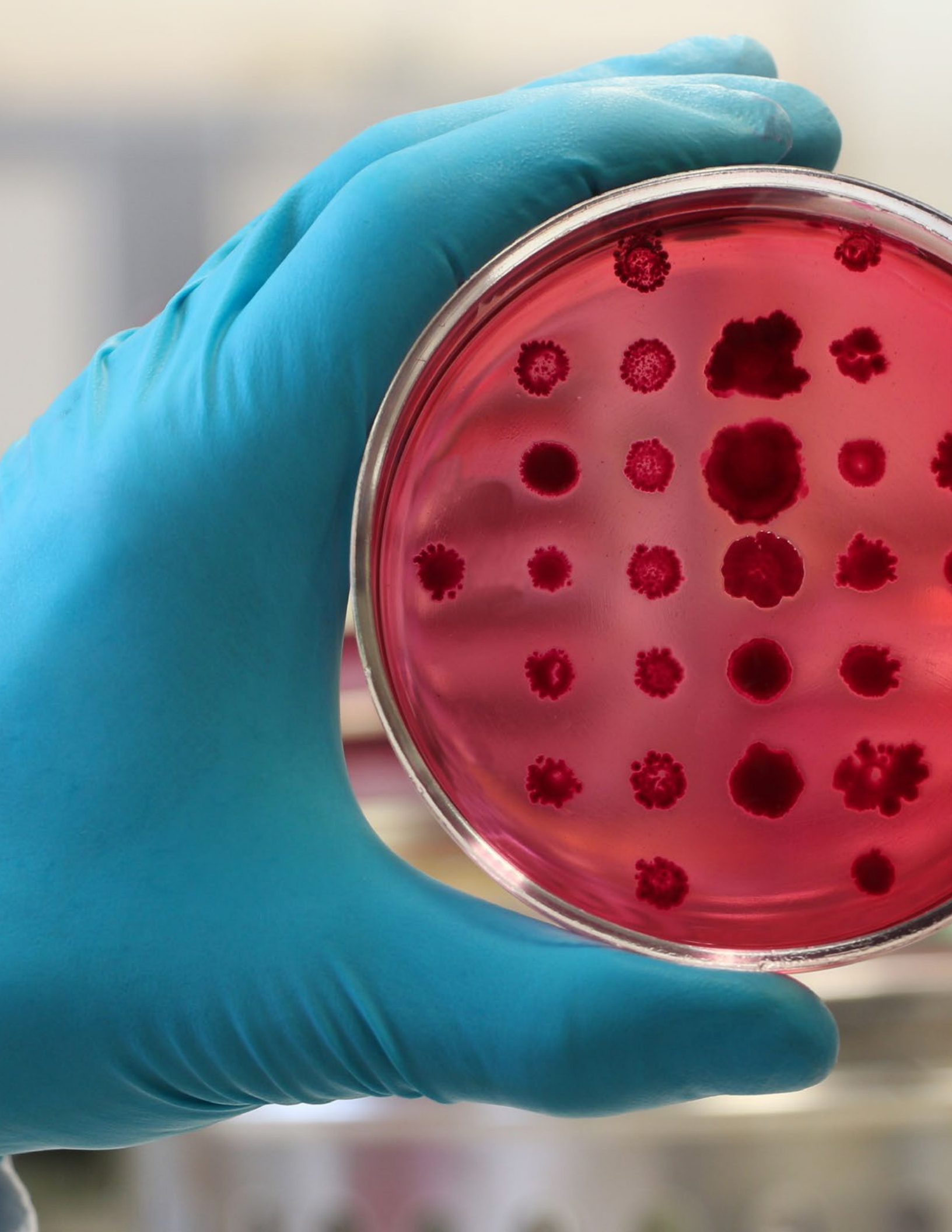


2021/2022 CLINICAL RESEARCH
ORGANIZATION INSIGHTS REPORT:

