THE FUTURE OF HR

OF HR

FOR TECH COMPANIES

Namely

CONTENTS

About Namely

Introduction

Since 2019, the tech industry has changed drastically. Suddenly, due to COVID-19, companies who never had WFH policies shifted to remote work. Many had no choice but to cut budgets and headcount, which led to hiring freezes. And once tech companies started to open roles again, they had to deal with the impacts of the Great Resignation.

Let's take a closer look at why HR in the tech industry is so unique today.

Hybrid & Remote Work are the New Norm

Prior to the pandemic, many tech companies allowed their employees to work from home. In fact, a 2019 Owl Labs report found that tech had the second highest number of remote workers out of all industries.

Fast forward to today, that number has skyrocketed. Even as more people get vaccinated, many tech companies have started to adopt hybrid or remote-first approaches. According to a recent WeWork survey, 79 percent of the C-Suite would let their employees split their time between corporate offices and remote working if their jobs allow for it. Having a hybrid or remote-first workforce allows companies to save on overhead costs and free up budget to focus on other initiatives. It also enables them to increase hiring for remote positions and reach talent from all over.

Since 75 percent of tech workers now want to work from home indefinitely, many of them are thrilled about this transition. Working remotely gives them more control over their schedules and the freedom to decide when and where they work. For employees who used to have to drive or take public transportation to get to the office, it also eliminates their commute.

Workforce Predictions About Millennials & Gen Z Have Shifted

According to Gallup, millennials and Gen Z make up 46 percent of the US workforce. Before the pandemic, it was predicted that the majority of employees across the country would fall under those generations in the near future. However due to the impacts of COVID-19, that won't be happening as quickly as expected.

Since a large percentage of Gen Z is either recent or soon to be college graduates, their job searches have been heavily impacted by tech companies' hiring freezes. In fact, 63 percent of tech companies who recruited students either slowed or stopped college hiring after COVID-19 hit. In 2020, the number of entry level open roles, usually filled by recent college grads, fell by 73 percent.

Luckily for Gen Z, more and more tech companies are starting to lift their hiring freezes. Over the next year, 89 percent of them will recruit for entry level and graduate tech roles, with 60 percent of them planning to do so at the level they did pre-COVID, and 22 percent at a slightly reduced rate. As for millennials, **48 percent** of software developers are still between the ages of 25 and 34 years old. With that said, it's expected that 74 percent of the workforce will be comprised of the two generations by 2030.

18-24		35-44	55-64
	AGE OF SOFTWARE DEVELOPERS		
- 18	25-34	45-54	65+

Tech Hubs Are Changing

In the world of tech just a few years ago, New York City, San Francisco, and Boston were the places to be. But now, tech hubs are changing.

Due to the transition to remote work during COVID-19, employees have realized they can work from anywhere—which has led to a new acronym, "WFA". The lack of a commute has led many tech employees to relocate and move to states that have lower costs of living. Now, Texas, Florida, and Wisconsin are growing as tech hubs.

In addition to permanent relocation, the WFA economy encourages employees to travel and work from all over. While working from home generally aligns an employee to their resident state, employees with a WFA mindset can go on a cross-country road trip and work in every state along the way. With new workplace trends on the rise, like the YOLO economy, WFA is here to stay—meaning tech hubs will never be the same.

Now that we've examined what makes HR so unique for the tech industry today, what trends can we expect to see going forward?

