

Millennials at work

Reshaping the workplace in financial services in Asia



Contents

Introduction	4
Why millennials matter	6
Loyal while it suits them?	7
Attracting millennials	10
Reputation matters	12
Developing millennials	13
Managing millennials	15
What can employers do?	16
Contacts	18

Introduction

Along with Africa, South America and the Middle East, Asia is a key strategic market for many financial services firms; 80% of business leaders in the sector say they are planning to build up their business in these key regions over the coming year.¹ It's predicted that China's banking sector could overtake the US's by 2023, and that India will have the third largest domestic banking sector in the world by 2050.²

¹PwC 15th Annual Global CEO Survey, 2012

²PwC update: Banking in 2050

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 is 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. 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 requires 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.

'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.

Loyal while it suits them?

Millennials are an optimistic generation and considering the rate of expansion of the financial services sector, those based in Asia have good reason to be so. When asked if they expect to be better off than their parents, 71% of millennials based in Asia agreed. Of those working in the financial services sector, 75% expect to be better off than their parents. Millennials have high expectations of what their career will hold – the question is whether employers can provide what they want.

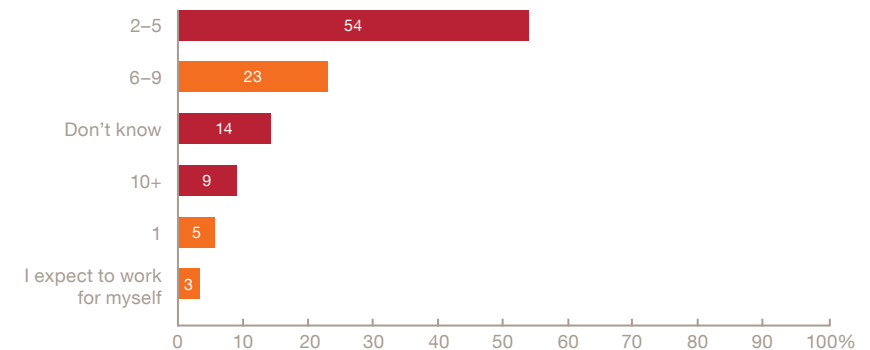
It's always been clear that most millennials expect to have a portfolio career and this is particularly true in Asia. 52% of those working in financial services said they expect to have between two and five employers during their career, and 34% expect to have six or more. Only 10% of millennials currently working in the sector said that they planned to stay in their current role for the long term, compared to 18% across all sectors. 42% said they were open to offers and 48% were actively looking for new opportunities.

There is, of course, 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. Job-hopping is already endemic in many markets and is particularly pronounced in Asia – a 2010 survey of over 2,200 senior managers in China found that two-thirds had received at least one competing job offer in the previous 18 months.⁵ This is a trend that CEOs worldwide are actively addressing and over 60% say that it's more likely that talent will come from internal promotions over the next three years.⁶

⁵MRI China Group Talent Environment Index

⁶PwC 15th Annual Global CEO Survey, 2012

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



Base: All respondents in Asia

Source: PwC Millennials at Work – Reshaping the workplace

‘What makes [my generation] different is the mindset where if you’re in a job that you don’t enjoy, you don’t stick it out until retirement. You leave that company or set up in self-employment.’

25-year-old female, Japan, working in the insurance sector.

A time of compromise

It's clear from the survey that many millennials made compromises in their search for their current job, which adds to the risk that they'll look for a better opportunity in the near future. Millennials based in Asia have seen a higher demand for their services than in other regions, but still only 16% said that they'd made no compromises at all and one in three said they'd accepted a lower salary than they were aiming for.

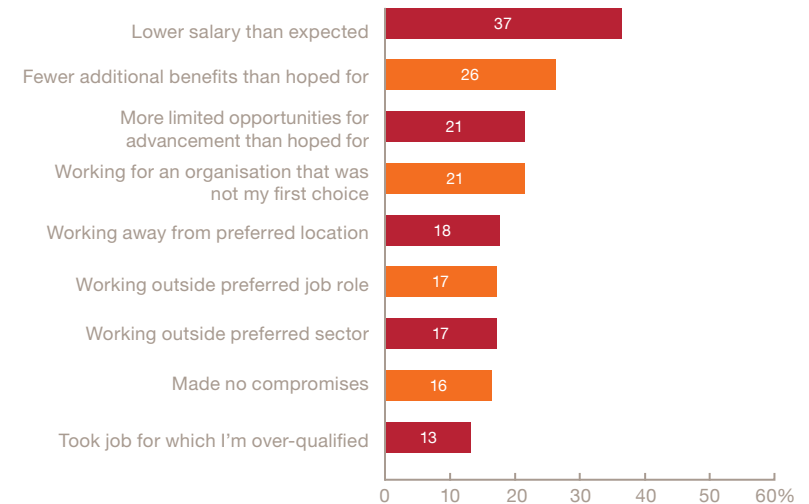
55% of millennials currently working in the financial services sector said that they'd made compromises when accepting their current role. Millennials working in the insurance sector were the most disgruntled, with 48% saying they had accepted a lower salary and 45% saying that the most pressing reason to accept their current job was that they needed to find work quickly. 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.