NAVIGATING THE MOST COMPETITIVE MARKET FOR TOP TALENT IN DECADES



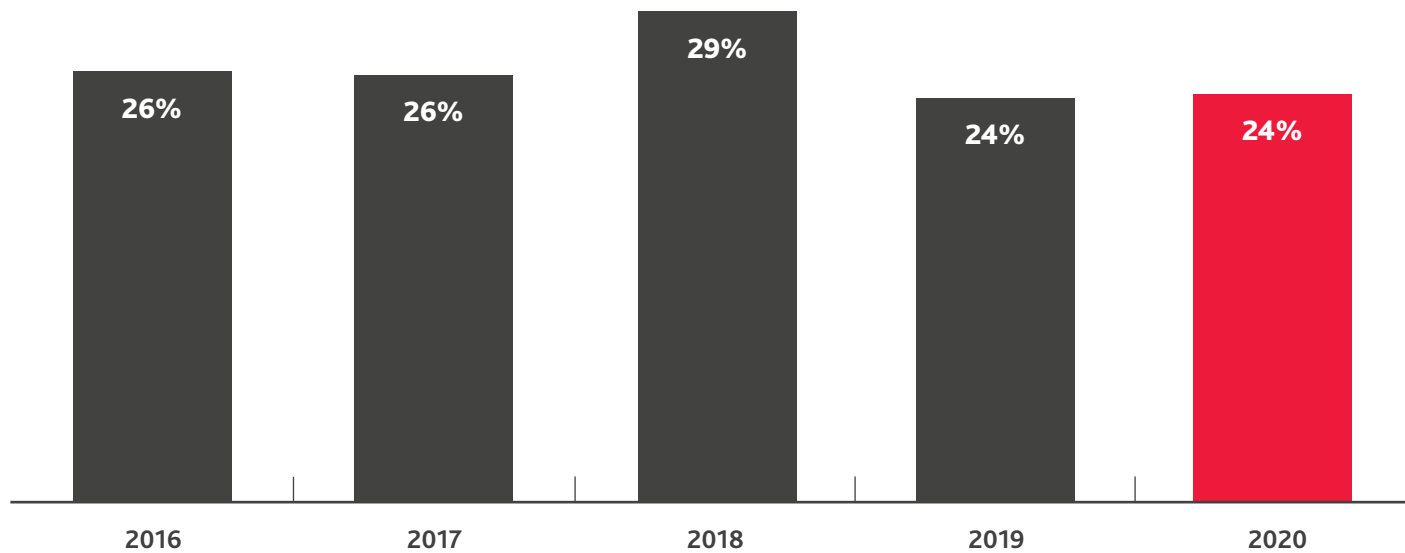
Introduction



Amid the Great Resignation brought on by the global pandemic, Clinical Research Organizations (CROs) are challenged more than ever to address high turnover levels and lackluster compensation strategies to compete for highly sought-after talent, according to BDO's *2021/2022 Clinical Research Organization Insights Report*. This summary report highlights key trends from the recently published [2021 CRO Industry Global Compensation & Turnover Survey](#), which provides clinical research organizations with a unique source of comprehensive data on the global marketplace to include compensation levels, plan design and employee turnover. The survey results are data-driven inputs for use in the development of competitive strategies to recruit and retain top talent.

From 2019 to 2020, the average turnover level for Clinical Monitoring roles in the U.S. remains flat at 24% ([see figure 1](#)) compared to a significant drop outside of the U.S. from 20% to 15% ([see figure 2](#)). Higher turnover levels in the U.S. than outside the U.S. may be attributed to an uptick in U.S. travel. Travel for U.S. roles in CROs is more intense due to geographic coverage requirements compared to outside the U.S. which usually requires serving a smaller base of clients.