From enhancing the employee experience to offering the right benefits, we'll explore what the future of HR looks like for tech companies.
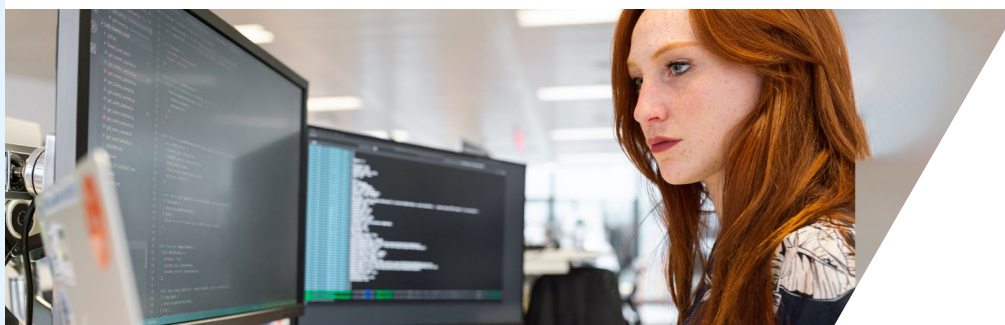
Let's get started.

Hiring & Retaining Engineers and Developers

Despite the impacts that COVID-19 had on hiring, software engineers and developers continue to be high in demand. In fact, an average of about 189,200 roles for software developers, quality assurance analysts, and testers are projected to open each year over the next decade. From 2020 to 2030, the employment of these tech workers is projected to grow 22 percent—which is much faster than the average for all occupations.

As the Great Resignation lingers, tech companies are facing the dilemma that there are more open roles than candidates. In 2021, there was an increase in software engineers and developers becoming independent contractors, freelancers, or self-employed. This shift has made filling full-time roles even more challenging for recruiters.

In this new candidate driven-market, tech companies will have to take their hiring strategies to the next level in order to attract and retain top talent.

Here are some ways tech companies will adjust their hiring processes in the future:

Digitized Processes

Looking ahead, tech companies with manual and paper-oriented hiring processes will simply not be able to compete for top talent—especially if they're hiring for remote positions. In-person interviews are now a thing of the past, which means companies will have to utilize teleconferencing tools to vet and interview candidates virtually.

To streamline and automate the entire hiring process, many tech companies will adopt a recruiting solution. Recruiting software helps companies attract candidates, coordinate interviews and feedback, conduct background checks, and extend offers. Having such a digitized hiring process will give tech companies a competitive edge.

Hyperfocus on the Candidate Experience

It's never been more important to deliver a positive candidate experience. From the job application through the final offer letter, the candidate experience influences how applicants perceive a company. In fact, candidates who have a positive experience during the hiring process are 38 percent more likely to accept an offer. A positive candidate experience also can help improve the quality of new employees, reduce hiring costs, and increase retention rates.

To make the candidate experience as seamless as possible, tech companies will have to reevaluate their interview processes. Can the number of steps be reduced and can communication be more effective? Using a high-touch approach can help keep candidates engaged throughout the process and minimizes the possibility of them moving onto other opportunities without notifying recruiters.

Compensation Benchmarking

Since it's now a candidate driven-market, tech companies will have to make sure they are staying competitive when it comes to software engineers and developers' compensation. By researching industry averages and using benchmarking, they can see how their offerings compare to other tech companies and reevaluate accordingly. Using a compensation management software can simplify this process and help companies plan, communicate, and benchmark their compensation in real-time.

Onboarding for High-Growth Companies

In 2022 and beyond, the fight for top talent won't be over after candidates sign their offer letters. If anything, that's just the first step. This means that tech companies will have to reevaluate the rest of their HR processes in order to retain their employees, starting with onboarding.

Effective onboarding directly increases employee retention by helping new hires feel welcomed from day one. In fact, Glassdoor found that companies with a strong onboarding process improve their employee retention by 82 percent. If a new hire doesn't have a positive onboarding experience, they are twice as likely to search for other job opportunities and leave the company.

So as tech companies continue to work remotely or become hybrid, what exactly will effective onboarding look like?

Here's what we can expect to see:

Virtual Onboarding Programs

Prior to COVID-19, typical onboarding was kicked off but greeting new hires in the lobby and taking them on an office tour. Luckily, with the right technology, virtual onboarding programs can be just as welcoming and effective as in-person ones.

