for 2.5 months\*

### Company A

**\$800,000 in cost savings**

plus increased employee satisfaction, engagement and retention

\*based on average cost of unfilled position per day: \$500<sup>5</sup>



### Company B

#### Profile

- Number of employees: 1,000
- Average salary: \$95,000
- Current turnover rate: 15%
- Number of open positions: 79

Cost of annual turnover:  
**\$2.4 million**

- 150 x \$16,000 (average cost to replace employee)

Cost of vacancies:  
**\$2.9 million**

- Average number of open positions x the average cost of one unfilled position for 2.5 months\*

Company B keeps salaries at the same level and has no increase in salary costs.

### Company B: no salary increases

#### Profile

- Number of employees: 962 (38 employees took higher paying jobs with Company A)
- Average salary: \$95,000
- Current turnover rate: 17% (turnover rate increased 2%)
- Number of open positions: 114

Cost of annual turnover:  
**\$2.6 million**

- 163 x \$16,000 (average cost to replace employee)

Cost of vacancies:  
**\$4.4 million**

- Average number of open positions x the average cost of one unfilled position for 2.5 months\*

### Company B

**\$1.7 million increase in costs**



## Money talks, but are we listening?



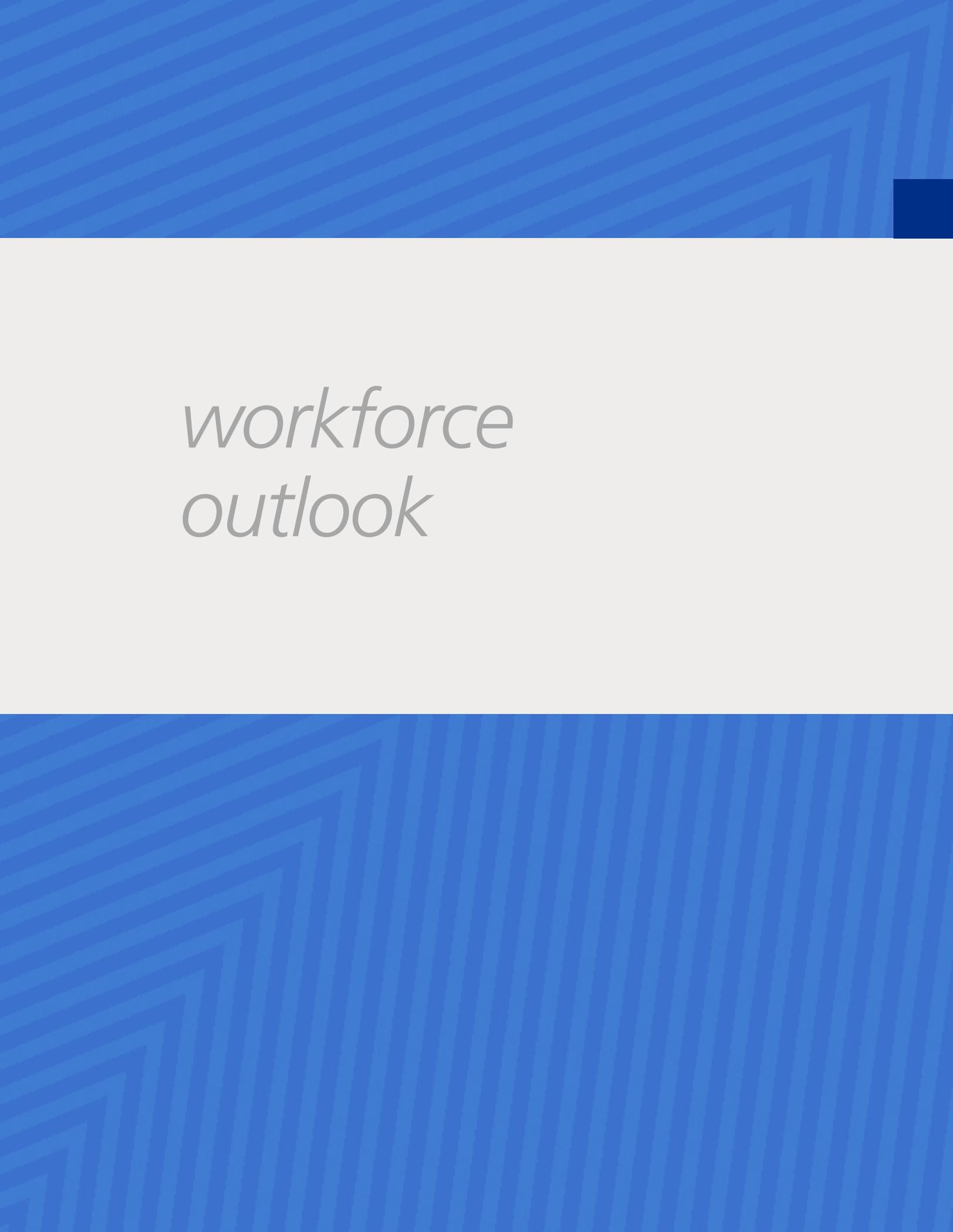
With the low U.S. unemployment rate and more career opportunities arising within life sciences — due to an aging population and increased consumer demand — the industry's top talent have many options when seeking an employer. Yet compensation levels among the companies surveyed have remained largely stagnant over the past year. The reality is that inflation-adjusted wages for U.S. workers across all industries in the have barely budged in the past five years, rising only 2.2 percent year-over-year.<sup>7</sup>

