

THE ANALYSIS OF EMPLOYEE BENEFITS FOR IT JOBS

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Abstract

The aim of this paper is to analyse the structure of employee benefits as a part of total reward with the focus on the IT specialists' jobs. As the Czech labour market deals with the lowest unemployment rate among the EU countries and lacks thousands of IT specialists, companies have to focus on the employee motivation and stimulation, on the Employer brand improvements and proper communication. Employee benefits may be considered a differentiator on the job market as a complementary part of the attraction strategy, as well as a retention tool for internal talents. Based on the quantitative analysis of questionnaires responded by 35 Czech companies from different sectors (realized in 2017-2018) authors discuss the flexibility of employee benefits offer, prevalence of particular benefits and availability for individual groups of employees. It was found that although companies more often focus at the flexibility of both financial and non-financial benefits which may positively influence attraction and retention strategy, still do not actively differentiate between employee benefits offer for IT and non-IT jobs and probably do not utilize the available potential.

Key words: Employee benefits, IT jobs, retention, attraction, total reward

JEL Code: M520

Introduction

This article aims to get acquainted with the results of the analysis of employee benefits as a part of total reward with the focus on the IT specialists' jobs on the Czech market. The analysis reveals the data from 35 Czech organizations representing 14 industries sized from small employers with less than 50 employees to large ones with more than 5000 employees. First, the article describes the positioning of employee benefits in the Total reward. The second purpose of the article is to describe the role of employee benefits as the attraction and retention tool. The third part of the article analyses the outputs from the questionnaires focused on the employee benefits offer in particular organizations with the focus on the specifics of the IT jobs, if any.

As predicted by Gordon (2009), the worldwide talent-shortage, in the context of the Cyber-Mental Age, is becoming reality. A worldwide demographic shift, globalization, and a broken talent-preparation system have produced this global talent showdown. On top of that, the specific labour market situation appears in the Czech Republic: the lowest unemployment rate among the EU countries (Eurostat, 2019) forces organizations to adjust their attraction strategy, bring brand differentiators to the place, think about the compensation, and deal with employee engagement and loyalty issues.

Considering the consequences of the Industry 4.0, employers have to take steps to make organizations prepared for the changes in the workforce competence profile. As predicts the study Initiative Work 4.0 (Iniciativa Práce 4.0) processed by National Fund of Education for 2029 - *The labor market situation will also be influenced by the degree of mismatch between knowledge and skills needed and offered, ...* . It is expected that a number of new jobs will be defined, and the expertise in information technology will increase in importance. Organizations have to actively focus on understanding the motivators and engagement factors of technicians and IT specialists. According to the StackOverflow survey (2019), which was participated by nearly 90,000 of IT experts worldwide, almost 75 % of respondents are open to hearing about new job opportunities or actively searching for new job. And over half of respondents changed their work in the past 2 years. This trend indicates possible future issues both with attraction and retention of IT specialists.

Employee benefits as a part of the employer's offer play significant role in the employer brand, as a component of EVP components (work environment, work content, work-life balance, benefits, and remuneration).

1 Total Reward

As mentioned above, employee benefits are important factor of employer-employee relationship. In the reaction on the tense situation on the labour market, employers more often focus at the communication of the "total package" that employees can get from them. The Total Reward concept is being implemented as a part of Remuneration strategy. As defined by Armstrong (2006, p. 629), total reward is the combination of financial and non-financial rewards available to employees. It includes all the rewards that employees are getting from their employers, intrinsic and extrinsic, or tangible and intangible rewards, in other words transactional and relational. Intrinsic rewards focus on the job and work itself, whereas extrinsic rewards are external to the job and the work that surrounds the job (Hoole & Hotz,

2016). For the purpose of this article we will use the model of four quadrants, described by Armstrong (2006, p. 633) – rewards are divided based on two dimensions: transactional vs. relational and individual vs. communal. As a result there are defined rewards in four groups, namely: pay, benefits, learning and development, and work environment.

A key component of the transactional rewards is a Base Pay and variable pays in different forms. The second main component of transactional rewards are Employee Benefits that are distributed to employees for “participation” without connection to the individual performance. Relational dimension of rewards is represented by work environment and conditions and learning and development opportunity.