By using paperless onboarding software, tech companies can set up new hires no matter where they're located—especially if it integrates with their recruiting solution. Through this automated technology, HR teams will be able to kick off onboarding as soon as a new hire signs their offer letter. Before their first day, they can complete their paperwork and view company resources, enabling HR to focus on company culture, benefits, and other critical topics during actual onboarding sessions.

30-60-90-Day Plans

The first 3 months can either make or break an employee's experience at an organization—which is why tech companies will start making 30-60-90 day plans a critical part of their onboarding process. Broken into 3 parts, these plans clearly outline new hires' tasks and priorities, along with any training they will go through.

To give them metrics to strive towards, these plans should also list out new hires' goals. Simply writing down goals makes employees 42 percent more likely to achieve them. These goals should be SMART: specific, relevant, measurable, attainable, and time-based.

At the 30-, 60-, and 90-day marks, managers should check in with employees. During these one-on-ones, they can discuss their progress towards goals and any roadblocks they may be encountering. This will help keep employees motivated and set them up for success, increasing the chances of retaining them.

Employee Experience & Company Culture

Today's post-pandemic workplace will require technology companies to deliver a powerful employee experience that sets them apart and keeps their remote employees connected. In fact, 92 percent of organizations indicate that enhancing the employee experience will be a priority over the next three years, while only 52 percent said it was a priority before the pandemic.

Embrace Digital Transformation

When reimagining the employee experience, tech companies will need to embrace digital transformation, rethink employee engagement, and learn how to best support distributed teams. To optimize internal processes and communication in a hybrid environment, over 60 percent of executives expect to raise spending on virtual collaboration tools and manager training.
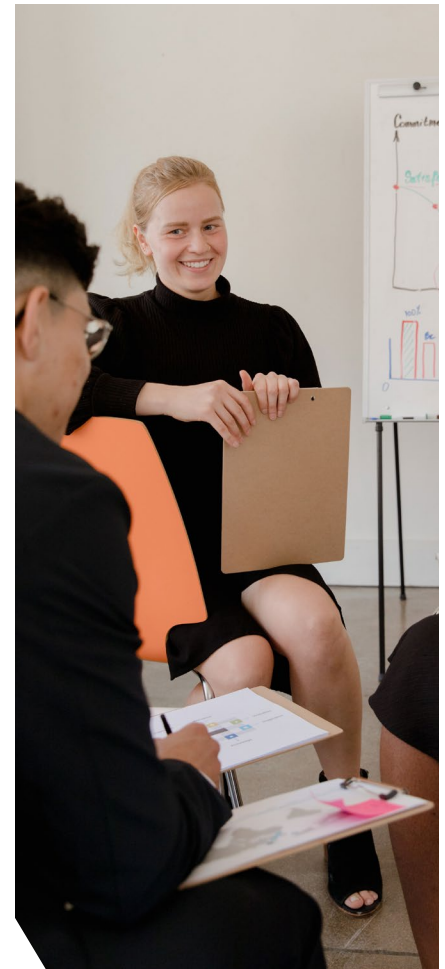
Humanize Interactions

From employee onboarding to performance reviews, HR leaders should strategize how to humanize these remote interactions as much as possible, while creating moments of personalization and connectivity. Promoting continuous feedback, work-life balance, and professional growth opportunities can go a long way in distinguishing your employee experience and developing a resilient, collaborative environment regardless of location.

Alignment with Values

Along with flexibility, employees drawn to the tech industry are looking to align themselves with companies whose cultures reflect their values and address their concerns. Ranging from being valued more to wanting to work for a more socially engaged or inclusive company, 60 percent of employees seek a better fit between their own and corporate values, beliefs, and behaviors.