Prepared for work

Young workers in the region are already well aware of the skills they need to develop in order to be as attractive as possible to employers. 53% of millennials in Asia believe that communication skills are the main priority for business leaders who are looking for new recruits, and 62% of millennials in the region are already using a second language at work (generally English or French), compared to 43% of millennials across all regions

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?



Base: All respondents in Asia, all sectors
Source: PwC Millennials at Work – Reshaping the workplace



‘My generation considers what is best suited to our development and empowerment as individuals, rather than looking for a stable position without any change.’

24-year-old employed female, China.

Attracting millennials

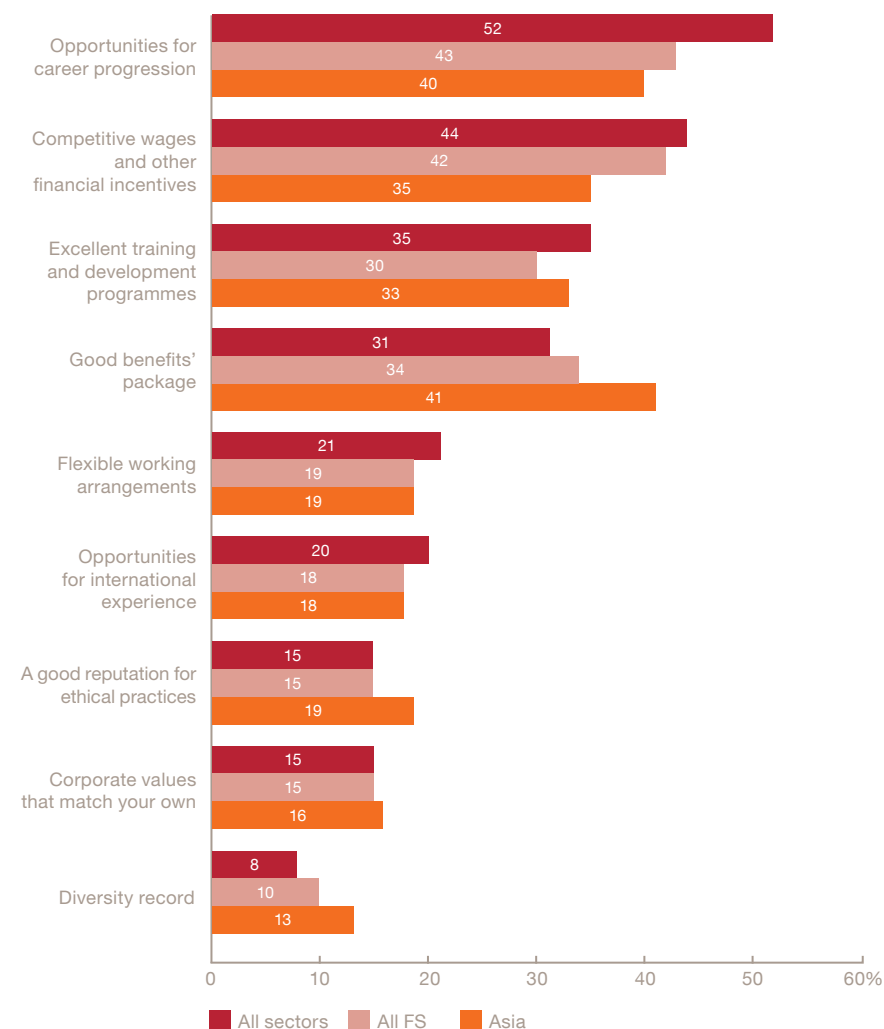
The unique characteristics of millennials demand a different strategic approach to recruitment and retention. Millennials are looking for more in life than ‘just a job’, or a steady climb through the corporate ranks. They want to do something that feels worthwhile, they take into account the values of 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. Millennials across all sectors look for the opportunity to learn and progress quickly through an organisation, often valuing this above immediate financial reward. In Asia, however, millennials are more likely to value benefits’ such as healthcare and a pension, and tend to value the reputation of their employer more highly than their contemporaries in other regions.