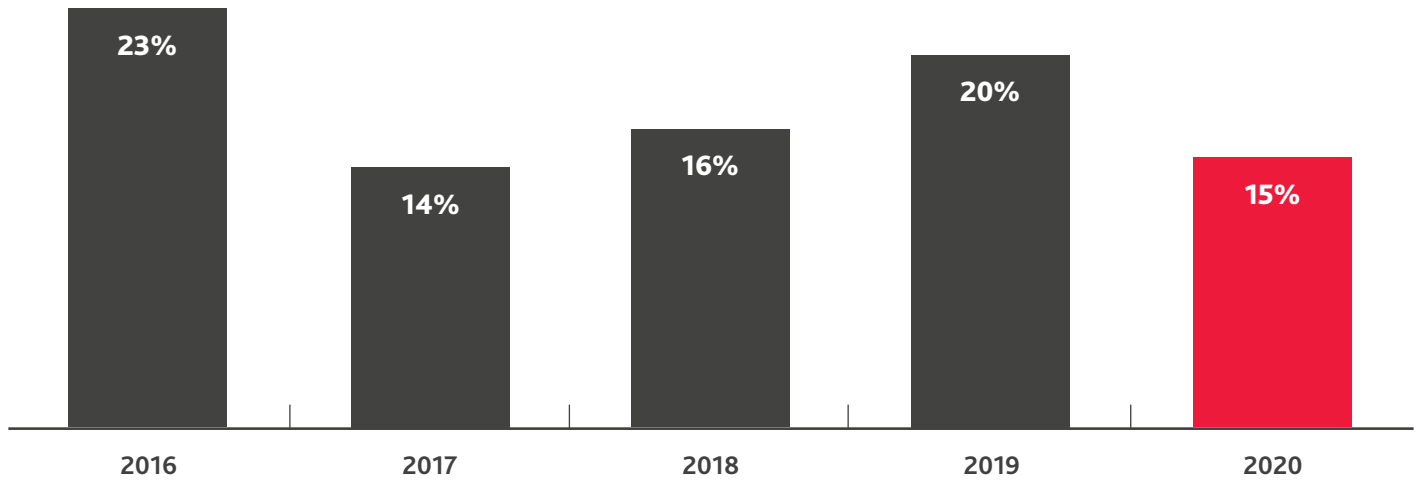
This level of turnover is especially remarkable as it occurred during the height of the pandemic (2020) and is virtually all voluntary. In the first half of 2020, the expectation was that employees would be more fearful of losing their jobs than opting to change jobs, but this turned out not to be true. Now, as the economy rebounds, every indication is that turnover is increasing and will continue to do so for the foreseeable future.

FIGURE 1: AVERAGE U.S. TOTAL TURNOVER FOR CLINICAL MONITORING FROM 2016–2020¹

¹ 2017 – 2021 CRO Industry Global Compensation & Turnover Survey editions; turnover levels reflect the most recent calendar year ending December 31.



FIGURE 2: AVERAGE TOTAL TURNOVER OUTSIDE THE U.S. FOR CLINICAL MONITORING FROM 2016–2020²



² 2017 – 2021 CRO Industry Global Compensation & Turnover Survey editions; turnover levels reflect the most recent calendar year ending December 31.



The countries with the highest 2020 total turnover had average rates ranging from 17-24% (which is the same range reported in 2019). South Korea rose to the top of the list with the greatest turnover levels for 2020 after having been at the bottom of the list for 2019. Seven of the countries with the highest average turnover reported this year were also on the list last year.

FIGURE 3: TOP COUNTRIES WITH THE HIGHEST AVERAGE TOTAL TURNOVER FOR 2019 AND 2020³

Country	n	2019 Turnover %
Denmark	7	24%
Turkey	7	24%
Sweden	7	23%
Austria	6	21%
China	8	21%
Australia	11	20%
Brazil	9	18%
Malaysia	7	18%
New Zealand	7	17%
South Korea	9	17%

Country	n	2020 Turnover %
South Korea	13	24%
China	12	23%
Sweden	8	21%
Taiwan	11	20%
Brazil	11	19%
Argentina	10	19%
Austria	6	19%
Finland	8	18%
Turkey	8	18%
United Kingdom	17	17%
Australia	15	17%
Belgium	10	17%
Ukraine	10	17%
Thailand	8	17%
Croatia	6	17%

³ Lists are based on countries with five or more data points from the 2020-2021 CRO Industry Global Compensation & Turnover Survey editions; turnover levels reflect the 2020 calendar year ending December 31. Countries in bold font are represented in the top ten lists for 2019 and 2020.