Key Focus Areas

This means there will be a strong corporate focus on DEI, performance management, and recognition to upgrade the employee experience. HR leaders will need to be well versed and prepared to make decisions that resonate with their employees' beliefs and support their career journeys, while making them feel appreciated. Paying close attention to each of these three components will build trust, motivate employees, and improve your company culture to help you attract and retain top talent.
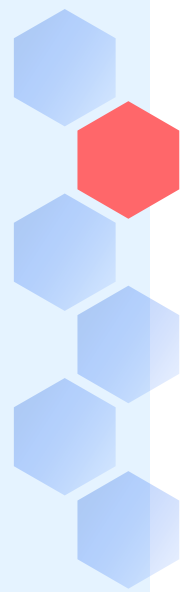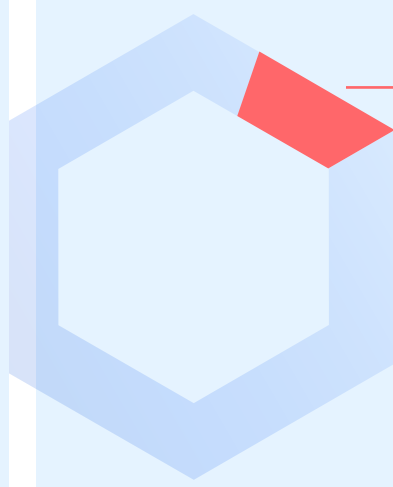
Let's dive into DEI first.
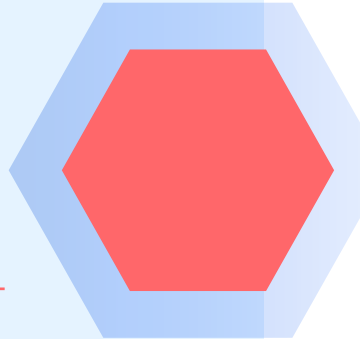
DEI

The advancement of diversity, equity, and inclusion is especially impactful in the technology industry, where unique perspectives and business approaches have led to product innovation, better decision-making, and higher performing teams. It may come as no surprise that gender-diverse and inclusive teams outperform gender-homogeneous, less inclusive teams by 50 percent on average.

Still, many tech companies are struggling to find solutions for underrepresentation, discrimination, and bias in the workplace. With 75 percent of software and tech employers feeling the pandemic has impacted their DEI efforts, there is a growing responsibility in the industry to move the needle forward.

The State of Diversity in Tech

To get a better understanding of the state of diversity in tech, let's take a look at the numbers:

- The ratio of men to women in engineering is 5:1.

- In 2021, Women software engineers only earned 91 percent of what men earned.

- 58.43 percent of professional developers identify as White or of European descent.

- 5 percent of the women in tech are Asian, 3 percent are Black, and 1 percent are Hispanic

- Women make up only 11 percent of senior leadership roles at tech companies.

- Women of color represent only 4 percent of the C-suite and only 7 percent of VP roles at tech companies.

- 67 percent of tech companies are made up of less than 5 percent of Black employees.

- Only 11.5 percent of respondents identify as something other than straight or heterosexual.

- 72 percent of the female tech workforce feel constantly outnumbered in business meetings.

These statistics are startling, but tackling issues around disparity and equity starts with acknowledging how much progress actually needs to be made.

Integral to Company Culture

To attract, nurture, and retain diverse talent, tech companies must commit to creating workplace environments that foster belonging and psychological safety. They must have policies and practices in place to welcome individuals with varied backgrounds, cultures, experiences, and thoughts. Elements of inclusivity should be deeply integrated with employee engagement programs, hiring processes, educational resources, and leadership training—making it a core part of company culture.

DEI Leadership

It's crucial for tech leaders and HR professionals to model the behavior they want employees to emulate, and take action to live out their company values with respect to diversity and inclusion. Practice using inclusive vocabulary, supporting employee activism, and sharing updates about what is being done to address the diversity issues affecting employees. Executive sponsorship and commitment to diversity and inclusion can create enthusiasm around DEI strategies and sustain the momentum needed to drive lasting change.

