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As Demand for Talent Surges in the Life Sciences Sector, Firms Look for Ways to Stay Competitive in 2022

In our recent life sciences compensation trends webcast, Aon's industry experts discussed hiring trends and retention tactics as the sector continues to grow, while also sharing expectations for the year ahead.

For the life sciences sector, it's not just the typical year-end crunch confronting firms right now. For nearly two years, this industry has faced pressure caused by the coronavirus (COVID-19) pandemic and an unprecedented demand for talent. While this is the case for many industries, given its direct involvement in pandemic-related efforts, the life sciences industry has been front and center when it comes to movement of talent. And we don't expect this trend to change any time soon.

"It's an interesting predicament companies face — people are leaving in large numbers, yet the sector is growing faster than ever before," comments Meaghan Piscitelli, a partner in Aon's human capital practice and global co-leader of the life sciences sector. According to the second edition of Aon's Salary Increase and Turnover Study, 71% of life sciences companies plan to increase their workforce, with more than one third of them by greater than 15%. Even in cases of modest turnover, companies will need to hire more than 25% in the next 12 months to meet hiring goals.

This article shares key insights from our recent compensation trends webcast, where our industry experts discussed innovative ways to add value and win and retain talent in today's competitive market, the latest equity strategies and a look ahead at what's to come for the life sciences sector in 2022 and beyond.

How companies are tackling hiring and retention

Recent headlines go as far as describing talent scarcity challenges in 2021 as "turnover tsunami" or "The Great Resignation." We are seeing projected voluntary turnover numbers trending as high as 18.4% in the life sciences sector — a number that has increased significantly in the last three to six months. The reasons for this vary, including pent up demand during the pandemic, the rich IPO market, feelings of disconnection caused by virtual environments, accelerated digitalization, and shifting values due to generational differences and changing demands. How, then, do we stop this growing trend and attract and retain skills for the future? Here are some methods and trends to consider.

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Evolving compensation programs

Companies are anticipating higher overall salary budgets than last year to keep up with the market. The starting salaries of many key positions are at market rate highs, turning companies to the use of sign-on bonuses to help attract talent. Focusing on long-tenured employees is also critical, as they look for ways to catch up to rising numbers. When firms don't have sufficient cash for increases across the board, targeted increases for hard-to-fill positions or top performers are being used.

Additionally, special adjustment budgets are on the rise, which companies are using in response to market increases and internal equity issues caused by the extremely hot talent market. Many businesses are considering accelerating these adjustments and merit cycles to the end of this year or early 2022, allowing delivery of awards to their people sooner.

Even though these can all be effective strategies, it's becoming more and more apparent that firms are not able to tackle attraction and retention with merit and market adjustments alone. "This is just one piece of the puzzle. It is more important than ever before for employers to look at the total employee value proposition, rather than just focus on one aspect of rewards," explains Aria Glasgow, a partner focused on the life sciences sector for Aon's human capital practice.

Increasing use of equity

Equity is another important retention tool that can also help maximize compensation programs. Equity awards, which have become integral to the total rewards package, are larger and far-reaching. Companies can offer faster vesting periods and make the grants more targeted, if necessary.

Key business issues in hiring and retaining talent are driving evolving equity trends. We are seeing an increased use of full-value shares and many life sciences companies are introducing restricted stock units (RSUs) earlier in the life cycle. Equity choice at the commercial stage is also being considered to help companies differentiate themselves in the market. With this growing trend, tension between equity spend and talent needs continues. Compensation committees are being extra mindful of equity spend, ensuring stock awards are purposefully allocated to the highest performers and critical new hires.

Realizing the power of perquisites and career development

If you don't have the capability to offer increased cash and equity, there are still a lot of powerful tools available to managers and HR leaders. Aon's recent digital report on future skills and talent resilience in the life sciences sector provides a comparative view of organizational approaches to total rewards from 2020 to 2021, highlighting the increased focus on employee-centered strategies and wellbeing. More specifically, many life sciences companies are offering additional paid time off, including targeted recharge days, summer shutdowns and extra days around holidays. While there is a strong emphasis on flexibility, finding a balance is key. Companies that can offer work-from-home options should also encourage in-person meetings, lunches and other gatherings to foster connection and engagement. This directly improves company culture — a core component of retention.

Career advancement and accelerated promotions are extremely important to all employees across generations, particularly when it comes to providing a pathway for development. "Almost immediately after being hired, employees are asking what career growth options they have, and it's important to have an answer. Every company should take the time to determine real definitions around career opportunities for employees," says

Sarah LaBarre, an associate partner focused on rewards solutions in the life sciences sector for Aon's human capital practice.

Understanding job levels and families, as well as where any overlaps lie is essential. Companies should view career frameworks holistically, connecting job architecture, rewards, salary structures and incentives to create career paths that are no longer exclusively linear. If people are given new opportunities across different job families within the organization, there will be less reason for them to leave.

Looking ahead to 2022

As we head into the new year, one thing is for certain — the life sciences sector will continue to grow, thrive and expand, leading to new levels of competition for talent. Here are some of the talent and rewards trends we expect:

- Expanded lab and biomanufacturing spaces, leading to more jobs. There's also a possibility for more dispersed workforce and satellite locations, as companies look to extend their footprints off the beaten path. This provides even more opportunities for adding jobs, but also expanding talent pools.

- Growing demand for hot skills and technology sector talent, particularly those who work in both spaces (i.e., medical device, health IT roles) when looking for data scientists, software engineers, etc.

- Continued pressure on salaries, resulting in higher increases. Firms should be actively building compensation frameworks that account for the current market and provide flexibility to attract the talent they need. Companies also need to consider how transparent their compensation philosophy is and how they communicate off-cycle adjustments. Transparency should align to a company's culture and help ensure its workforce knows that it is staying competitive with the market.

- More emphasis on equity to align employees with shareholders and bolster retention. This will be a challenge, as companies attempt to effectively and efficiently balance this with the pressures of shareholders. As a result, we anticipate companies focusing on identifying unique approaches to preserve and extend the share pool.

Key governance issues in response to increasing diversity, equity and inclusion (DE&I) and environmental, social and governance (ESG) efforts will also be front and center in 2022. DE&I is a central topic for investors and proxy advisors, and we expect this to gain prominence in the life sciences sector. Building accountability for DE&I and ESG starts at the board level, but, as Glasgow observes, "DE&I is important for the entire organization, not only to build a culture of inclusion, but to ensure that pay equity is being addressed in this period of rapid salary movement. Candidates are also evaluating new companies for things like their sustainability and social impact practices." Next year, we expect more companies will be working through board and c-suite accountability on key ESG-related topics, including human capital management, if they haven't already done so. Companies further along on their journeys may begin incorporating ESG metrics and goals into incentive programs. There will likely be increased movement in this direction in 2022, and nearly full DE&I goals and metrics adoption by 2023.

Another governance item is changes to board composition. The NASDAQ Board Diversity rule requires at least two diverse members on the board. If this criterion is not met, they will have to explain why. In this article, we further discuss growing developments in board diversity and how to remain proactive to win the war for diverse director talent as demand continues to grow.

While the future of the life sciences industry is complex, if approached carefully and thoughtfully, the business outcome will be substantial. As we head into 2022, take a moment to look back at past human capital strategies, reset and adjust any that may be holding you back from realizing your full potential in today's evolving business landscape.

To learn more about how Aon is helping life sciences companies meet their hiring and retention goals, or to speak with one of our life sciences experts, please write to humancapital@aon.com.

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