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# The new employee deal in the technology industry

**How COVID-19 and the ESG movement
are redefining the workplace**
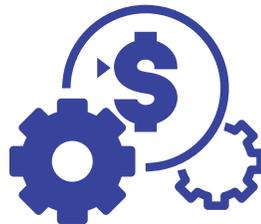
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# American technology company worker perspectives since the onset of COVID-19

## Culture

**87%** company has made them feel like a valued employee
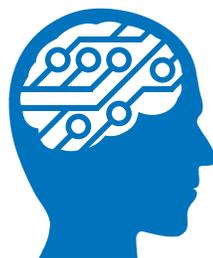(overall survey findings – 75%)

**81%** company culture has improved
(overall – 70%)

## Work

**73%** job is more demanding now
(overall – 60%)

**68%** find work/life balance difficult
(overall – 56%)

## Concerns

**70%** concerned about their job elimination
(overall – 57%)

**67%** concerned about job replacement due to technology
(overall – 44%)

Source: KPMG COVID-19 and the American Worker survey, April 2020

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# Introduction

**As COVID-19 transforms the work experience, technology companies want to know how their workers are adjusting and how they can plan for a smart transition to a new working environment. Additionally, the renewed emphasis on responsible environmental, social, and governance (ESG) practices is forcing organizations to examine their corporate citizenship and inclusion and diversity efforts and adjust their employee deal.**

While organizations consider the long-term implications of the current health crisis, climate change, and social movements on how and where people work, companies that enthusiastically support the new employee deal will thrive. They can use the disruption as a catalyst to enable a new, flexible, digitally skilled workforce that is equipped to perform in the new reality.

While many industries are confronted with the need for accelerated digital transformation, technology companies are ahead of the curve on this journey. Instead of focusing on the tactical elements of technology enablement, they can hone their employee experience and talent management strategies. This is critical because:

— Creating a consumer-like experience will help to keep employees engaged and motivated

— Digital transformation without a workforce strategy is just optimization

— The most brilliant innovation is irrelevant if employees are not skilled enough to use it

CEOs, CIOs, and CHROs who embrace the new employee deal and quickly implement corresponding human capital and technology strategies will be well positioned for success in the new reality and their employees will be better off for it.

# About the research

The insights in this report are supplemented by findings from the KPMG COVID-19 and the American Worker survey and the global Technology Industry Innovation survey.

The COVID-19 and the American Worker survey polled 1,000 full-time and part-time workers across a range of industries and company sizes. The goal of the survey was to determine how workers are holding up, what employers can do to maintain employee morale and productivity, and how employers can begin to plan for the transition to a new working environment. 223 respondents were from the technology industry. The survey was conducted in the second quarter of 2020 by KPMG LLP (U.S.).

The Technology Industry Innovation survey, now in its eighth year, explored technology trends and captured the impact that new technologies are having on business operations. It included responses from more than 800 global leaders in the technology industry. Twelve countries were represented and 54 percent of the respondents were C-level executives. The online survey was completed in the first quarter of 2020 and conducted by KPMG LLP (U.S.).

# The new employee deal

## Create a consumer experience to keep employees engaged

Times of crisis lead people to reevaluate their personal situations, including their careers. COVID-19 and the resurgent call for improved corporate ESG practices represent a litmus test against new employee expectations. The tech sector is already in a war for talent and companies need to recruit, retain, and engage top performers. One way to do this is to treat employees and candidates like consumers who have freedom of choice and therefore must receive an exceptional experience from a company with similar values. In exchange, successful organizations will receive long-term loyalty and an engaged workforce.

## Defining the new employee deal

The employee deal, or the psychological contract between an employer and an employee, has changed. Today's "contract" includes:

— The type of work employees are doing. Is it personally fulfilling? Does it maximize the employee's unique abilities?

— Are employees able to connect their personal values and beliefs to their work and employer?

— The degree to which the employer facilitates employee well-being, mental health, and skills.

The way an organization interacts with, leads, and develops people during the phases of COVID-19 and recent social movements will determine employees' willingness to remain in the contract. Corporate support for environmental stewardship, social and workplace equality, strong governance, continual digital transformation, and human-centered design are now all part of the new expectation— not a "nice-to-have" as they once were.