*Of the companies that reported salaries are higher than they were one year ago:*



As decision-makers consider the issue of increasing compensation, it's important to weigh the true impact of turnover on the overall financial health of the organization.



The background of the page is a blue geometric pattern consisting of multiple overlapping, nested, and slightly offset rectangular shapes that create a sense of depth and movement. The pattern is most prominent in the top and bottom sections of the page, while the middle section is a plain white background.

*workforce  
outlook*



## Adapt to a Millennial workplace

Millennials will soon make up 50 percent of the workforce, and that number will likely reach 75 percent by 2025.<sup>8</sup> Most leaders would agree that the influx of Millennials has contributed to changes in what we now consider a typical work environment. And while it's more important to understand the individual rather than the generation, managers who are aware of the common generational differences and embrace those qualities are much more likely to enjoy an engaged team.

The reality is that many of these workers have specific expectations and desires about the workplace. Companies that recognize this and proactively work to address these differences in a positive way stand the best chance for success, while those ignoring it do so at their own peril.

Understanding and developing an employer brand helps organizations ensure they can attract and retain the talent required for growth, and it creates an important recruiting advantage. By identifying the top attributes wanted in a company and aligning their business goals with employees' needs and preferences, leaders are able to refine their brand strategies.

### What do Millennials want?



Millennials expect to work for 4 to 5 companies in their lifetime.



More money and more opportunity for advancement are their top incentives to work harder and stay longer.



68% of Millennials say corporate social responsibility is important to them.



Honesty is the most important quality in a good leader, followed by exhibiting a solid vision.\*

*\*data from global survey*

*Randstad US & Millennial Branding: Gen Y vs. Gen Z Workplace Expectations Study<sup>9</sup>*



## The changing world of work

By 2017, contingent workers — including independent contractors, statement-of-work-based labor and freelancers — will account for nearly 45 percent of the world’s total workforce.<sup>10</sup> It is also estimated that more than 40 percent of the U.S. workforce will be contingent by the year 2020.<sup>11</sup>

What does this mean for employers? The contingent workforce segment is growing in importance and size, and organizations that leverage an integrated workforce management strategy will emerge as winners. Those companies lacking a solution may face serious headwinds due to an inability to make decisions about the type of talent they need and where to deploy them.

The 2016 Workplace Trends Study revealed that many pharmaceutical decision-makers recognize the value and necessity in collaborating with staffing partners to deliver talent when and where they need it. The pharma leaders surveyed expect to increase their use of contract labor and outsource more project work in the next one to three years.