Compensation Practices that Influence Turnover

BDO's analysis of historical compensation levels and pay delivery mechanisms shows CROs have been unsuccessful in adequately increasing compensation levels for the positions with the highest turnover. CROs' U.S. salary increase budgets have been 3% or less and typically lagged general industry increases⁴. At this rate, Clinical Research Associates (CRAs) with three to five years of experience have developed a level of skill that has likely exceeded the size of their paycheck (see figure 4). Unsurprisingly, many of these employees view switching companies as their best career choice.

FIGURE 4: GROWTH IN SKILLS VS. GROWTH IN PAY



While salary increase budgets for 2021 were hovering at around 3%, as reported in BDO's *2021/2022 CRO Salary Planning Survey*, the actual average incumbent salary increases for CRAs and Project Managers, as reported in the *2021 CRO Compensation Survey*, were well above that. The median increases for these roles were over 4.25%. This illustrates that companies gave pay increases that exceeded the salary increase budget.

To shed more light on changes in the average pay level for these positions, BDO conducted a special analysis of same company year-over-year changes in pay, showing that 2020 to 2021 salary changes for CRAs averaged 4.5% and total cash went up by 4.75% on average (see figure 5). By contrast, from 2018 to 2020, pay changes for the CRA job family have averaged:

- ▶ Less than 3% from 2018 to 2019.
- ▶ Less than 1.25% from 2019 to 2020.

⁴ WorldatWork.



FIGURE 5: AVERAGE CHANGE IN ACTUAL PAY OF SAME COMPANIES YEAR-OVER-YEAR

Position Title	AVERAGE PERCENTAGE CHANGE					
	2020 to 2021		2019 to 2020		2018 to 2019	
	Base Salary	Actual TCC	Base Salary	Actual TCC	Base Salary	Actual TCC
Average CRA Roles (Level I through manager)	4.49%	4.72%	1.22%	0.99%	2.95%	1.97%

* Total cash compensation (TCC) is base salary plus annual incentive.

This combination of minimal merit budgets and employees switching jobs is stirring up a lot of discussion among human resources professionals, especially as companies are challenged with attracting and retaining skilled talent in the most competitive environment seen in decades, per one CRO source.

CRA's with 3-5 years of experience have developed a level of skill that has likely exceeded the size of their paycheck, and many view switching companies as their best career choice.



Compensation for New Hires

Our CRO industry clients have indicated a recent escalating need for salary offers that are significantly above typical market pay levels for CRA and Project Manager roles. In addition, 77% of companies reported the use of sign-on bonuses and 50% indicated the use of retention bonuses⁵. A review of job postings supports our findings of a robust use of sign-on bonuses for new hires. However, the CRO industry is not alone. Challenges in attracting and retaining talent are currently widespread across almost all industries. The growth in wages among job switchers has picked up momentum as companies struggle to find available workers⁶. ADP Research Institute, which collects and publishes data on the labor market, reported the professional services industry is seeing an average 10.6% increase in pay for job switchers compared to a 7.5% historical average for job switchers and 5.7% in average wage growth for all workers for the 12 months ending November 2021.

“

CRO companies face a unique dilemma: turnover is high and salary demands are increasing. However, multi-year contracts with plan sponsors may limit their ability to increase compensation levels as much as needed. As companies negotiate contracts, they may want to reconsider assumptions regarding pay increases for certain key positions in order to stay abreast of the market.