The culmination of recent social, political, and cultural events is a pivotal moment where organizations have the opportunity to combat inequality and make a positive impact in their workforce and communities. Employees are now expecting that employers provide access to robust resources for underrepresented populations and their allies. However, resources are not enough. People are also expecting that their organizations take a role in advancing equality and justice through actions. Inclusion and diversity strategy will be a new component of the employee deal and will impact how candidates and employees feel about working for an organization.

Flexibility, autonomy, life-long training, and remote working opportunities are also becoming more important aspects of the employee deal. Employees expect to be treated as consumers and be provided high levels of service in exchange for "buying into" the organization. Organizations must realize that employees have choices and tailor their efforts to appeal to different individuals with unique values and motivations.

# Reframing the new employee deal

**Degree of Permanent Change** →

## Hard reset – Emphasize stability

Industries and sectors that struggle due to sustained low demand for products/services and insufficient capital to weather the recession:

– Optimize human capital to reshape workforce. Shifts in operating models make many current roles redundant; need to balance cost vs. future capabilities

– With the emphasis on cost cutting, stability and job security become keys to the reframed employee deal

## Surge – Find and capitalize new value

Industries and sectors that have thrived in the pandemic as changing consumer behaviors alter the market in their favor:

– May not have the talent to keep up with demand, but have resources to emphasize total rewards to attract talent

– The new employee deal must be sustainable and agile. Now may change in the new reality; risk sliding into a hard reset

## Transform to reemerge – Opportunity to transform

Industries and sectors that will recover, but along a protracted path dependent on reserve capital and flexibility to meet new consumer demands:

– Reskilling current employees to meet changing business needs presents the opportunity to cut costs by retaining existing talent

– Emphasize professional development and options for flexible work in the reframed employee deal

## Modified business as usual – Emphasize balance

Industries and sectors seen as essentials that will suffer effects of the shutdown but rebound quickly as consumer demand returns:

– Short-term needs to reduce costs must be balanced with positive long-term outlooks. Retaining existing talent is critical

