

# ***Millennials at work***

## Reshaping the workplace in financial services





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## *Introduction*

In our latest survey of the view of business leaders worldwide, almost half of CEOs<sup>1</sup> said that limited availability of key skills is a serious threat to their growth prospects. The talent supply problems are particularly acute in the financial services sector, where around a quarter of CEOs said they had already had to cancel or delay a key strategic initiative over the previous 12 months because the right people weren't available to execute it.

<sup>1</sup>PwC 15th Annual Global CEO Survey

These same CEOs say that in order to gain access to a continuing supply of skilled and enthusiastic employees, attracting and keeping younger workers is one of their biggest talent challenges.

Financial services organisations and their leaders are facing some of the most difficult business conditions in living memory. Markets are under pressure, the focus of global growth is shifting South and East, and the sector is grappling with enormous changes in regulation, technology and customer behaviour. As firms reach into new markets they will find themselves competing not only with each other for talent, but with increasingly ambitious domestic businesses. The strategic implications of the talent shortage will be keenly felt.

The quality and availability of key talent will be crucial to success, allowing businesses to capitalise on opportunities that others may be unable to exploit. But there is a limited supply of appropriate people – 40% of CEOs in the sector believe that it'll only get harder to hire good people in the future.<sup>2</sup>

We often talk about the importance of aligning business and talent management strategy and this is particularly important in the case of the latest set of employees to enter the workplace – the generation known as millennials. Drawing on the results from the latest millennials survey,<sup>3</sup> this report looks at how their unique characteristics demand an innovative approach to recruitment, retention, management and development, which organisations simply can't afford to ignore.

The ability to attract and retain the new generation of employees will be a vital step for financial services firms in their ability to deliver on their long-term strategies.

<sup>2</sup>PwC 15th Annual CEO survey, 2012

<sup>3</sup>PwC Millennials at work – Reshaping the workplace, 2011

Unless otherwise stated, the facts cited in this report are taken from the above survey of over 4,300 university graduates from 75 countries around the world

## Why millennials matter

The millennial generation – born between 1980 and 2000 and now entering employment in vast numbers – will shape the world of work for years to come. Attracting the best of these millennial workers is critical to the future of any business, but it's particularly important to the financial services sector, which is already facing a critical shortage of talent.

Millennials' career aspirations, attitudes about work and level of comfort with new technologies could define the culture of the 21st century workplace. They're also more numerous than any since the soon-to-retire 'baby boomer' generation – millennials already form 25% of the workforce in the US and account for over half of the population in India. By 2020, millennials will account for 50% of the global workforce.

Are millennials really any different to past generations? It's true to say that some of the behaviour and attributes of millennials can be explained by their age and relative lack of responsibilities. Our behaviour and priorities change and adapt, but to dismiss many of the issues raised in this report entirely on that basis would be a mistake.

Millennials' use of technology clearly sets them apart. This generation has grown up with broadband, smartphones, laptops and social media being the norm, and expect instant access to information. This is the first generation to enter the workplace with a better grasp of a key business tool than more senior workers.

But millennials behave differently too. Their behaviour is coloured by their experience of the global economic crisis and this generation places much more emphasis on their personal needs than on those of the organisation for which they work. Employers should be wary – many millennials questioned for this survey said they had made compromises in order to get into work – something we believe will be set right as economic conditions improve.

Millennials tend to be uncomfortable with rigid corporate structure and turned off by information silos. They expect rapid progression, a varied and interesting career and constant feedback. In other words, millennials want a management style and corporate culture that is markedly different from anything that has gone before.

The particular characteristics of millennials require a focused response from employers. Millennials want a flexible approach to work, but very regular feedback and encouragement. They want to feel their work is worthwhile and that their efforts are being recognised. And they value similar things in an employer brand as they do in a consumer brand. These are all characteristics that employers can actively address.

*'I can't stand still. If I can improve or contribute something, I say so. We work every day, so it's better to do something well and with a will.'*

**Employed female, 25, Spain.**

## Report highlights

The key findings from an analysis of responses received from millennials working in the financial services sector confirm many of the findings of the full millennials survey<sup>4</sup> which was based on the views of over 4,000 graduates in 75 countries.