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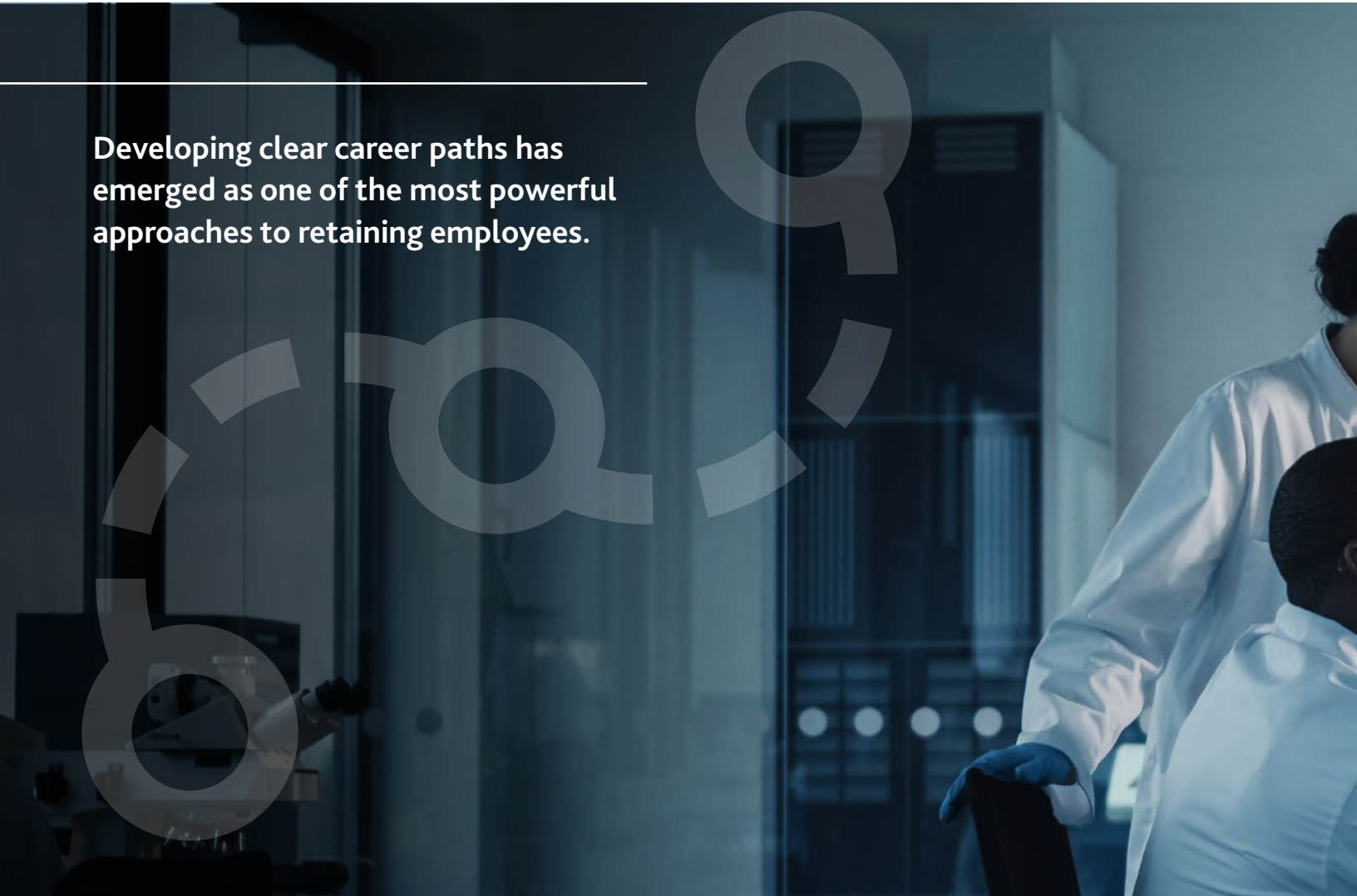
⁵ 2021 CRO Industry Global Compensation & Turnover Survey

⁶ ADP's Workforce Vitality Report, Q3 2021.

Addressing the Turnover Challenge

The current situation has been coined the Great Resignation. Companies in many industries are struggling to attract and retain employees. Employers have developed various retention programs to address the continued challenge of employee turnover. Developing clear career paths has emerged as one of the most powerful approaches to retaining employees. This and other approaches are described in a recent BDO article: [Retaining Talent During the Great Resignation](#).