DEI Strategies

When setting company-specific DEI goals, consider strategies for diversity recruiting, establishing and supporting Employee Resource Groups, hosting unconscious bias training, and offering inclusive benefits. You can target specific issues around gender diversity by designing a women's leadership development program with tailored curriculums for employees who identify as women. Understanding how to incorporate these foundational practices will set your organization up for measurable success with DEI in the long run.

DEI Metrics for Success

Using DEI metrics can help you assess how effective your initiatives are and where adjustments and improvements need to be made. Implementing employee engagement surveys, and hosting fireside chats, feedback sessions, or focus groups can help you leverage employee data to continually improve your DEI efforts. Keep in mind that systemic changes will take time and that holding yourself accountable to quantifiable goals will increase your chances of success.

Performance Management

For tech companies to succeed at performance management, they will need to shift to an approach that is more continuous, data-driven, flexible, and development-oriented. In fact, organizations with continuous performance processes are <u>39 percent better</u> at attracting top talent, and <u>44 percent better</u> at retaining talent.

Continuous Performance Management

Considering that <u>95 percent</u> of managers are "unhappy" with traditional performance reviews, it's no wonder many organizations are moving away from annual performance reviews and adopting a system of frequent reviews, with a quarterly or monthly cadence. Through using <u>HR technology</u> and performance management software, managers are empowered to check in regularly and establish a channel for mutual expectation-setting and real-time feedback. Employers can leverage this to strengthen the relationship between learning and performance, as well as the relationship between managers and employees.

Automate Team Feedback

While conventional performance reviews focus on individual development, tech leaders are investing in tools that analyze team performance, skills development, and coachability. For instance, <u>Lattice's performance management software</u> integrates with Slack to automate team feedback from its channels, creating a unique point of reference for managers when writing reviews.

Transparent Goal Setting

With performance management software, organizations can upload, share, and track performance goals at the individual, team, and company level—allowing employees to visualize how their roles relate to the greater business outcomes. There's also access to prior performance reviews in a centralized location, so managers and employees can track performance over time. When conducting <u>360 reviews</u> or collecting feedback from multiple reviewers, performance management software can streamline the process with configurable and intuitive assessment forms.

These features create transparency, cohesion, and efficiency—all of which come together to produce a high performing culture that drives results.

Recognition

Recognition initiatives are a vital part of motivating, engaging, and retaining your tech employees, especially in a hybrid or remote working environment. Recognizing employees demonstrates what behavior your company values and correlates directly with employee engagement and quality of work produced. In fact, 40 percent of employees say they'd put more energy into their work if they were recognized more often.

Build Loyalty

Employees who receive meaningful recognition are three times more likely to recommend their company as a great place to work and two times more likely to work at their company two years from now. From verbal and written praise to peer recognition, recognition programs foster a culture of brand loyalty among employees that directly impacts their tenure, as well as your company's reputation and perception in the marketplace.

Incentivize Individual Contributors

Besides promotions and pay increases, tech employers can offer their individual contributors recognition through spot bonuses, organizational awards, implementing a President's Club, or incentives for projects. Rewards like this can energize employees and deepen their relationships within the organization, creating a sense of pride and ownership.

Consider Team Rewards

To get employees thinking about collective company goals, top-performing tech companies are also using non-monetary rewards, including experiential rewards, award points, and group incentive travel. These types of rewards are more social in nature, encouraging employees to share their rewards and experiences they've earned with their colleagues.

Connect to Organizational Goals

Recognition is especially meaningful when tied to a larger business objective or specific accomplishment. Connecting employee recognition to the company's bigger vision celebrates their unique contributions and abilities while showcasing the value they add. Ultimately, this increases employee job satisfaction, sparks innovation, and inspires effort.