- Loyalty-lite: The downturn and financial crisis has had a significant impact on the loyalty millennials feel towards their employers. Only 10% of millennials currently working in the sector said that they planned to stay in their current role for the long term, compared to 18% across all sectors. Of those working in financial services, 42% said they're open to offers and 48% were actively looking for new opportunities.
- A time of compromise. Tough times have forced many millennials to make compromises when finding a job, and those in the financial services sector are no exception. 55% of millennials in the sector said that they'd made compromises when accepting their current role, and 48% of those in insurance said the main compromise was a lower than expected salary.
- Millennials are an ambitious generation and generally will value the opportunity to progress quickly over monetary reward. Millennials in the financial services sector, however, are more money-oriented. Of those working in banking and capital markets, 38% said that the starting salary was a key factor in their decision.
- The reputation of financial services has suffered in recent years and this is reflected in the views of millennials. 21% of millennials questioned said they'd rather not work in the financial services sector, while the image of insurance companies in Asia is a particular problem.
- Embracing technology. Half of millennials said they prefer to communicate electronically at work rather than face to face, or even over the telephone. Millennials routinely make use of their own technology at work and three-quarters believe that access to technology makes them more effective at work. This will become an increasing challenge for both employers and employees in the heavily regulated areas of financial services.
- Wanderlust. 72% of millennials in the sector expect and want to complete an overseas assignment during their career. This is great news for employers looking for global growth. The bad news is that millennials place developed economies at the top of their wish list. Only 8% were willing to work in India and 1% in mainland China.
- Policies on diversity and inclusion remain a priority when choosing an employer, but 68% of millennials in the sector said that while companies talk about diversity, they felt that opportunities weren't equal for all.

<sup>4</sup>PwC Millennials at work – Reshaping the workplace, 2011

## Modern millennials

*‘The life of the current generation should be better than that of previous generations, partly because we have more employment choices. We dare to give up what we already have to gain what we want.’*

Employed female, 24, Hong Kong.



The business landscape has changed dramatically in the four years since our last millennials survey,<sup>5</sup> and the financial services sector has been affected more than most. The financial services sector is facing a major resourcing challenge in the expanding markets of South America, Africa, Asia and the Middle East. The millennial generation is critical to the future supply of talent, but their view of working life has been influenced by events of the past three years. Not least, the image of the banking sector has suffered, which may have a long-term impact on the ability of institutions to attract the reputation-conscious millennial generation.

The future for many millennials looks more uncertain than it did in 2008 and it's hardly surprising that some have been forced to make compromises in terms of where they work and their expectations of working life. There's strong evidence from the recent survey that most millennials are constantly on the lookout for a new opportunity, suggesting that employers will have to work harder than ever to retain the talent they need for future growth.

Even so, millennials remain a relentlessly optimistic generation and none more so than those in the financial services sector. When asked if they expected to be better off than their parents, 67% of all millennials agreed. Of those working in the financial services sector, though, the proportion rose to 75%. Millennials have high expectations of what their career will hold – the question is whether employers can provide what they want.



### ***Loyal while it suits them?***

Millennials across all sectors have learned that corporate loyalty doesn't necessarily bring rewards or even long-term security in today's economic environment. It's clear that many are keeping an eye out for new opportunities, even if they're not actively looking for a new job.

This trend is particularly pronounced in the financial services sector. Only 10% of millennials currently working in the sector said that they planned to stay in their current role for the long term, compared to 18% across all sectors. Of those working in financial services, 42% said they're open to offers and 48% were actively looking for new opportunities.

It's always been clear that most millennials expect to have a portfolio career – the days of spending your entire career with a single employer are long gone. 52% of those working in financial services said they expect to have between two and five employers during their career, and 34% expect to have six or more.

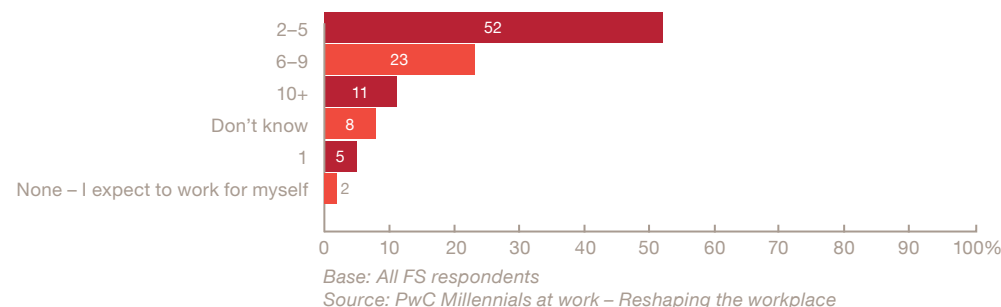
Of course, there's a big difference between millennials thinking they'll have multiple jobs and wanting to be job-hoppers, but employers that fail to invest in this group are likely to see less loyalty than those that do. Firms looking to build loyalty will need to think creatively to foster an emotional connection to their brand. This could include, for example, inspirational leadership, greater personal empowerment, a focus on individual learning and cycle of experiences.