CROs must be especially innovative when designing their recruitment and retention programs to meet the needs of specialized roles. CROs should consider reviewing the overall size of their merit increase budget and the approach to linking pay to employee contribution. These programs will likely need to differ depending on the job family, level within the organization, geographic market and the unique needs of the individual. The talent pool for many CRO positions comprises well-educated individuals who are able to learn critical skills quickly, are motivated and excited about how they can contribute to the health and well-being of others, and want to grow in their careers. It is important to provide a career trajectory that helps them chart a way forward, feel a sense of accomplishment and agency, and feel acknowledged for their efforts.



Developing clear career paths has emerged as one of the most powerful approaches to retaining employees.

Annual Incentives Are a Key Tool to Attract and Retain Talent

Performance-based incentives are an effective way to motivate employees with an added advantage to the company because they are only paid if specific performance criteria are met. Incentives are an excellent opportunity to reward and retain top performers. However, annual incentives based on corporate performance may not effectively serve this purpose. Incentives need to be paid at meaningful times (for instance, after a key step in a project is concluded), and the performance metrics need to feel relevant and controllable by the employee — project and team incentives are more effective in achieving these goals than corporate performance bonuses.

Despite the excellent opportunity that incentives offer for rewarding and retaining top performers, the industry has not increased its use of incentives, at least for CRAs ([see figures 6 and 7](#)). Since 2017:

- ▶ Annual incentive eligibility has declined for professional levels II and III, and increased only for professional level I.
- ▶ Annual incentive receivership increased for professional level III, remained constant for professional level II, and declined for professional level I.
- ▶ Target annual incentive awards either declined or remained constant for all professional levels.
- ▶ Actual annual incentive awards earned declined by 2-3 percentage points for all professional levels.



FIGURE 6: ANNUAL INCENTIVE ELIGIBILITY AND RECEIVERSHIP FOR CRAS FROM 2017 AND 2021⁷

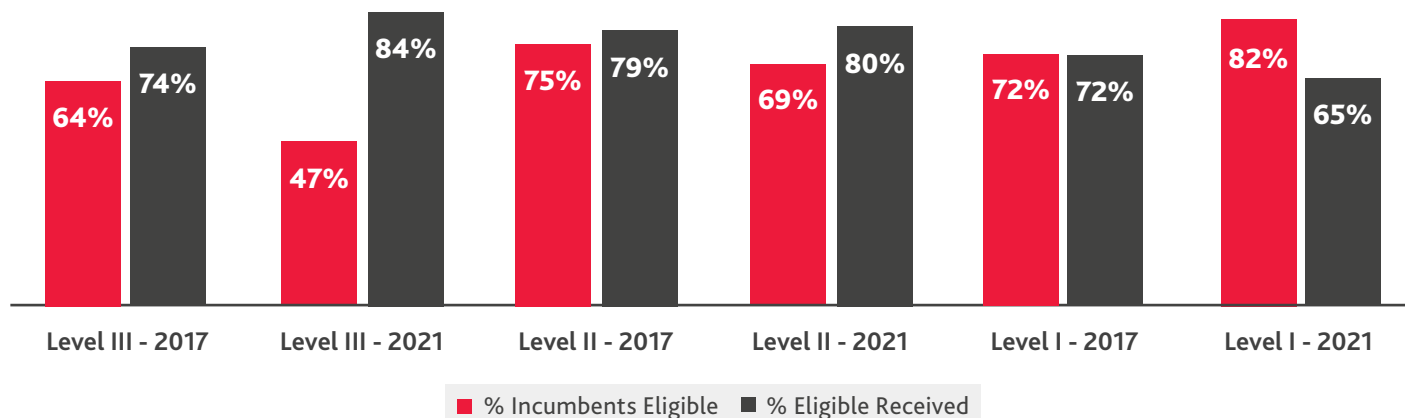
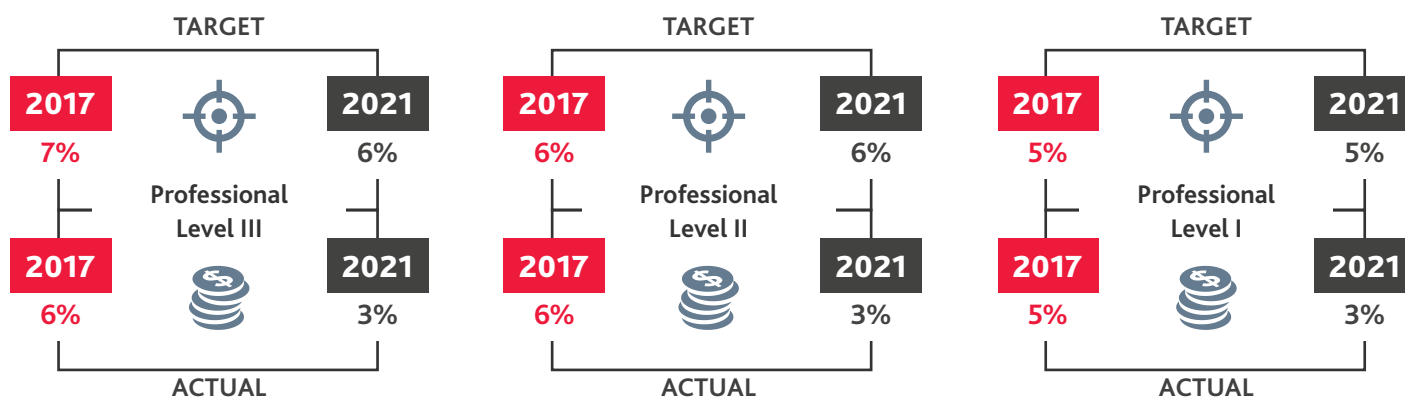


