

You Can't Buy Employee Loyalty! — or Can You?

The demand for IT contractors and consultants greatly exceed the supply of talent in the marketplace. ITAA (Information Technology Association of America) reports that by the year 2000, the shortage of IT workers may reach 1.5 million. Because of this, staffing firms are eager to attract new workers. At the same time, they must retain current workers, or their recruiting efforts are for naught. Employee satisfaction studies are the one way employers can get the information they need to retain current staff and provide an environment to attract new talent.

Specifics, Inc. has been performing these studies for over ten years, having surveyed over 50,000 IT professionals, and only in the last couple of years has employee satisfaction shown such dramatic changes. Most of the changes can be attributed to the worker shortage. The jobs are plentiful, and when employee expectations are not met — the primary cause of turnover — employees go elsewhere.

Our studies examine satisfaction via a direct mail survey made up of fifty statements covering ten areas of work life: communication, empowerment, performance, support, development, recognition, compensation, benefits, client relations, and overall satisfaction.

While benefits were the area with highest satisfaction for the past several years, the latest results show that employees are much less satisfied now. Today's consultants are seeking a wider variety of benefits than in the past, including medical insurance, dental insurance, vision, and disability coverage. They want stock options, retirement plans, and are seeking more than two weeks' vacation in their first year of employment.

More and more often, hourly employees are also seeking access to insurance and retirement benefits, including 401(k) plans. In fact, such benefits are frequently being used in recruitment advertisements as a way to attract talent.

For the three years, from 1995 to 1997, satisfaction increased — more a reflection of improving market conditions than the practices of staffing firms. However, turnover has also increased gradually and last year, it increased to more than 40% on average, for IT consulting and staffing issues, as consultant satisfaction turned downward. As a whole, the employees in our database are always less satisfied with compensation and development issues than other areas of work. For the three years prior to 1997, however, consultants showed more satisfaction with their compensation, probably reflecting the higher rates staffing firms are able to garner given the scarce resources. Average wage rate increases are in the ten percent range, or double the cost of living. But is that enough?

There is some resentment on the part of a few consultants that they have to either leave the firm they're with, or threaten to leave, in order to get a pay increase. Later, if they enjoyed working for that firm, they can get rehired at a higher rate, up to 15% or 20% more. Some of this is probably due to the staffing firms' inability to negotiate price increases on long-term projects up to the current market rates, which may be dramatically higher than they were at the time the contract was signed.

Development issues, always an area of dissatisfaction, continue to be a problem for employees. Development includes such things as training and career growth opportunities. While staffing firms indicate that their policies dictate an average of five training days per year per consultant, few companies actually reach this goal. Nevertheless, firms are fully aware of the importance of training to consultants, and this is an area that is often emphasized in recruiting, both verbally and in written materials. The expectation is set and the employee believes that the company cares and will schedule training almost immediately. Consultants then become disappointed when they find that training usually must take place on their own time and are usually delivered via CBT or some other impersonal method.

Training is a very cost-effective benefit for firms to offer though, because it decreases technical staff turnover, and often due to time constraints, fewer than expected consultants take advantage of training opportunities. Instructor-led training, however, is much more effective than computer-based training (CBT) in decreasing turnover. This is because most CBT programs are focused on the lowest common skill set and most employees quickly become bored with the content and the TV process.

Orientation is another area of development that disappoints consultants. Our studies have shown that firms generally offer from one hour to more than one day of orientation for new employees. Consultants appreciate being oriented to the client prior to being placed; they don't like on-the-job training. In fact, first year turnover among technical staff declines as orientation hours increase. Eight hours appears to be the optimal amount of orientation time to maintain reasonable levels of turnover, with six hours a minimum. The orientation must include a complete introduction to the client's business and the project, along with consulting skills and expectations as practiced by the staffing firm.

Client relations is now the area in which consultants are most satisfied. Studies reflect consultants' increasing concerns about providing quality work for clients. They don't like to see their clients ignored, or short-changed in any way. They feel a dual alliance — to the staffing firm and to the client. They have become more vocal and protective of their client relationship. This is good because it raises the sense of commitment to the client, but it can undermine employee loyalty to the staffing firm.

Similarly, even contractors are expressing the need for more communication with the staffing firm. Both consultants (salaried staff) and contractors want regular performance reviews, a career development plan, and regular increases. Whereas several years ago contractors did not care to be very involved with the staffing firm, today's contractors do expect the firm to maintain an ongoing relationship with them. In many areas of the country and with certain firms, contractor loyalty equals or exceeds employee loyalty.

Despite significant erosion in satisfaction ratings over the past year, employees are still more satisfied with all areas of their employment, except benefits, than they were several years ago. The demand for their skills is high, and their vulnerability to a layoff is low. Like employees in other industries, consultants still feel the insecurity of the job market created by outsourcing and downsizing, and while many don't plan to spend more than a few years with one employer or staffing firm, they still want to feel connected to that employer during that time.

Consultants and contractors both seem to want more involvement in the decisions that affect their jobs than in the past, and would like to have some framework or infrastructure in place for support. In the extreme, consultants want to negotiate their own rates with clients and the staffing firm. There is a dichotomy here. Consultants say, "Leave me alone, but not too alone." They still want support in sticky situations when clients don't respond to their needs or demands. These issues go hand-in-hand with the recognition that they are employees of the staffing firm, rather than the client, and the consultants want to feel linked to the staffing firm. Thus, even those firms with hourly contractors are more active with newsletters, logo memorabilia and branded clothing.

It will be interesting to see if the downward movement in employee satisfaction seen during 1997 continues for 1998. If you are interested in having an employee satisfaction study performed for your firm, please give Specifics, Inc. a call at 770-391-0013.