ABERDEEN GROUP

EMPLOYEE HEALTH AND WELL-BEING: WINNING THE TECH SECTOR

December 2016

Over the course of the last year, demand for talent in the tech sector has increased. Higher demand has forced employers to get more creative in their search for top talent. While larger players are able to offer financial incentives to draw in high-quality talent, the majority of market players are turning to other forms of labor investment, particularly in health and well-being.

Technology firms are 23% more likely than the rest of the private sector to witness new business formation that leads to new job creation.

Demand for technology and software professionals is increasing industry-wide, stepping up competition for top talent at a time when job specifications are growing more specialized.

Technology companies are stepping up hiring as one of few industries that have not completely outsourced their development and production centers to cheaper markets. In 2016, the Kaufmann Foundation compiled data from the US Census Bureau and found that technology firms are 23% more likely than the rest of the private sector to witness new business formation that leads to new job creation. While demand for technology professionals is increasing at a faster rate than the market itself, two other phenomena are impacting the availability of labor, driving down supply and increasing competition for top talent:

- **Increasing specialization:** Analyzing job titles and responsibilities across the top ten technology role types listed by CIO Magazine, LinkedIn, and Glassdoor shows that there has been a subdivision of labor. The subdivision is in part due to the fact that more effort has gone into improving the depth of product capabilities, than has gone into expanding the breadth of capabilities offered. An

analysis of the top ten university programs for technology professionals across these role areas also shows that traditional education has not kept up with the rate of change of demand for more acute skill sets. The lack of alignment has forced employers to source candidates from smaller pools of experienced applicants, or to invest in costly up-front training for relatively green new hires.

- **Incremental innovation:** In *Analyze This: Workforce Productivity* (September 2016), Aberdeen took note of a management shift that is placing more responsibilities for direct product innovation on line employees, thus removing it from the hands of senior management. Dispersing this risk to individual employees has led to micro-changes in products and services specific to each employee's task exposure. As a result, product development is incapable of seeing the forest through the trees when connecting line developments to management goals and objectives. The resulting fog forces departmental managers to define top talent as they move to reduce the emerging skills gap. Consequently, the skills gap gets resolved only for point-in-time needs, with little attention paid to how incoming talent can grow to fulfill other capabilities.

To draw in top talent, technology employers need to present employees with exactly what they are looking for in a workplace.

These factors contribute to increased demand for, and shrinking supply of, top-quality talent for the tech sector. To make matters worse, tech companies are not only now competing externally amidst a growing field of players, but are also competing across fragmented, internal department initiatives. To draw in top talent, technology employers need to present employees with exactly what they are looking for in a workplace. In 2016, Aberdeen looked at what this means for technology companies looking to attract and retain the very best.

Why Employees Join and Stay

In 2016, Aberdeen found that the top business pressures facing technology companies were largely management-related. Aberdeen's data shows that Best-in-Class technology companies are 70% more likely than All Others (60% vs. 18%) to prioritize reorganizing the business as a top goal for the organization. The Best-in-Class are calling for this strategy, because they see their top business pressures coming from a need to improve multi-generational management, to improve the relationships between managers and employees, and to improve top-to-bottom engagement across the company to drive greater productivity.

In this vein, 60% of Best-in-Class tech companies found that they have a high-impact problem in terms of the relationships between managers and employees. Looking at the top reasons employees join and remain with technology companies, Aberdeen found that tech companies are facing unique challenges across a varied landscape of demands caused by the multiple generations within their workforce. For example, Best-in-Class companies are 78% more likely than All Others (80% vs. 18%) to see employees leave an organization because of management rigidity and a "one-size-fits-all" management methodology.

Technology companies are heavily automated, in large part because they are using their own natively developed analytics products to drive higher levels of efficiency.

As Aberdeen noted in *Analyze This: Workforce Productivity* (September 2016), a large portion of this methodology is the desire to measure and quantify the cost of operations with respect to measurable output. Technology companies are heavily automated, in large part because they are using their own natively developed analytics products to drive higher levels of efficiency. In other words, technology companies are taking their own medicine. Aberdeen's data has shown, however, that too much automation alienates the workforce, routinizes task requirements without consideration for employee diversity, and ultimately disenfranchises the workforce from management goals and objectives. In 2016, Aberdeen found that companies managing labor using time and cost quantification saw their revenue per full-

time equivalent employee (FTE) decrease by at least 10% year over year.