17%

project work that is currently outsourced



20%

project work that is expected to be outsourced in the next 1 to 3 years



11%

portion of total workforce that is currently contract labor



14%

portion of total workforce expected to be contract labor in next 1 to 3 years



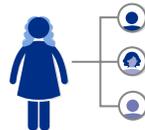
*Companies that understand the benefits of contingent workers and how to manage them well, enjoy:*



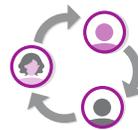
improved operational performance



lower labor costs



informed staffing decisions



more organizational flexibility



stronger alignment between HR strategies and business objectives

According to the Randstad survey, pharma decision-makers reported 41 percent of their outsourced project and/or contract labor resources are based off-site. More than four in five say co-employment issues are a high priority when it comes to their contract labor force. Properly classifying temporary workers is important and must be addressed. The right staffing partner will provide expertise in classification, as well as other compliance matters and risk mitigation.

**81%** *of pharma leaders say co-employment issues are a high priority when it comes to their contract labor force.*



## A holistic approach to talent

How can organizations compete in a talent-driven marketplace? An open mind is needed. It's a new age, requiring life sciences companies — large and small, industry titans or eager start-ups — to think broadly, act more boldly and become more flexible with respect to their workforce solutions — direct hire, contract staffing, outsourcing and FSP.

### *Strategies to consider:*

- **More flexible hiring methods.** Don't limit yourself to one type of arrangement. By approaching all work arrangements as having potential for fulfilling a particular need, the company can tap into all available resources to address a need without the limitations of drawing from only one worker type. Each approach — direct hire, contract staffing, and outsourcing — has its pros and cons.
- **More flexible work arrangements.** Millennials in particular have an expectation for work/life balance, including the ability to work remotely or on a flexible time schedule. Technology makes remote workforces much more viable, even for more traditional companies.
- **Be geographically agnostic.** By reducing geographic barriers and embracing remote support as appropriate, companies can broaden their base of potential employees — an important advantage when the need for specific expertise arises or for companies located in high cost or more remote markets.
- **Consolidating vendor relationships.** In recent years, many life sciences companies have pursued a vendor-neutral or VMS (vendor managed systems) approach. While this may be effective for some organizational functions, it can be counter productive from a staffing perspective, so it's important to understand when it makes more sense to work with a specialized staffing vendor.





*about the survey*



*Throughout this report, the figures represent the findings from a Research Now survey conducted from November to December 2015. For the survey, a sample of 2,004 hiring decision-makers working in a variety of sectors was interviewed, including engineering, finance and accounting, healthcare, human resources, information technology, legal, manufacturing and logistics, office and administration, pharmaceutical, and sales and marketing. All sample surveys and polls may be subject to other sources of error including, but not limited to, coverage error and measurement error.*



## Participant profile

### company size by number of employees:

- Less than 50 (6%)
- 50 to 99 (11%)
- 100 to 499 (19%)
- 500 to 999 (7%)
- 1,000 to 2,499 (14%)
- 2,500 to 4,999 (3%)
- 5,000+ (40%)

Pharmaceutical hiring decision-makers in this study represented the pharmaceutical industry and perform functions within research and development, sales and/or business development leadership roles.

## About Randstad US

Randstad US is a wholly owned subsidiary of Randstad Holding nv, a \$24.5 billion global provider of HR services. As one of the largest staffing organizations in the United States, Randstad provides temporary, temporary-to-hire and permanent placement services each week to over 100,000 people through its network of more than 900 branches and client-dedicated locations.

Employing 5,300 recruiting experts, the company is a top provider of outsourcing, staffing, consulting and workforce solutions within the areas of engineering, finance and accounting, healthcare, human resources, IT, legal, life sciences, manufacturing and logistics, office and administration and sales and marketing. Learn more at [www.randstadusa.com](http://www.randstadusa.com) and access Randstad's panoramic U.S. thought leadership knowledge center through its Workforce360 site that offers valuable insight into the latest economic indicators and HR trends shaping the world of work.



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