With respect to the stretched job market situation, companies have to think about differentiators of their total rewards: what it is the company wants to be well known for? The differentiator can fall into the transactional or relational components, depending on and in the connection with the organization’s business strategy. A strategic reward offering will identify and reward behaviour that supports the achievement of organizational strategy (Rumpel & Medcof, 2006).

1.1 Employee Benefits

Employee benefits can be defined as a certain financial or non-financial supplement given by organizations to their employees beyond the pay. It is a voluntary activity that the employer is not legally obliged to do.

Employee benefits provide for the personal needs of employees and they are a means of increasing their commitment to the organization and demonstrating that their employers care for their well-being. (Armstrong, 2019, p.298).

This Armstrong’s statement describes in fact the key difference of benefits comparing to pay components. Organizations assign benefits to employees voluntarily for employees being a member of the organization, not based on or rewarding their individual performance.

. Employee benefits offered by organizations (starting from retirement and pension schemes, health care, insurance, paid-time-off and work-life-balance, ending with miscellaneous offerings) can be merged into particular groups that follow the employees’ needs and organizations’ strategy. The benefit offer defined by employer differs not just by structure driven by the target group (to whom?), but as well by the amount (how much?). To be able to define the interesting benefit portfolio organizations have to understand the preferences of employees.

Specific situation of IT specialists was described in several studies. Based on the cross-study comparisons, Rumpel & Medcof (2006) summarize that the preferences of technical (R&D) workers are different of non-technical workers. Specifically, they have a strong preference for work environment rewards. However, they value all four (total) reward quadrants, not just the traditional monetary compensation and benefits that many organizations offer.

1.2 Benefits for IT professionals

Given that the IT sector is more often employing young people who have a positive relationship with information technology, it is useful to think about what preferences this young generation has. What benefits the younger generation of employees in the IT sector needs, requires, or just wants? What benefits motivate, attract and stabilize them? The second half of the question is: What people does the IT sector need?

Of course, the answer is not easy. However, as a starting point, we can use terms that are already differentiated, analysed and described by many researches - the concepts of generations (Millennials, generation Y – aged 31 and younger). Smitt et al. (2015) found that Generation Y placed emphasis on compensation, work-life balance, and development and career opportunities as the top three total reward components. The importance of rewards and benefits confirms the result of research of Pregolato et al. (2017). Further research of the characteristics of different generations can give an answer to what benefits organizations operating in the IT sector can offer them, as they are the future employment potential of these organizations. The major work-related values of Millennials derived from literature search described Martin & Otteman (2016, p. 94) as follows:

Ambitious to make a difference and secure a comfortable life, pro-work-life balance, satisfied with work tasks, interest in learning (fast, eager learners), desirous of security (not stability), collectivism, team player, optimistic, creativity (extremely expressive), unrealistic entitlement expectations, soft communication skills, value prompt recognition and reward, adaptable to new technologies, fun loving, casual, socially conscious, multitasking is second nature, pro diversity (multi-cultural), self-confident, not easily intimidated (technically or interpersonally), expect instant gratification (impatient).

According to Deloitte research (2018) Millennials consider important Diversity/inclusion and flexibility. They admire the organizations that are adapting to the Industry 4.0 and preparing staff for this new environment, and they are looking for businesses that can help them to develop necessary skills for the new jobs.

Sidorucka (Sidorucka et al., 2017, p. 813) mentioned regarding the youngest generation that

“the most important attributes of employer’s attractiveness appeared to be flexible schedule allowing to combine work and studies; the job itself which is interactive, varied, communicative, exciting, connected with new IT; and a corporate image of the company as famous, growing, dynamic.”

Summarizing the above stated preferences and profiles, we propose to build benefit portfolio for IT professionals on a key pillar of FLEXIBILITY.

2 Research

The research realized by author was carried out in the years 2017 and 2018 out of 35 organizations operating in the Czech Republic. The research was conducted in the form of a quantitative questionnaire survey. The full questionnaire contained 55 questions, focused in detail on selected employee benefits, where some questions might be skipped by respondents, based on their answers. The aim of the questionnaire was to collect and compare data about selected benefits and amount (financial value) dedicated. Special questions were dedicated to the difference or similarity of benefits offer to IT specialists.