Benefits & Compensation

Benefits are a hot topic for any company—but this is especially true for technology companies, who, as mentioned earlier, are in a constant fight for top talent. In recent years, tech companies have relied on their ability to offer higher-than average salaries and in-office perks, like bars, hotel-like facilities, massages, ping pong tables, and inordinate amounts of branded swag.

But as the talent market heats up and employees' opinions of what really matters to them changes (hello, WFA!), these baseline benefits will no longer cut it. In the future, we can expect tech companies (and their recruits) to focus even more on total rewards (the combination of benefits, compensation and rewards that employees receive from their organizations) rather than just salary or in-office perks.

Let's look at a few benefits that we expect to increase in popularity in the coming years:

Care Benefits

According to Harvard Business Review, 57 percent of senior leaders are assigning higher priority to care benefits to support their employees in both work and life. Care benefits include child care and senior care, to name a few. In fact, 41 percent of leaders plan to newly offer or expand senior care benefits to employees, and 63 percent plan to increase their company's already existing child care benefits. Care benefits can include access to paid services, cash subsidies, support groups, familial leave, in-home care, and more. Those who have introduced care benefits have seen increased productivity and decreased absenteeism.

Flexible Work

After 2020 and 2021, it's no secret that remote work, well, works. And by the way, makes 76 percent of engineers happier. But though many employers have begun to accept this new world of work as a productive one, the issue of flexible schedules still looms— even when nearly 40 percent of job candidates prize schedule flexibility when making career decisions. We expect employers to come around to the idea that, just as it doesn't matter where employees work, when you work is less of a priority as well.

The 4-Day Workweek

It may sound impossible, but over the coming years, we expect the 4-day work week to become a top benefit for many technology companies. It's less surprising/ scary when you note that the 5-day, 40-hour work week only became popularized with the passing of the Fair Labor Standards Act in 1938.

Mental Health Benefits

COVID-19 brought about an increased focus on mental health in the workplace— one that is unlikely to go away anytime soon. In fact, according to Google, how to maintain mental health was searched more this year (2021) globally than ever before. To help support employees' mental health and to counter burnout, companies will likely increase their mental health benefits to include full-on therapy, telehealth counseling, and mindfulness app subscriptions.

Student Loan Repayment

Forty-four million Americans owe more than $1.5 trillion in student debt, with the average college graduate leaving a private four-year university owing $32,600. To help ease the financial burden on younger employees, many companies have introduced student loan repayment assistance. Some companies are slow to adopt the financial benefit, but employees are incredibly interested in the perk. One survey found that 86 percent of employees said they would commit to a company for five years if an employer helped pay back their student loans.

Fertility, Reproductive Health, and Family-Forming Benefits

Did you know that nearly a quarter of U.S. organizations now cover the cost of in vitro fertilization (IVF) treatments and 14 percent provide financial assistance for adoptions? This trend is growing, and has increased significantly over the past 5 years. We expect benefits of this type to skyrocket in popularity over the next 5. Fertility, Reproductive Health, and Family-Forming benefits can include things like infertility diagnosis and medication, IVF, intrauterine insemination, adoption aid, egg freezing, the procurement of donor eggs or embryos, and gestational surrogacy. But they can also include benefits like educational seminars, hormonal health check-ups, reproductive health conditions leave, and menopause policies.

Of course, these are just a few of the benefits we expect to see on the rise. HR should also still pay attention to things like tuition reimbursement, professional development, healthcare, 401k, vision, and more.

Data-Driven Decision Making

Tech companies have always been known for their focus on data; it's at the heart of what they do. And this should be true of their HR teams, too.

Tracking and reporting HR metrics is an important way to quantify initiatives, track progress toward goals, and enable informed decision-making. And over the next 5-10 years, HR at tech companies will become increasingly more data driven. Not only will HR use data to make people decisions, but company leadership will lean on HR leaders for data that will help them make larger corporate choices, as well.