### ***Balancing work and life***

Work – life balance has always been a priority for millennials and 94% of those in the financial services sector said it's important to them. Those in Japan were the least concerned about striking the right balance, but still 85% said that the work – life balance was important to them.

There are signs, though, that for a significant proportion, the reality of working life has not quite lived up to their expectations. 28% of those in the sector said that the work – life balance was worse than they expected when they started their role.

### **How many employers do you think you will have in your career?**



*‘I expect to jump between firms more [than previous generations], even if I don’t want to.’*

Employed male, 31, US.

*‘We will work just as hard as previous generations, but are less willing to sell our life to a job.’*

23-year-old US female, due to start with a new employer shortly.

### Attracting millennials

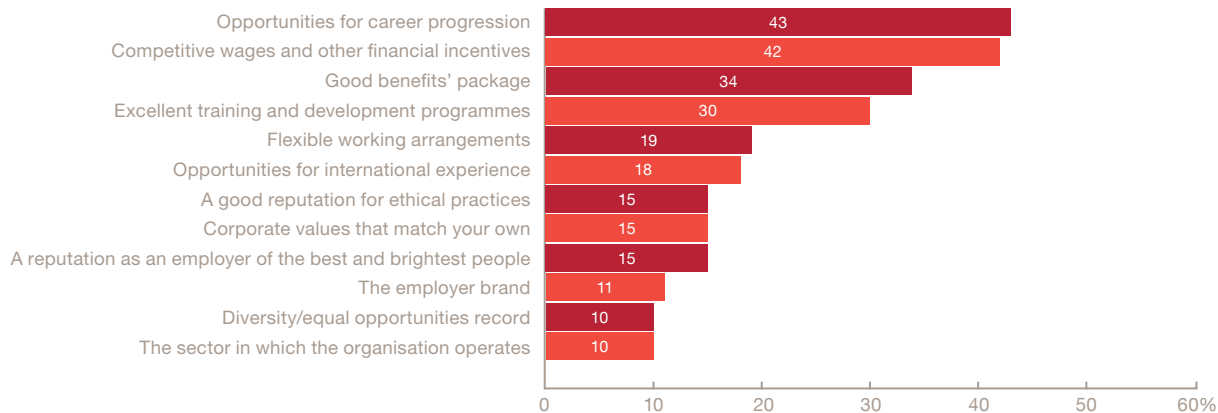
The unique characteristics of millennials demand a different strategic approach to recruitment and retention. Millennials are looking for more in life than ‘just a job’, or a steady climb through the corporate ranks. They want to do something that feels worthwhile, they take into account the values of the company when considering a job and they are often motivated by more than money.

Inevitably, there is a contrast between the factors that millennials say are important when considering an employer and the factors that they actually took into account when accepting a job offer. For millennials across all sectors, the opportunity for career progression was rated as the most attractive feature in a potential employer, with this featuring particularly strongly among millennials aiming for the banking sector.

### Money isn’t everything – or is it?

Millennials are an ambitious generation, and generally they’ll value the opportunity to progress quickly over monetary reward (assuming that their basic requirements on salary are met). Millennials in the financial services sector, however, are more money-oriented than most. Of those working in banking and capital markets, 38% said that the starting salary was a key factor in their decision to accept their current job, with 29% mentioning the working location and the same proportion citing the role itself. 28% of those working in insurance said that salary was important, although 45% (compared to 30% in banking and 26% overall) said the most pressing factor was their need to find a job quickly.

#### Which of the following factors do you believe make an attractive employer?



Base: All FS respondents

Source: PwC Millennials at work – Reshaping the workplace

This higher propensity to rate higher salaries and cash bonuses as important when considering an employer is echoed elsewhere in the survey. 44% of millennials in the sector, for example, rated cash bonuses as an important benefit, compared to 36% across all sectors, while 21% of those working in insurance said they would choose to receive extra salary over benefits, compared to 12% across all sectors.