The hypothesis used for the research: 1. the employee benefits offer in IT/Telco sector contains more flexible components, 2. the employee benefits offer to IT and non-IT jobs within one company does not differ.

2.1 Respondent demographics

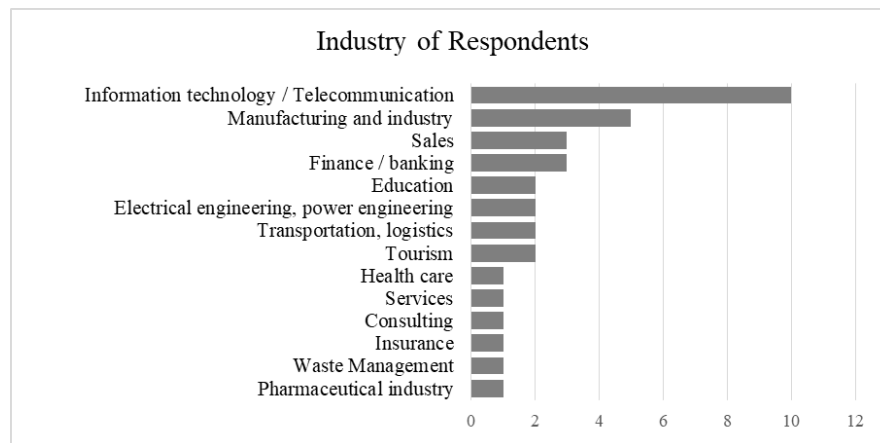
The structure of respondents is described in the Table1, and Figure 1. 80 % of respondents are middle and large organizations with 101-5 000 employees. Respondents are operating in 14 industries, 29% from that operate in IT / Telco sector. 43 % of respondents have unionized employees. Just 23% of respondents employ only internal employees, other respondents cooperate with the external staff (agency employees or consultants).

Tab. 1: Respondents according to the staff size

Staff Size	Percentage of respondents
1-50 employees	14 %
51-100 employees	6 %
101-500 employees	23 %
501-1000 employees	17 %
1001 – 5000 employees	34 %
5001 or more employees	6 %

Source: own research

Fig. 1: Industry of Respondents



Source: own research

2.2 Flexibility

Flexibility is an innovative way of improving employee experience. Authors consider the benefit offer flexible, if the employee plays an active role in designing the final structure of individual consumption. The three types of flexibility that are typically used in organizations were defined:

1. Flexibility of choice
2. Flexibility of working conditions
3. Flexibility of workspace

1. Flexibility of choice: Employees are offered a set of benefits from that they can choose that ones that fulfil their needs the best. 63% of companies use flexible benefits system, majority use the online Cafeteria system – benefits e-shop (used by 57% of respondents). The offer within the Cafeteria system typically covers those components that are tax-favored (e.g. culture, sport, recreation, pension contribution, education), some organizations add other components (transportation contribution, insurance). Organizations up to 100 employees do not offer flexible benefits at all.

Organizations allocate certain financial value to the flexible benefit system. The amount depends solely on the employer's decision, and among respondents varies from CZK 1 000 to CZK 27 000 (annual amount). Applying the t-Test (Two-Sample Assuming Unequal Variances) we test the null hypothesis that the means of the flexible benefits system value are equal for IT/Telco and Non-IT organizations.

$H_0: \mu_1 - \mu_2 = 0$, $H_1: \mu_1 - \mu_2 \neq 0$

$\alpha = 0,05$

Results:

- P-Value $> \alpha$ ($0,141 > 0,05$)
- t Stat = 1,531, t Critical = 2,086. If t Stat $< -t$ Critical two-tail or t Stat $> t$ Critical two-tail, we reject the null hypothesis. This is not the case, $-2,086 < 1,531 < 2,086$.

Conclusion: On the level of importance 5% we do not reject the null hypothesis.

Considering the above mentioned lack of IT specialists authors would expect that organizations operating in the IT / Telecommunications sector invest significantly higher amount. The observed difference between the sample means is not convincing enough to say that the average flexible benefits system value differs significantly. However, at least the prevalence of the flexibility of choice within this sector is higher.