Looking at the reasons employees stay with their organizations confirms the assertion that tech companies need to acknowledge the humanity of the workforce as they employ it to develop and promote the next great data discovery. 80 percent of Best-in-Class technology companies noted that offering a competitive salary and improving the work–life balance through wellness offerings offset the negative effects of rigid management. Employees are also looking for work environments in which they can readily see the relevance of their work to the greater organization and in which they can chart a career track. Employees at Best-in-Class technology companies are 49% more likely than at All Others (80% vs. 41%) to stay with the organization because they can see the relevance of their work toward the company. Best-in-Class tech companies are also 49% more likely than All Others (80% vs. 41%) to retain their employees because the work they provide is challenging daily. Finally, Best-in-Class companies are 60% more likely than All Others (60% vs. 41%) to retain employees because they provide career track development and long-term labor investment.

Employees at Best-in-Class technology companies are 49% more likely than at All Others to stay with the organization because they can see the relevance of their work to the company.

Employee Well-Being for Attracting Top Tech Talent

Acknowledging, integrating, and responding to the humanity of the workforce is becoming increasingly important to staying competitive in the tech sector, and in attracting and retaining top talent. Best-in-Class tech companies are 49% more likely than All Others (80% vs. 41%) to use employee well-being solutions as part of their workforce incentivization strategy. Among the Best-in-Class, wellness has the strongest presence among solutions, and is used to provide direct, additional investment in the labor force beyond compensation management, which costs employers significantly more than rewards and recognition.

Wellness allows employees to chart and manage their own behavioral characteristics that improve their work–life balance.

Employee wellness platforms enable employees to manage different aspects of their work-life balance by consolidating health management, financial management, workplace management, and home life management into one reporting platform that can record and provide context on what impacts work efficiency and effectiveness. For technology employers, this means that they have a window into a "diagnostic of the workforce", akin to running diagnostics on technology and software to resolve key, context-based issues. In this way, employers can hone in on what behavioral characteristics and workforce stresses cause workforce productivity to deviate from management goals and objectives. Employers can also expand that data, to easily project how to incentivize employees to mitigate health spend on the road to achieving higher levels of access to benefits offerings, as well as compensation expansion through individualized employee career growth and development.

In other words, wellness allows employees to chart and manage their own behavioral characteristics that improve their work-life balance, while employers can better understand what human issues are impacting individual employees' abilities to deliver on goals and objectives.

Aberdeen found that Best-in-Class tech companies were 70% more likely than All Others (40% vs. 12%) to see employee performance improve in line with greater achievement of management goals and objectives in the last 12 months. 80 percent of these companies are using wellness as a central component in workforce incentivization. Employee wellness and well-being resources are driving stronger employee buy-in to corporate objectives for tech companies. Greater buy-in is leading to a stronger alignment of employee performance improvements with attainment of corporate goals. Aberdeen found employees that feel relevant to the company feel secure in their roles and stay with their organizations. To this end, Best-in-Class tech companies were 70% more likely than All Others (40% vs. 12%) to

see their rate of voluntary turnover decrease in the last 12 months.

Best-in-Class tech companies are 80% more likely than All Others to rate wellness as being of high importance to improved revenue per FTE.

At an operational level, employers are engaging employee well-being to realize productivity enhancements. These include improved quality of workforce performance and improved year-over-year revenue. Linking contextual behaviors into performance metrics allows Best-in-Class tech companies to manage their quantifiable analytics alongside strategic labor resource outlays to ensure that labor is not being rigidly managed by the numbers. In this way, tech management is resolving some of the bad blood between employees and managers that led to high turnover and a sense of inhospitality between different management generations. Aberdeen found that Best-in-Class tech companies are 80% more likely than All Others (60% vs. 12%) to rate wellness as being of high importance to improved revenue per FTE. The data also showed that Best-in-Class tech companies are 33% more likely than All Others (27% vs. 18%) to rate wellness as being of high importance to improved employee performance.

Connecting the Dots

The top challenge facing technology companies in strategic talent acquisition is in making the workplace desirable through good relationships with management and an understanding of the company's investment in the success of its employees. In the past, managing the tech sector workforce has come down to quantifiable elements in output versus the cost of labor that has overlooked the humanity of the individual employee.

To rectify the situation, Best-in-Class tech companies are both investing in and expanding resources to make the workplace more hospitable, while giving employees a sense that the company stands behind their rate of accomplishment and desire to grow their career. The talent acquisition market for the technology sector will continue to grow more competitive due to labor subdivision and incremental innovation. As a result, it will become

increasingly important for top performers in tech to not only attract top talent, but also retain it and re-train it to meet their continuously shifting skills and innovation requirements. To that end, implementing employee well-being resources and integrating wellness data into employee productivity measurements is an important step toward returning humanity to how the tech sector is managed.

Author: Zachary Chertok, Research Analyst, HCM

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve their performance. Our analysts derive fact-based, vendor-agnostic insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategy. Aberdeen Group is headquartered in Waltham, MA.