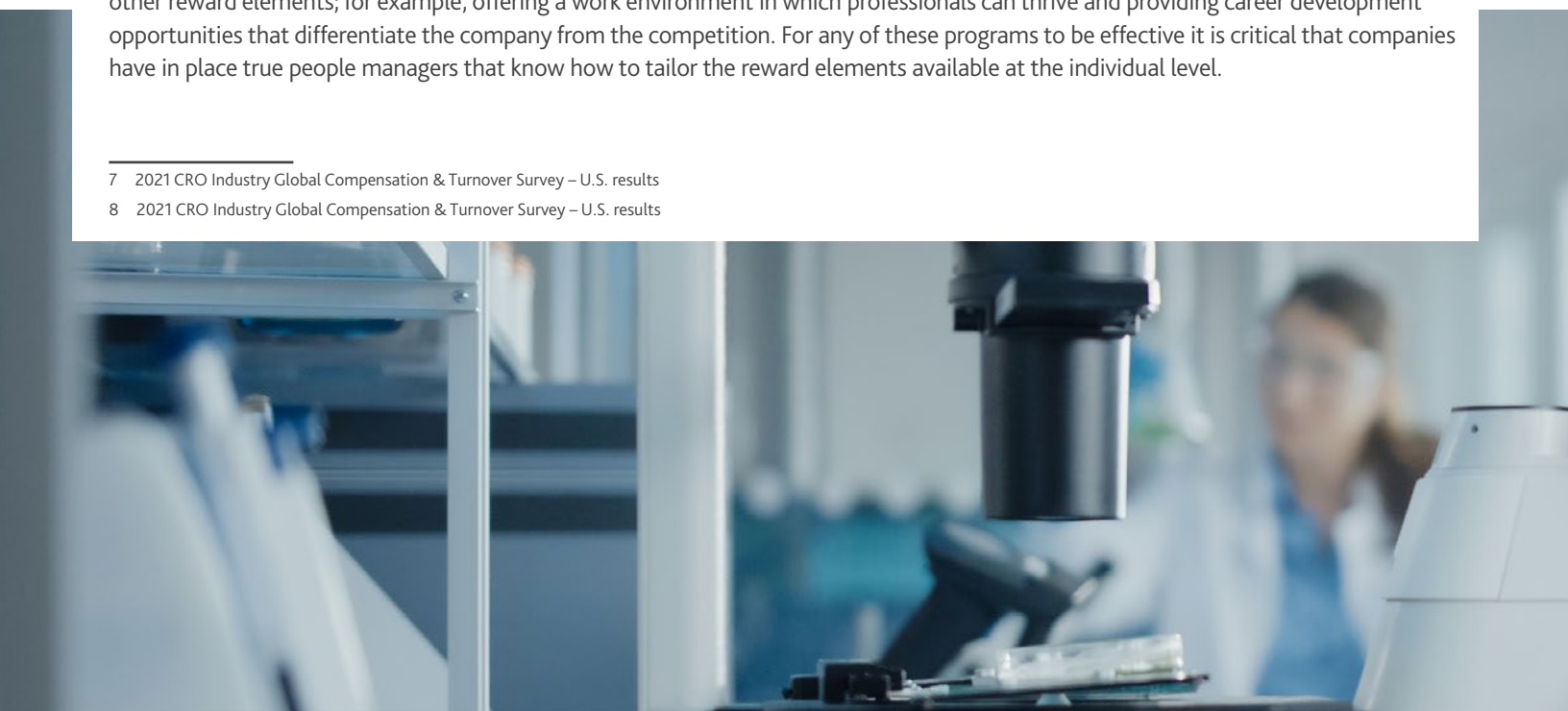
FIGURE 7: ANNUAL INCENTIVE AS A PERCENTAGE OF SALARY FOR CRAS FROM 2017 AND 2021⁸