2. Flexibility of working conditions (job flexibility) contributes to the diversification of workforce and may help organizations to cover lack of talents. This approach is represented among the respondents by part time work (94% of respondents; 100% of IT/Telco), flexible working hours (89 %; 70% of IT/Telco), and working from home office (77 %; 90% of IT/Telco). Any form of time off beyond the limits set by law is provided by all companies. Extra days of vacation is provided by 71% of employers. 5 days then is basically the standard on the market. 48% of employers (80% of IT/Telco) allow employees to use Sick Days (paid short-term leave to overcome sickness), with the median value of 3 days annually.

3. Flexible and innovative workspace is in 86% solved by some kind of adjustable furniture. An interesting trend is the relatively frequent occurrence of relaxation zones (40%; 80% of IT/Telco) and various games (13%; 70% of IT/Telco). In table 3 there are compared the three flexibility types provided by employers to employees in organizations divided to IT/Telco and others (Non-IT).

Tab. 3: Comparison of Flexibility

	Organizations Total No.	Flexibility of:		
		Choice	Working Conditions	Workspace
IT / Telco	10	90%	100%	100%
Non-IT	25	52%	96%	72%

Source: own research

From the observation authors conclude that compared to the Non-IT sector organizations operating in IT/Telco sector focus more on the flexible arrangement, with

higher prevalence in all types of flexibility.

2.3 Benefits differentiation

34% of respondents differentiate the benefit offer for particular groups of positions. They differentiate based on the job seniority level or management vs. specialist role. Other differentiator is contract type, and length of service. The difference is mostly in the scope or value (amount), and rules defined for particular benefit.

Organizations do not report differentiation specifically between IT and non-IT jobs.

3 Discussion

It is obvious, that the properly defined and communicated Total reward is a strategic HR management tool and defines a new space for creativity of HR to enable management to stimulate, motivate, and retain talented employees. The research was focused on understanding the flexibility and differences between employee benefits offered to IT professionals and non-IT employees. From the outputs, it became clear that organizations operating in IT/Telco sector pay more attention than non-IT sector to the flexibility in all the three defined types – flexibility of choice, working conditions, and workspace. This indicates that these organizations anticipate or at least follow the preferences of IT specialists. The biggest difference between IT/Telco and non-IT appeared in the area of flexibility of choice. This might be partially caused by lack of capabilities to use the technology platforms (Cafeteria e-shop) within the non-IT sector, especially in manufacturing.

There still remains the question why do not organizations differentiate the offer internally between IT and non-IT jobs. Although some differentiation is realized by flexible benefit offer, specific and focused approach to IT experts as the upcoming key specialists for majority of organizations seems to be the interesting way of EVP enrichment.

Although without flexibility, other benefits should not be forgotten to cover the whole picture. Specifically, there should be mentioned specific employee benefits that contribute to the employees' security (e.g. continuous wage payment to employee during illness, different types of insurance or above standard medical care) or non-cash income (e.g. meal contribution with the extreme offer all-day all-you-can-eat for free, refreshment for free - tea, coffee, water, fruits, vegetable, pastry, mobile phones and tariffs - unlimited calling, SMS and data).

Market shortage and lack of IT professionals on one hand and their identified preferences on the other are forcing organizations to continuously increase and widen the

benefit offer. This approach leads to the new market setup that probably will be followed by other organizations and implemented to their attraction strategies.

4 Limitations of the research

This research was carried out on a sample of 35 organizations operating in 14 industries, with the focus on Flexibility. This refers to a pattern that can show trends. However, the authors recommend for the generalization the further research of employee benefits offer with a higher number of respondents, with wider focus on other benefits offer pillars. Understanding the preferences of IT specialists on the Czech market should be a topic for complementary research.

Conclusion

The research was devoted to the determination of whether and to what extent the employee benefit offer in IT/Telco sector contains flexible components compared to other sectors and if the offer differs internally. In the framework of the questionnaire survey was addressed 35 organizations from a deliberate choice. In the framework of the research, it was found that the flexibility is covered by IT/Telco organizations in all the three defined types more often than in non-IT sector. Internally, organizations do not differentiate explicitly between IT and non-IT jobs, the differentiation is more often based on the seniority level of the job or length of service.

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