

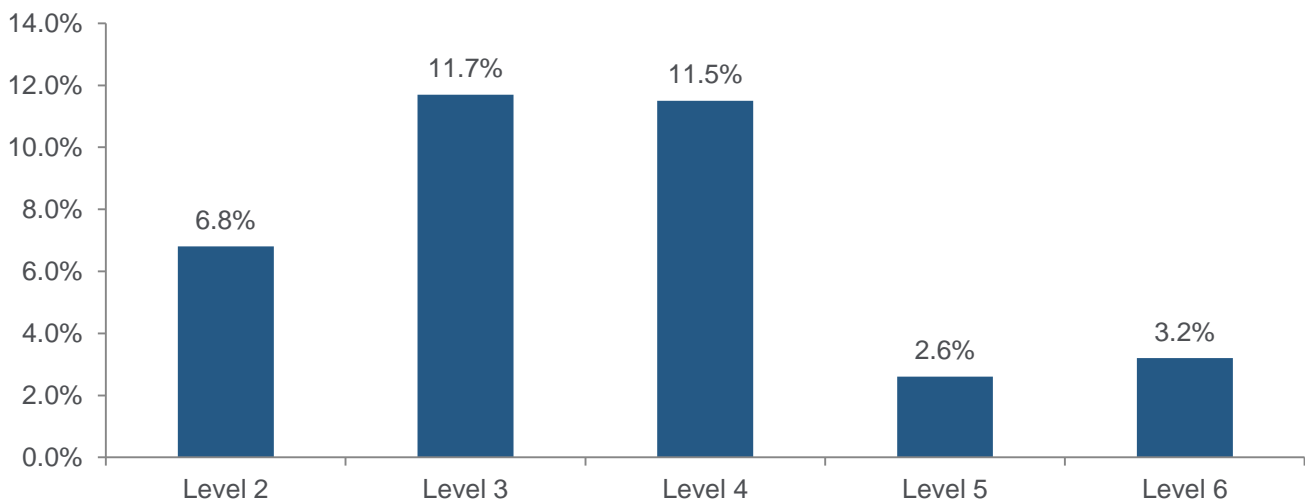
To Attract Candidates With Hot Skills, Should Tech Companies Create Specialized Job Titles?

Demand for data scientists and engineers with cloud computing experience highlights a familiar challenge at tech companies— how to attract the best candidates with hot skills.

Technology skills change rapidly and our clients often ask us for insights on best practices for recruiting employees with emerging, in-demand technical capabilities and hot skills. Companies are increasingly asking themselves: Should we pay a premium for certain desirable skills? Should we incorporate hot skills into our existing job title nomenclature or add new titles? The solution often lies somewhere between.

Data scientists, engineers with cloud computing skills and agile programmers are all emerging skillsets that reflect this type of dilemma. For example, we've observed a dramatic increase in companies reporting data scientist jobs to our surveys over the past three years. Previously, before data scientist roles existed as jobs in their own right, these positions were most likely priced using software engineering roles. As the chart below illustrates, the premium in median pay for data scientists relative to software engineers is significant enough to affirm the benefits of specialized analysis and highlights the justification for creating a new job title three years ago.

Pay Premium for Professional Data Scientists vs. Software Engineers in the United States by Job Level



Source: Radford Global Technology Survey Compensation Totals, January 2017

As we would expect, the pay premium for data scientists is highest at the middle job levels where specialized skills may be more differentiated and valued between job titles. At higher job levels, employers have greater expectations for engineers to use the same types of skills data scientists have, including working with unstructured data and ability to use certain coding languages.

Yet, while data scientist roles have emerged as truly distinct jobs in many organizations, there are other skills where the line between job titles isn't as clear. As we mentioned earlier, we frequently get asked to consider creating specialized job families for agile programming and cloud computing skills. In return, we ask clients to consider the long-term prospects for the job in question. Will this job still be relevant as a distinct skillset three or five years from now? Every situation is unique due to business strategy, labor market competitiveness, skill availability, and compensation philosophy. But, in our current view, cloud computing and agile software development are examples of skills that are likely to become mainstream in the very near future. Any pay premium or job title distinction observed today will likely be short lived at innovative organizations.

Determining the need for a new job title may depend on company size and pay philosophy. For example, for companies that once had "word processing support" or "HTML programmers" (before Internet tools allowed the work to be incorporated into other jobs), the idea of adding and later removing titles may be an acceptable practice. Organizations that strive to find a "market reference point" for every job may also fall into this category. On the other hand, companies using traditional salary structures who aim to simplify their job architecture may look to the long-term viability of a title as a key consideration for creating any new job. In many product development teams, the agile skillset (in contrast to a waterfall approach) has become increasingly prevalent. At a certain point, it may be expected as part of the job without distinction. While it may still be a relatively newer skillset, and those who are experienced in agile development may command somewhat of a premium above the market median over other workers, we expect a regression toward the mean within a few years as the approach becomes the standard.

A Data-Driven View

First and foremost, the ability to quantify distinct job skills requires the ability to capture the data. Going back to 2013, we received a growing number of questions about premiums for cloud computing skills. However, we found that many of our largest US technology clients weren't assigning a compensation premium for software engineers with cloud computing skills despite their value to many businesses. A survey of 32 of our largest [Radford Global Technology Survey](#) (GTS) participants revealed that while 90% agreed that "cloud computing skills are in high demand," half of the participants said they don't think a compensation premium for this skill was warranted. Another 39% predicted that any pay premium would disappear in a few years as cloud computing skills became common.

In more recent follow-up surveys, 76% of responding companies indicated that they had some software engineering employees working in the cloud, but only 24% of companies with cloud operations actually paid these employees a premium. When we do see a pay premium for specialized skills like cloud computing, it's typically only 10% of base salary.

At Radford, our decision to add a new job family to our surveys hinges on the ability of companies to identify those employees who perform specific roles. We decided not to add cloud computing or agile engineering job titles to our surveys because most participants could not identify which employees possessed these skills.

Next Steps: How to Reward Hot Skills

Faced with today's highly competitive hiring environment, companies may be tempted to attract the right candidates by creating specialized job positions that carry an extra pay premium. While this strategy could work for some in the short-term, it can also open the door to potential issues in your job architecture and salary structure systems once the skill becomes mainstream. Business card titles may be a solution to keeping your HRIS system clean!

While we recognize that every company's HR function has its own key jobs and key skills they are looking to attract, we believe there are some best practice guidelines companies can follow when rewarding employees with in-demand skillsets in an increasingly competitive market for talent. Here are some questions that will be helpful to ask yourself when deciding if a new job title is justified:

- Does the emerging skill simply describe a skill or does it reflect the primary duties of the job?
- Is there currently significant variance in pay between employees having the skill and those not having it?
- Can you easily identify the employees within your organization who are using the skillset(s)?
- Is the plan to ultimately move to using this new skill for all related jobs or will there be two different pathways?

Most of our clients have adequate flexibility in their rewards programs to meet the expectations of employees with hot skills. From a salary equity perspective, the preferred method to attract and engage employees with highly-valued and potentially temporarily rare skills is to reward the high-performers through a differentiated, variable pay-for-performance program. An effective talent and rewards strategy should evolve to meet changing market conditions. It doesn't have to begin and end with offering salary premiums across the board immediately.

To learn more about participating in a Radford survey, please [contact our team](#). To speak with a member of our compensation consulting group, please write to consulting@radford.com.

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