

Identifying and Compensating Critical Workforce Segments



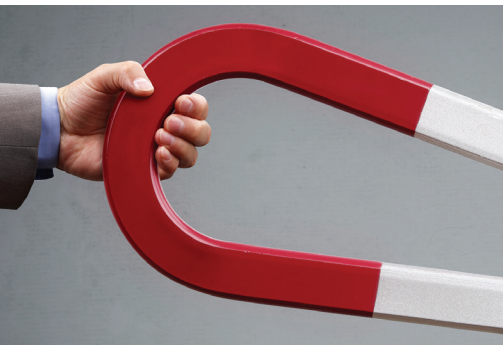
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Identify critical roles in your organization to attract needed talent.

As the U.S. economic recovery has gained momentum over the past three years, individual clients have asked for compensation data on what is termed “hot jobs.” In reviewing the disparate requests, there needed to be a more systematic approach to three questions:

- How should hot positions be identified and categorized?
- Which hot jobs are critical to an organization?
- How can these jobs be handled from a compensation perspective?



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as new business models, government regulations and technologies emerge in the marketplace.

As the market takes time to react to these changes, there is an immediate shortage ... **for these specialized skills.**

To provide answers to these important questions, Emsight and Deloitte Consulting have combined data and client experiences to provide insights and perspectives on identifying hot jobs, distinguishing critical workforce segments and paying these groups appropriately to attract and retain the talent needed to achieve an organization's goals.

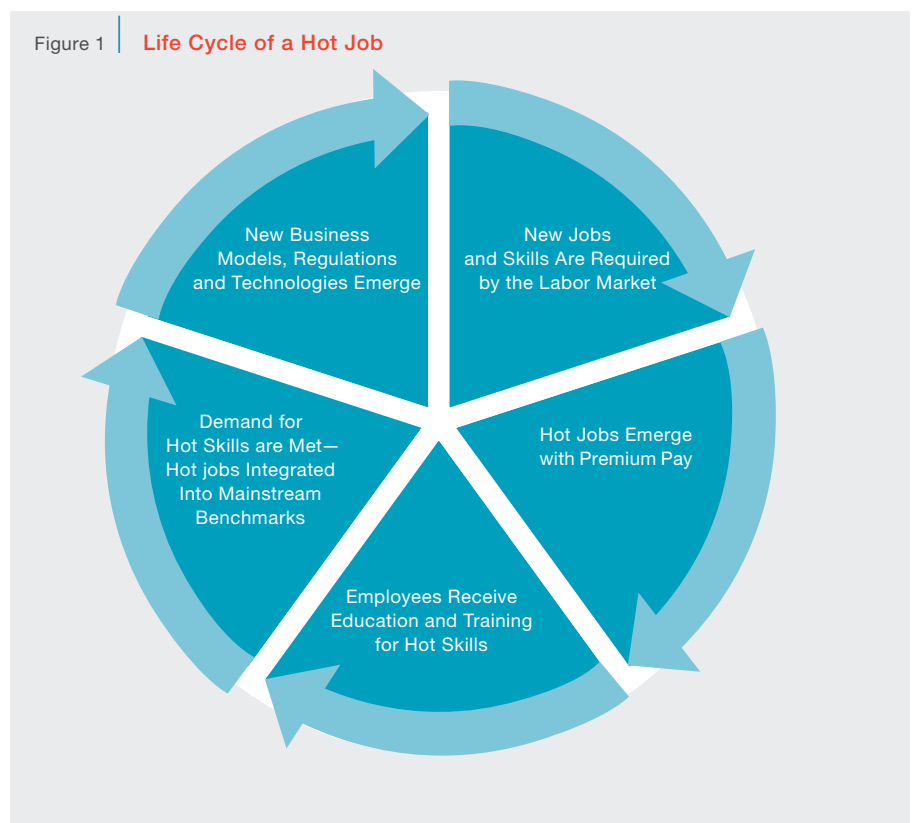
What's Hot and What's Not?

A hot job can be defined as one that is new in the marketplace where the demand for skilled talent currently outstrips the supply of labor. The requirement for newness to be a hot job is not absolute, as demonstrated by the surge in demand for common business-oriented language (COBOL) programmers immediately prior to the year 2000 (Y2K). When legacy business systems needed to be reprogrammed in anticipation of the Y2K bugs, there was an increase in demand for COBOL programmers despite it being an older computer programming language from the 1950s. The demand for COBOL programmers may heat up again as a result of the age profile of the current population. Therefore, hotness is a dynamic and unpredictable process which would benefit from structured analysis. Additionally, a hot job may not necessarily be a position that is critical to the company.

Life Cycle of a Hot Job

The life cycle of a hot job begins as new business models, government regulations and technologies emerge in the marketplace. As the market takes time to react to these changes, there is an immediate shortage in the supply of labor for these specialized skills. In the near term, this skills shortage drives up salaries

and bonuses for hot jobs. Over time, employees receive training and education in these hot areas and a skilled workforce emerges. In the long term, these hot jobs and skills become integrated into the labor market as standard benchmarks. Ultimately, business and technology continue to evolve and the life cycle of the hot jobs continues.