The greater emphasis that millennials in the sector tend to place on monetary reward presents a dilemma for organisations at a time when compensation policies are under close scrutiny. This will be a particular matter of concern for those firms operating under increasing regulation of pay.

### A time of compromise

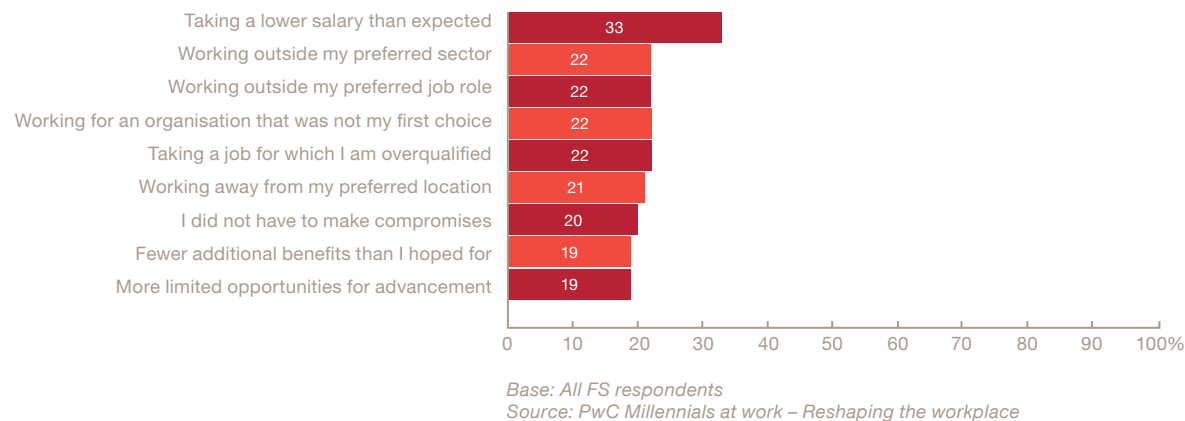
Only one in five of all millennials working in financial services said they'd made no compromises at all when accepting their current role. 55% of those in the financial services sector said that they were willing to make compromises when accepting their current role and 48% of those in insurance said the main compromise was a lower than expected salary. 29% of those in banking had compromised on their preferred working location and 30% felt they were over-qualified for the role that they'd accepted.

This is a hazardous area for employers as it suggests that many of this generation – who have a greater natural tendency towards mobility anyway – will move on once new opportunities appear, unless they can be persuaded to stay. The fact that 45% of millennials working in the insurance sector say that their decision to take their current role was primarily down to their pressing need for a job, should ring alarm bells.

### Which of the following factors most influenced your decision to take your current job?



### Thinking about your job search and the type of job you hoped to be employed in, did you have to make any of the following compromises when accepting your current job/the job you are due to start?



### ***Non-financial rewards***

The characteristics of millennials, such as their desire to progress quickly and their wish to maintain a healthy work – life balance, leads them to value benefits such as training and flexible working. Business leaders are already responding to this, and our recent Global CEO Survey found that 65% were focusing on non-financial rewards as they considered reward strategy for the future and look for ways to improve employee engagement and retention.<sup>6</sup>

73% of millennials in the financial services sector said they'd find the idea of a tailored benefits package appealing, but generally showed less enthusiasm for non-financial rewards than their counterparts elsewhere. 19% in the financial services sector ranked extra holiday allowance as an attractive benefit, for example, compared with 24% of the total sample, while 39% ranked training and development as attractive, compared with 47% of the total sample.



*'I'm looking for security – the knowledge that I won't be summarily turfed out in the next round of cost-cutting.'*

Employed male, 28, Australia.