Some of the data points that we expect will become commonplace to measure are:

Quality of Hire

You could call quality of hire the "holy grail" of people metrics. Many organizations score employees based on a number of factors, including productivity, engagement, and adherence to company values. Identifying your company's list of most valued characteristics in a new hire is the first step. Your list should include what matters most at your organization.

For each of your chosen factors, implement a rating system that ranges from one to five (e.g., severely underperforming, underperforming, neutral, satisfying expectations, exceeds expectations). Then you can use this formula: Quality of Hire = Average of (Performance + Productivity + Job Fit + Values Fit).

Turnover Rate

Out of all the data points measured by HR, few are as essential as turnover. Quite simply, turnover rate measures the number of employees who leave your company within a set period of time. While your base metric should include both voluntary and involuntary terminations (people who quit or are asked to leave, respectively), you can calculate turnover separately for both types of departures.

To calculate turnover rate, tally the number of involuntary and voluntary terminations over the timeframe you're considering (typically a year). Then, divide this amount by your average headcount during that same period. Finally, multiply this number by 100 to arrive at a percentage.

Career Path Ratio

The notion of the career "ladder" has been relegated to the dustbin. Employee movement at modern day organizations is multi-directional —meaning lateral moves across departments and specialties are becoming more the norm. Enter our next metric: career path ratio, or a measure of how many internal moves are promotions versus lateral transfers.

To calculate this metric, simplify divide your total number of promotions by the sum of all role changes, regardless of whether it was an upward or lateral move. If you did the math correctly, the resultant figure should be less than 1.

Unsure of what a healthy career path ratio looks like? The rule of thumb is that companies should average approximately four transfers for each promotion, meaning a career path ratio of 0.2 or less. If your ratio number ends up between 0.5 and 1.0, that may be indicative of a problem with how your business approaches development. In cases like these, managers may be guilty of "talent hoarding," or shielding high-performers from any and all transfer opportunities.

Pay Equity

A pay equity audit requires you to examine your company's payroll data for evidence of a pay gap and make appropriate recommendations to senior management. The goal of a pay equity audit is to understand whether employees performing similar work at the same level are paid consistently. This is a separate analysis from your annual pay adjustment cycle.

It is important to consult with a lawyer when you audit your pay practices; audits completed with a lawyer should be protected by attorney-client privilege. Start by pulling employee pay data and consider how you want to group the data. Good groupings are key to ensuring your findings are sound. You'll want to look for things including: Pay gaps hidden in certain job titles or departments; underpaid high performers and overpaid low performers; significant differences in promotion rates, raise frequencies and bonuses; and men and women who do similar work, but are not at the same job level.

eNPS

Measuring your company's employee Net Promoter Score (eNPS) empowers your team to get an accurate read on something as subjective as how individuals feel about work.

If "NPS" sounds familiar, that's for a good reason. Originally conceived of by business strategist Fred Reichheld as a way for companies to gauge customer satisfaction, NPS surveys ask participants one "ultimate" question: "What is the likelihood that you would recommend [...] to a friend or colleague?"

Respondents are asked to measure their approval on a scale of 0 to 10. Those who respond with a 9 or a 10 are considered "promoters," and those who answer 0-6 are detractors. Anyone in between those ranges is considered "passive." An overall score is calculated by subtracting the percentage of employees who are detractors from the percentage who are promoters.

All action planning around engagement should be driven to raising that metric over time. This is also the most essential measure to observe with consistency. It's always tempting to change up the questions, but don't do it for at least the handful of questions that drive the overall engagement measurement.

About Namely

Distinguished by its intense commitment to diversity, equity, and inclusion, HR technology leader Namely is an employer of choice that helps mid-sized employers and their employees thrive. Delivering and streamlining the complexities of recruiting, onboarding, time & attendance, performance management, benefits administration, compliance, payroll and analytics from a single platform, Namely also offers Managed Payroll and Benefits services. The company further differentiates the client experience through personalized service and easy-to-use applications. Learn more at Namely.com and follow us @NamelyHR.