– Enable employee autonomy, provide flexible work arrangements, and reskill while communicating that cuts are temporary to reduce risk of talent flight
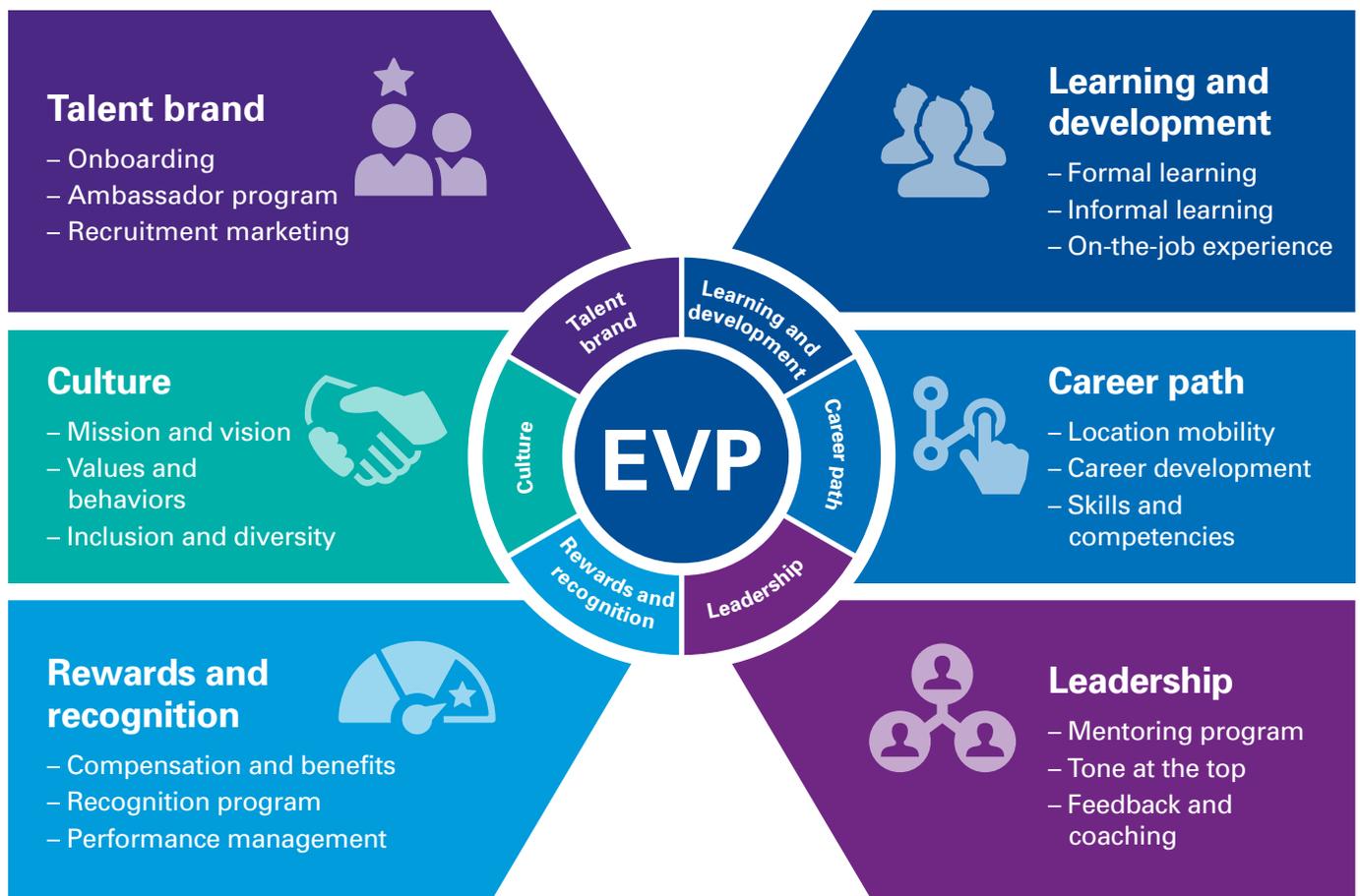
**Pace of COVID-19 Recovery** →

# The employee value proposition

Technology companies face fierce competition for talent as candidates have many choices and more readily available information about companies. People are now much more discriminating when choosing potential employers—making the employee value proposition (EVP) an essential part of an organization's people strategy. The EVP should both:

— Demonstrate to prospective employees what they can expect once they are hired

— Validate the expectations current employees have of their employer

Being clear and consistent around the value proposition is critical. Organizations should continually assess the EVP to identify any gaps between what the employee was promised and what employees are actually experiencing. Companies may consider segmenting by stage of life, function, types of talent, and geography when thinking about EVP and should offer flexibility based on that segmentation while keeping the overall message consistent. This will address differences in preferences and maximize return on efforts.

## Components of the EVP

**Talent brand**
– Onboarding
– Ambassador program
– Recruitment marketing

**Learning and development**
– Formal learning
– Informal learning
– On-the-job experience

**Culture**
– Mission and vision
– Values and behaviors
– Inclusion and diversity

**Career path**
– Location mobility
– Career development
– Skills and competencies

**Rewards and recognition**
– Compensation and benefits
– Recognition program
– Performance management

**Leadership**
– Mentoring program
– Tone at the top
– Feedback and coaching

**EVP**

Talent brand · Learning and development · Culture · Career path · Rewards and recognition · Leadership

## Flexibility and work/life balance

Technology companies play a vital role in keeping the world connected and companies operating. This has never been more evident or crucial than during COVID-19. As a result, perhaps it is not surprising that 68% of technology sector respondents to the KPMG COVID-19 and the American Worker survey are finding work/life balance difficult— higher than any other industry. This is despite the fact that many of the tech workers surveyed were already working a significant number of hours remotely each week. Before COVID-19, almost half (45%) were spending more than 20 hours a week working remotely. Additionally, 73% report that their job is more demanding now, which is significantly higher than any other sector.