Identifying Today's Hot Jobs

Empsight received data on newly created jobs from 61 companies during a survey in 2014 and early 2015. Results from the survey identify the following job families as being hot jobs in the marketplace:

- Anti-Money Laundering (AML)/Bank Secrecy Act Compliance (BSA)
- Big Data Analytics/Data Scientist
- Cloud Computing
- Customer Experience Management
- Digital Marketing
- Diversity & Inclusion
- Information/Data Security
- Mobile Applications Development
- Privacy Management.

Several of these hot jobs, including digital marketing, information security, big data/analytics, mobile applications, cloud computing and privacy management, have risen across multiple industries. Other hot jobs are industry specific, including those in AML/BSA compliance. Specifically,

these jobs are in high demand in the banking industry because of new government regulations.

Critical workforce segmentation identifies hot jobs that are vital to your organization.

It's important before you look at your rewards strategy to confirm whether a role is critical to your organization. Don't panic just because a job appears in a hot jobs article or survey. Companies can use critical workforce segmentation to identify and differentiate important hot jobs in their organization from hot jobs in the marketplace that are less essential. A critical workforce segment is defined as jobs or job families in the organization which meet two criteria:

1 | They have a disproportionate impact on the value chain of the organization (i.e., they play a key role in creating or delivering value).

2 | They are in short supply in the labor market.

As such, many, but not all, hot jobs are also defined as critical workforce segments comprised of highly skilled individuals who drive disproportionate value.

Figure 1 illustrates the four segments that the workforce in any organization can be divided into: specialists, core, flexible and critical. As noted earlier, the critical workforce is composed of those jobs that have a high impact on the value chain and also are in short supply in the marketplace.

Jobs that compose the critical workforce segments can be identified in different ways. One effective method is to conduct a series of workshops with human resources and/or line managers where job titles and/or job families are plotted on the matrix in Figure 2, assigning each job family to one of the four workforce segments.



Companies often struggle to identify what is competitive compensation for hot jobs ... If the job is a critical workforce segment, companies may use a variety of strategies to compensate the hot job.

Although all titles in the organization should be reviewed, a good place to start are the hard-to-fill job title lists that are kept by the recruiting function. These titles can be reviewed to see if they fit both the hard to fill/short supply criterion, as well as being key to delivering value in the organization.

Differentiating Rewards for Hot Jobs and Critical Workforce Segments

Companies often struggle to identify what is competitive compensation for hot jobs. Competitiveness also depends in part on whether the hot job is identified as a critical workforce segment in their organization.

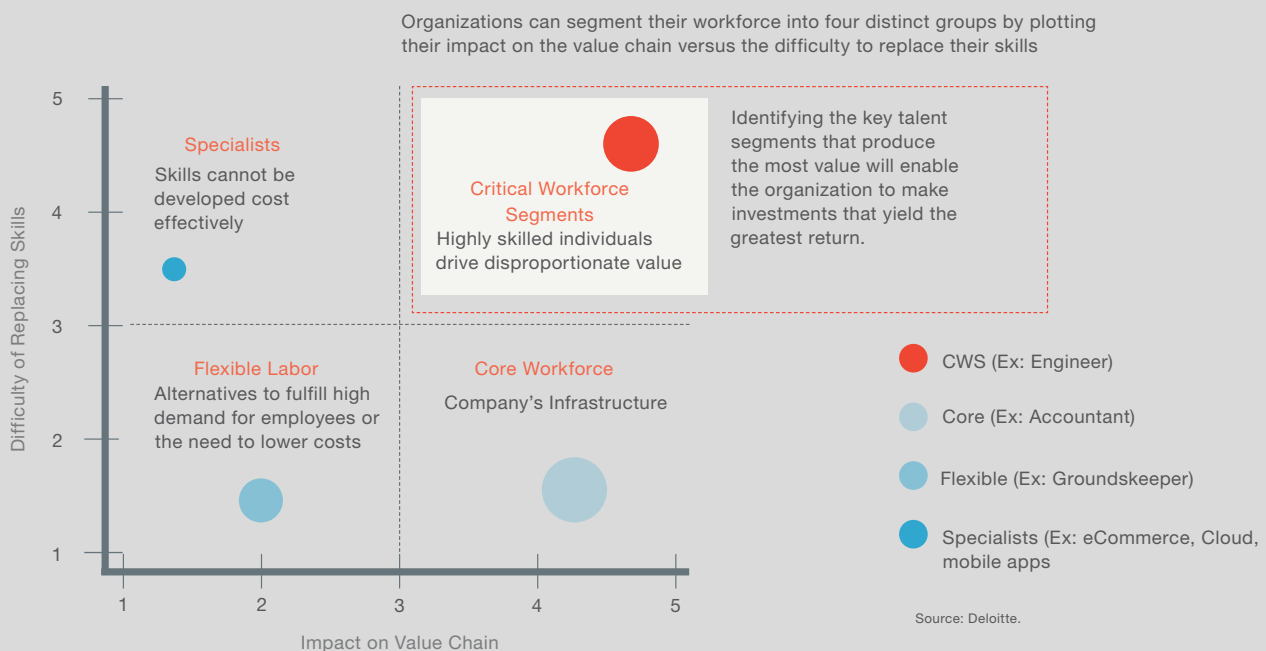
If the job is a critical workforce segment, companies may use a variety of strategies to compensate the hot job.