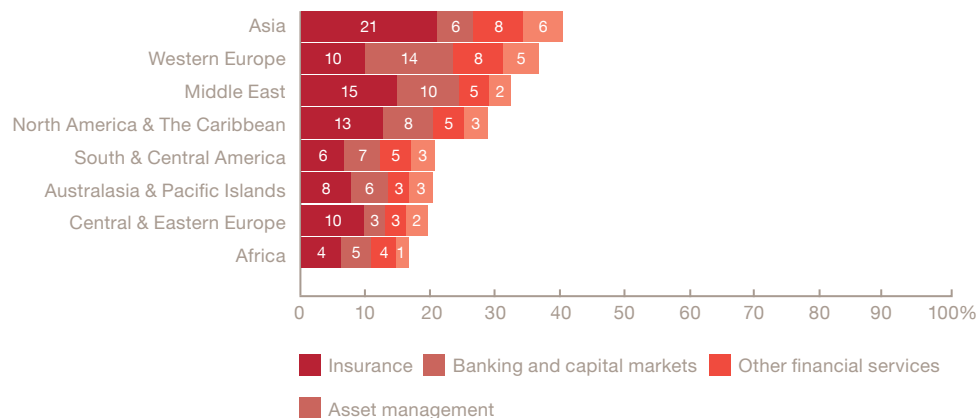
<sup>6</sup>PwC 15th Annual CEO survey, 2012

## Reputation matters

The tendency for millennials to look for a job with meaning and interest can work in an employer's favour. Millennials want their work to have a purpose, they want to feel they contribute something to the world and they want to be proud of their employer. 61% of those in the sector said they'd actively seek out employers whose corporate social responsibility values reflect their own, while 76% of those in insurance said they'd consider leaving an employer whose behaviour no longer met their standards. The ability of employers in the sector to restore trust and re-engage with society will be critical to the attraction of the younger generation, as will a reinforcement of the critical importance of financial services to the fabric of every life, from job creation to secure retirement

The reputation of financial services has suffered in recent years, though, and this is reflected in the views of millennials. 21% of millennials questioned said they'd rather not work in the financial services sector, while the image of insurance companies in Asia is a particular problem. Overall, 12% of millennials said they'd rather not work in insurance, but this rose to 21% in Asia and 26% in China.

### Are there any sectors in which you would not wish to work, solely because of their image?



Source: PwC Millennials at work – Reshaping the workplace

## Developing millennials

*‘I’m motivated if I know that someone actually cares about me and what I’m doing.’*

22-year-old male, UAE.

Millennials are defined by their optimism and energy and believe they can achieve anything with the right focus and access to learning. Most are intensely ambitious and are looking for rapid career progression – just over half of those working in financial services feel they could rise to the top with their current employer, although those working in insurance were less convinced (or possibly, less ambitious) and only four out of ten felt they would reach senior management level. But with so many aiming for the top, it’s inevitable that many will be eventually disappointed – a quarter of millennials in financial services are already dissatisfied with the opportunities for career progression at their current employer. Employers should be careful to manage expectations and identify and reward the young talent that they are keen to keep and develop.

One of the strongest millennial traits is that they welcome and expect detailed regular feedback and praise for a job well done. The companies that are most successful at managing millennials are those that understand the importance of setting clear targets and providing regular feedback. Of those working in financial services, 56% of millennials said they were happy with the level of recognition they get for their work, but 24% were dissatisfied – rising to 29% in the banking sector.

*‘The people I work with are extremely important. I need to feel I’m respected for the work I do. I need an employer that values its employees and does not expect unreasonable sacrifices.’*

23-year-old female, US, due to start work shortly.

### **International assignments**

The chance to gain experience overseas is well recognised as a temptation for millennials when selecting an employer and the survey confirms that the chance to work overseas remains a key priority for this generation. 72% of those working in financial services said they want to work abroad at some stage, and 71% said they believed doing so would help them in their future career. This is good news for employers in the sector, since over half of financial services organisations are planning to deploy more staff on international assignments in the near future.

The danger area for financial services organisations is that while seven out of ten millennials say they want to work abroad, most are discerning about where they would choose to go. The US, the UK, Australia and Canada top their wish list, and only half said they'd be willing to work in a less developed country. Just 8% said they'd consider an assignment to India, 4% would consider Russia and only 1% said they'd consider mainland China. And of respondents based in Asia, 74% said they'd like to gain experience in Western Europe. This could represent a significant challenge for firms.

It's possible that these millennials have yet to develop the more commonly held view of more experienced workers in the sector that developing markets are 'where the action is'. Even so, a more targeted approach to assignments in countries seen as less desirable by millennials, such as purpose-based projects spanning a shorter time period than the traditional two or more years, could prove to be the more attractive option for this generation.