Flexibility and work/life balance are key factors of the new employee deal. If organizations approach flexibility in a thoughtful way, there can be positive implications for employee engagement. According to a Gallup study on the State of the American Workplace, employees who spend some time working remotely have increased performance and positive employee engagement*. Some technology companies have recently announced the move to a permanent work anywhere model, so competitors will need to evaluate what this means for their workforce and talent acquisition strategies. Regardless of remote work policies, organizations will need to meet people where they are emotionally and with their level of comfort around in-person interaction in the new reality.

*Source: Adam Hickman and Jennifer Robison, "Is working remotely effective? Gallup research says yes", Gallup Inc., January 24, 2020

## Work satisfaction and mental health

Other essential considerations in the new employee deal are work satisfaction and mental health. Managers and leaders should consider the factors that motivate employees and be cognizant of recognizing and supporting individuals, particularly during this uncertain time. The degree to which workers feel appreciated and supported by their employer will make a significant difference in employee performance.

The technology sector is doing well in this category, with 87% of respondents in the COVID-19 and the American Worker survey agreeing that their company has made them feel like a valued employee—higher than most other industries.

Organizations should also prioritize the mental health of their workforce during COVID-19 and the current socioeconomic climate and adjust their HR policies and programs accordingly. For example, HR teams should look to address mental health challenges with increased resource availability and work/life balance flexibility. Empathy, understanding, and kindness go a long way toward building a better workplace environment for all.

# 87%
**of tech industry respondents agree that their company has made them feel like a valued employee, even while most report their job is more demanding now.**

Source: KPMG COVID-19 and the American Worker survey, April 2020

## Accommodating the multi-generational workforce

There are demographic dynamics to consider in accommodating the multi-generational workforce and delivering an optimal employee experience and value proposition. Each generation has different expectations, workstyles, and motivations.

### Generation Z
- Value earning power and job security
- Possess an entrepreneurial spirit
- Seek technological sophistication
- Want to pursue multiple career paths at once; likely to move around within one organization with a lot of demonstrated opportunities

### Generation X
- Value flexibility and work/life balance
- Tend to be individualistic
- Want options to progress their careers and increase responsibility in their roles; likely to move between organizations for the right opportunity

### Millennials
- Value purpose and meaning
- Work with others in a collaborative style
- Want to move though their career path very quickly; likely to move between organizations in order to gain experiences

### Baby boomers
- Value loyalty
- Possess a strong work ethic
- Increasingly choose to remain in part-time roles rather than retire
- Want to move up the corporate ladder by proving themselves; likely to remain in the same organization

To accommodate the different needs of each generation, technology companies may need to emphasize different segments of their EVP according to life stage while keeping the overall message and components consistent.

**Generation Z** (5% of the American workforce**) have grown up in a world of instant connectivity and are motivated by exciting fast-paced environments and interesting work.

**Millennials** (35% of the American workforce**) tend to have a loyalty that wavers and are motivated by responsibility.

**Generation X** (33% of the American workforce**) are likely raising families, so are driven by financial obligations and tend to value good pay, robust benefits, and stability.

**Baby Boomers** (25% of the American workforce**) are loyal to employers and motivated by training and leadership opportunities. Some may delay retirement due to the economic impact of COVID-19, extending the time that multiple generations will be working together.

** Source: Richard Fry, Millennials are the largest generation in the U.S. labor force, Pew Research Center Fact Tank, April 11, 2018

# Digital transformation is now business as usual for technology companies

## Transformation without a workforce strategy is just optimization

The massive shift to remote work in response to COVID-19 has led tech companies and employees to realize that more individuals can and will be working remotely more often. Employees are adopting a consumer mindset as they look to understand the value proposition of working for an organization and the kind of employee experience a company provides. In order for tech organizations to obtain and retain top talent, they need to treat their employees as savvy consumers. This includes continuous digital advancement to make work more efficient and fulfilling, leading to a richer employee experience.

### Digital experience

Organizations will need to have the right technology in place to not only serve their customers, but also to support their employees' new ways of working. Now more than ever, access to information and systems must be available 24/7 no matter if employees are in the office or working remotely. Organizations are moving towards shifts —"A Teams" and "B Teams"— and are increasing the flexibility of work options. Employees will demand robust mobile capabilities and digital tools as they explore the new flexible way of working.