Base pay. The first strategy is to benchmark hot jobs against standard benchmark positions and apply a pay premium for the hot skill or criticality of the role. For example, a company may target a hot job at the 60th to 75th percentile of market pay.

The second approach is to benchmark a hot job using specialized hot skills surveys and pay the competitive market rate for those jobs. And of course, if they are also critical workforce segment roles, some amount above competitive levels may be appropriate.

Incentives. The third strategy for getting and keeping these important hot and critical roles is to award additional short-term incentives (STI) above and beyond the normal award the job would receive if it weren't a hot job or critical workforce segment role. Of course, it's standard industry practice to provide sign-on bonuses when needed. This strategy, however, goes a step further and provides enhanced STI throughout the career life cycle, as long as the role remains hot or critical. The fourth strategy for getting and keeping hot or critical talent is to award substantial long-term incentive (LTI) grants, irrespective of grade level and whether the job is normally eligible to receive

Figure 2 | Critical Workforce Segments



LTI. These may include sign-on grants to new hires and/or annual awards. Additionally, retention incentives may be added to help secure talent for the longer term.

Leading practice organizations position CWS jobs between the 60th and 75th percentiles of the market, with special attention paid to the total rewards package, which includes base pay, bonus, benefits, company culture or work/life balance, and development and career opportunities.

All of these strategies are ways organizations can send a clear message that incumbents in hot jobs and critical workforce segments add great value to the organization.

Lowers Costs, Reduced Turnover

Identifying and rewarding hot jobs and critical workforce segments is an important task for any organization. Applying focus and rigor to the process can add great value in attracting and retaining these key parts of the workforce. Time and effort invested can provide a high

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return in terms of lowered cost of recruiting and reduced turnover — two goals that most organizations strive to achieve. **WS**

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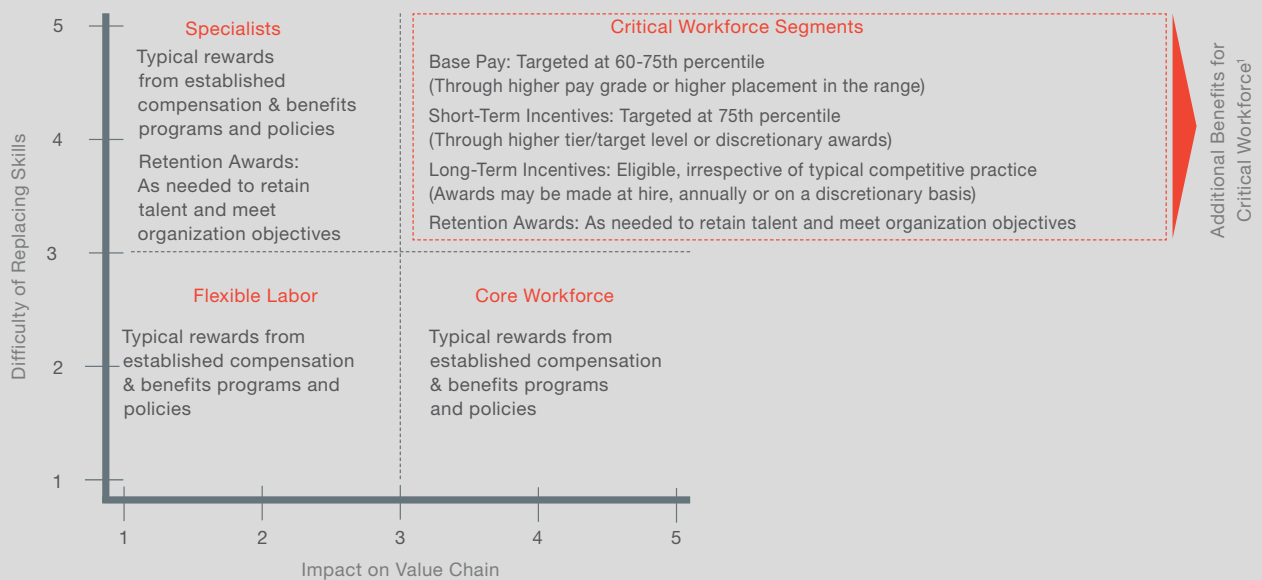
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For more information, books and education related to this topic, log on to www.worldatwork.org and use any or all of these keywords:

- Compensation
- Hot job
- Incentives.

Figure 3 | **Compensating Critical Workforce Segments**



¹ Additional benefits may include extra PTO day(s), enhanced work-life opportunities (e.g. ability to work from home, flexible work schedules), spot bonuses for contributions and/or exceeding expectations, etc. Sign-on bonuses may also enhance the organization's ability to recruit specialists and critical workforce segment talent.