Offering a competitive pay package will always serve as the foundation of any total reward program, but it must be complemented with other reward elements; for example, offering a work environment in which professionals can thrive and providing career development opportunities that differentiate the company from the competition. For any of these programs to be effective it is critical that companies have in place true people managers that know how to tailor the reward elements available at the individual level.

7 2021 CRO Industry Global Compensation & Turnover Survey – U.S. results

8 2021 CRO Industry Global Compensation & Turnover Survey – U.S. results



Conclusion

The era of the Great Resignation is here. Keeping employees is almost always better than trying to replace lost ones. The cost of talent has been increasing at a higher rate than in the past and this issue will be exacerbated by the current increase in cost of living, which increased in October by 6.2% from a year before.

Employee turnover continues to plague the global market for talent in Clinical Research Organizations. There are real costs to turnover that are both tangible and intangible. The companies that will be successful in not only retaining top talent but also in recruiting will employ innovative approaches to their reward strategies. The starting point is having timely and accurate data such as what is provided in this year's CRO Insights Report. This will enhance the company's ability to compete for talent by reducing costs and increasing workforce bench strength.

About Our Survey

BDO's annual [CRO Industry Global Compensation & Turnover Survey](#) collects data for 268 positions in the U.S. and 55 countries outside of the U.S. (O.U.S.). This survey is designed to help clinical research outsourcing companies develop confidence in their pay levels by providing data necessary to gain insight into their compensation practices relative to the market. Responses are gathered annually from participating CROs with four categories of analyses:



COMPENSATION LEVELS



TURNOVER RATES



PLAN DESIGN
AND PREVALENCE



ALLOWANCES,
TIME OFF AND ADDITIONAL
MONTHS' PAY (COUNTRIES
OUTSIDE THE U.S.)

LEARN MORE about BDO's Compensation Surveys, including how to participate ►



About BDO's Global Employer Services Practice

The professionals in BDO's Global Employer Services practice are dedicated to helping companies achieve their business and financial goals by effectively managing their most important asset—**their people**.



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Expatriate Tax

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ERISA Consulting

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Actuarial Services

Providing cash balance and other tax-qualified defined benefit plan services in addition to retiree health/welfare and non-qualified plans; design, implementation and administration of employer-tailored cash balance plans; resources for long- and short-term planning, funding, accounting, termination, and M&A.

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