It will also be essential to be strategically thinking about technology so that the entire organization—not just the back office—is moving forward. Wide-ranging systematic digital transformation should be the goal, not just optimization of a few processes. This means the workforce transformation strategy needs to be in lock step with the system transformation strategy.

## Clear communication is essential

As organizations look to embrace new technologies, they should take a thoughtful approach with clear messaging. In the KPMG study of COVID-19 and the American Worker, two-thirds (67%) of technology sector employees expressed concern about job replacement due to technology. Contrast this with a finding regarding artificial intelligence (AI) from the KPMG Technology Industry Innovation survey where 67% of global technology company leaders believe that AI will create more jobs than it eliminates over the next three years.

Given these differing perspectives of employees versus leaders, companies should ensure their communications strategy highlights how the workforce will be reskilled or redeployed and how transformational technologies can often create new jobs that enhance human productivity, creativity, and innovation.

# 67%
**of technology sector employees expressed concern about job replacement due to technology.**

Source: KPMG COVID-19 and the American Worker survey, April 2020

# Workforce transformation

## The most brilliant innovation is irrelevant if employees are not skilled enough to use it

The need for workforce shaping and transformation has been significantly accelerated due to the pressure that COVID-19 has put on firms to become efficient and digitally advanced. As previously stated, the strategies for both must move forward together. In order to be truly transformative, tech companies need to think about how technology complements and enhances the workforce, rather than replaces it. Building an effective, future-ready workforce will require a mindset of lifelong learning that upskills employees in a cyclical manner as transformational technologies are adopted.

Yet only one-third of technology companies are planning on upskilling more than half of their workforce in the next three years, according to the KPMG Technology Industry Innovation survey. And when asked, "How is your company preparing its workforce for the adoption and impact of new technologies?," the most frequent response was to hire new people from the outside.

## Talent assessments

The focus of talent management professionals is going to be around workforce shaping by reskilling and upskilling employees. Actually, it's a topic that all leaders at every level should be thinking about. A robust talent assessment, tied to strategy and business performance, is a key starting point to understand the current state of an organization's workforce and begin the workforce shaping journey. The steps of a talent assessment are as follows:

**1** Identify the critical work as well as the non-essential work

**2** Identify the soft skills and technological proficiencies required to accomplish the critical work

**3** Understand where those skills exist today in the organization and where the gaps are.

## How technology companies are preparing their workforce for new technologies

**Hiring new skill sets into the organization**

**Reskilling workers who will experience the greatest impact from new technologies**

**Planning to use a contingent workforce (i.e., freelancers, independent professionals, temporary contract workers, independent contractors)**

**Acquiring new skills and competencies via mergers and acquisitions**

91%

84%

82%

75%

Source: KPMG 2020 Technology Industry Innovation survey

## Deciding who to upskill

Once there is a solid understanding of current workforce capabilities, leaders need to decide who to upskill. Since in-demand hard skills are constantly changing, organizations need to be strategic about who they choose to upskill. Formal learning programs, mentoring, and even online training are expensive and time consuming, so targeting the right individuals will be important.

Using the results of a talent assessment, leaders should consider individuals who are the most adaptable, curious, and flexible. Companies can match employees who have high intellectual curiosity and ability to learn in-demand skills. Even when these skills eventually become outdated, these individuals can flex to learn the next up-and-coming skill. Especially in the tech sector, curious people who are quick studies will bring a competitive edge to an organization by accelerating speed-to-market for products and championing innovation.

## Borrowing and buying talent

The technology sector will likely see an uptick in borrowing talent as companies adopt agile ways of working. It is worth considering contractors and gig workers as a supplement to the workforce to help drive special projects. It's also a good way to increase inclusion and bring in diverse perspectives. But before going external, existing mobility policies and opportunities should be explored. Is there a skillset that finance can lend to operations? Can groups partner across the organization for an internal consulting model?