*'International experience will make me a more attractive candidate for future jobs.'*

**Employed male, 31, US.**



# Managing millennials

The unique characteristics of this generation mean that they have their own way of working and respond to a particular management style. Millennials want to be able to work in the way that suits them best – and with over half saying that they prefer electronic communication to face to face, or telephone conversations, this inevitably means a way of working that's closely tied to technology. But many feel constrained by what they see as outdated traditional working practices, which brings the potential for intergenerational tension in the workplace.

69% of millennials working in financial services said they felt that rigid hierarchies and outdated management styles failed to get the most out of younger recruits and 52% felt that older senior management couldn't always relate to younger workers. In particular, millennials argued that their personal drive and ambition was intimidating to older employees – millennials in banking were more likely to think this, with 56% agreeing.

Millennials' use of technology is a particular flashpoint, with 54% saying that older senior management didn't understand the way they use technology at work. Millennials in the sector place a great deal of emphasis on the technology used by their employer, with 66% saying that state-of-the-art technology was important to them when considering an employer. 60% of millennials in financial services make use of their own technology at work and 79% feels that this makes them more effective.

## Promoting diversity

An employer's record on diversity and inclusion is a key consideration for millennials – 76% of those in the financial services sector said it was an issue they considered when accepting their current role. Millennials in Asia are particularly forceful on this matter, with 84% saying diversity policy was important when considering an employer.

But it's clear that this generation often feels let down by reality, and that this view is particularly prevalent in the financial services sector. 55% of millennials across all sectors said that while companies talk about diversity, they felt that opportunities weren't equal for all. In the financial services sector, many more agreed with this view – 68% in the sector as a whole and 72% in insurance.

This is an area where financial services organisations could gain greater access to relatively undersourced pockets of talent – in China, for instance, over 70% of women believe that they have fewer professional openings than their male counterparts<sup>7</sup> – while simultaneously reinforcing diversity policies that millennials find so appealing.

*'I will accomplish far more work than the previous generation. I will be expected to do more, and will be able to do more because technology has made it possible.'*

**23-year-old Canadian male, due to start work shortly.**



## What can employers do?

Financial services organisations are faced with a talent shortage, exacerbated by a demographic challenge that makes it critical that they face the problem in front of them – to understand who the millennial generation are and what it takes to attract and inspire the best of them. Business leaders and HR need to work together to:

- **Understand millennials.** Addressing generational differences and tensions will be particularly important. Use metrics and benchmarking to assist in better understanding the issues. Ensure that employee engagement results can be cut by age group and consider how you might use predictive analysis to highlight potential retention issues.
- **Adapt your processes.** Millennials have specific ways of thinking, which need to be considered at every step. In recruitment, for example, it's critical to answer their fundamental question: What's in it for me?
- **Get the 'deal' right and communicate it clearly.** It's important for employers to find the right balance in what the employee receives in return for their performance, and that a potential employee understands what they are being offered and what is expected in return. Think creatively about reward strategies and what motivates millennials.
- **Help millennials grow.** Managers need to really understand the personal and professional goals of millennials, for example rotational assignments can give them a sense that they are moving towards something and gaining a variety of experiences. Tap into their desire to work overseas and position less desirable locations as an important career path milestone.

- **Feedback, feedback and more feedback.** Millennials want to know how they're doing and are unlikely to be satisfied with an annual review. Give honest feedback in real time and highlight positive contributions.
- **Encourage learning.** Millennials want to experience as much training as possible and organisations risk losing future talent if they fail to engage millennials with development opportunities.
- **Allow faster advancement.** Millennials don't think of career advancement in terms of seniority and time of service. They value results over tenure and are sometimes frustrated with the amount of time it takes to work up the career ladder.
- **Expect millennials to leave.** It's inevitable that the rate of churn among millennials will be higher, especially since many have made compromises in finding their first job, and this should be built into talent planning.
- **Learn from millennials.** Remember that millennial employees are likely to be able to relate to millennial customers and will also form an increasing part of the customer base themselves.

Overall, this research suggests that there is a significant gap between what millennials working in financial services want and expect from their career and their employer, and their experience of the workplace. Many millennials have made compromises during the downturn, but our research strongly suggests that their self-worth has not diminished. As opportunities increase with financial recovery, many working in financial services will be assessing whether employers are truly acting upon their promises.

**Are you ready for millennials to reshape the workplace?**

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If you would like to discuss any of the issues raised in this report in more detail, please speak with one of those listed below or your usual PwC contact:

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