There will also be cases when companies need to hire outside talent to complete the skills and competencies needed to be effective. Technology organizations are in a better position than most other sectors because their business models are slightly less disrupted by COVID-19 than some others. If appropriate, companies should seize the opportunity to hire talented people seeking a career change. Individuals who might otherwise not be in the market for a new job may now be looking for work given the economic downturn caused by COVID-19. Or they may be looking to make a change given a shift in personal priorities.

**Considerations when borrowing and buying talent include:**

— **Identifying the skill and competency gaps** between current in-house high performers and need

— **Being thoughtful about your talent acquisition strategy.** What tools and tactics do you use to select the right external candidates (e.g., case studies, work samples, personality assessments)?

— **Collaborating with the education sector** on internship and apprenticeship programs to provide on-the-job experiences to students. Consider if you've built a pipeline for malleable, inexpensive talent

— **Determining how you are measuring potential** and intellectual curiosity in the hiring process

— **Assessing the downstream impacts** of the buy, borrow, and build decisions for performance management, succession planning, and organizational design. Are there new players that need to be considered in succession plans? Does the organizational design need to be adjusted for changing roles and staffing?

# Key takeaways for technology company leaders

### Creating a consumer experience will help keep employees engaged

— Update your employee deal and EVP

— Flexibility, work/life balance, work satisfaction, addressing ESG issues, and mental health are priorities for today's workforce

— Accommodate unique generational behaviors and motivators
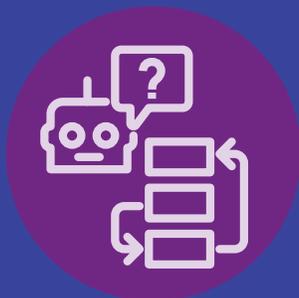
### Technology transformation without a workforce strategy is just optimization

— Digital transformation is now business as usual for technology companies

— Companies should ensure their strategy communicates how the workforce will be reskilled or redeployed and how transformational technologies can often create new jobs

### The most brilliant innovation is irrelevant if employees are not skilled enough to use it

— The need for workforce shaping and transformation has been significantly accelerated since COVID-19 has put pressure on firms to become efficient and digitally advanced

— The strategies for workforce and digital transformation must move forward together

— Perform a talent assessment and re-evaluate your buy, borrow, build talent strategy

— Reskill the right people, the right way

# How KPMG can help

## Human Capital Advisory Services

Working with clients and other KPMG professionals, we transform organizations by changing the way people are led, managed, and developed. We focus on how to best help our clients organize and develop their workforce to achieve their strategic business goals and unlock the evolving potential of their people.

We deliver this by helping our clients:

— Build a thorough talent strategy to attract, develop, and retain talent for better organizational performance

— Design organizations that align with strategic business objectives and growth plans

— Transform their business through process, technology, data-driven strategies, and operating model innovation

— Leverage digital tools to improve organizational performance and efficiency while keeping the employee experience in mind

— Deliver custom and catalog training across technology implementations and other transformations

# About the authors

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Brock is a managing director in the KPMG U.S. Human Capital Advisory practice. He has over 15 years of Management Consulting experience, in which he has led engagements in the areas of workforce design, talent assessment, and organizational culture transformation. Brock leads the Workforce Transformation services for the firm's Technology, Media, and Telecommunications clients.

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## COVID-19 and the American worker

The KPMG American Worker pulse survey reveals that the degree to which workers feel appreciated by their employer goes a long way toward determining how well they are performing under trying conditions.



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## Work anywhere, together

The "work anywhere" paradigm created by COVID-19 has presented an opportunity for organizations to take the friction out of delivering to the customer while fulfilling the employee experience. It has also set the stage for improved productivity, reduced turnover, better access to diverse talent, and lower costs.



## Act quickly: get ahead of compensation issues in the era of COVID-19

HR departments will need to understand how COVID-19 affects compensation and retention. This report outlines eight questions to ask to adjust compensation programs for the new reality.



## Understanding the people impact of COVID-19

This checklist is designed to help organizations address the unique workforce dynamics underway across key areas including capability, costs, connection, compliance, and change.



## Candidates as consumers

Job seekers are acting like consumers and evaluating companies like products. Organizations need to articulate a "why buy" message in new ways that attract employees. Is your employee value proposition enticing the best talent?

The new employee deal in tech

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