‘The desire to excel in the field I’m in drives me to give it my best shot.’

Employed female, 24, Hong Kong.

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



Source: PwC Millennials at Work – Reshaping the workplace

Money isn't everything – or is it?

Salary inflation is a growing concern in the financial services sector generationally – 45% of CEOs in the financial services sector say that pay costs have risen more than they expected (this was especially true in insurance, where 53% of CEOs⁷ agreed) – but is particularly worrying in the fast-growing Asian markets.

The ability of domestic multinationals in Asia to match Western compensation packages has tempted many talented workers to home-grown companies. The proportion of skilled Chinese professionals who said they would prefer to work for a domestic firm over a western multinational soared from 9% to 28% between 2007 and 2010, according to the Corporate Executive Board.⁸

It's a feature of the millennial generation that they tend to value the opportunity to progress quickly through an organisation over monetary reward (assuming that their basic requirements on salary are met). Those working in, or aiming for, the competitive financial services sector, however, can command higher salaries and, as a result, 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. 28% of those working in insurance said that salary was important, although an astonishing 45% said the most pressing factor was their need to find a job quickly.

There is a real risk that salary inflation could soon reach an unsustainable level as international organisations respond to increasing competition from domestic firms in emerging markets by offering higher salaries and other cash inducements, such as sign-on bonuses.

⁷PwC 15th Annual Global CEO Survey, 2012

⁸Corporate Executive Board, 'The Role of Employee Engagement in the Return to Growth', Bloomberg Businessweek (August 2010)

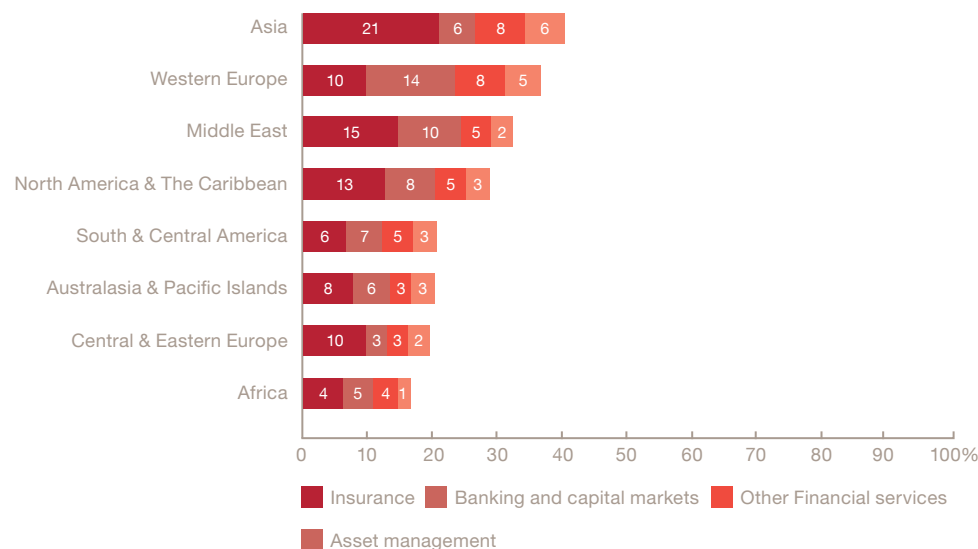
'Many groups kid themselves that they can simply pinch talent from their competitors. In China, this is leading to extremely high rates of attrition and rapidly increasing salary costs.'

Roger Ng, Partner, PwC (China).



Reputation matters

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

The ability of financial services organisations to attract the best graduates has been affected by the financial crisis, but 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. The reputation of financial services has suffered in recent years, though, and this is reflected in the views of millennials. 29% of millennials based in Asia and 30% of those based in Japan said they would rather not work in the financial services sector, while the image of insurance companies in the region 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. It's hardly surprising, then, that 50% of CEOs in the insurance sector are concerned about their ability to attract the people they need.⁹

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 importance of financial services to the fabric of every life, from job creation to secure retirement. Financial services firms could also capitalise on the tendency of millennials in Asia to value the ethical and corporate social responsibility records of employers. 65% of millennials in Asia (compared to 59% of all millennials), for example, say that an employer's policy on climate change is important to them, and 57% said that they'd consider leaving an employer whose CSR values no longer matched their own – this rose to 76% in the insurance sector.

'I'm looking for a company philosophy I can relate to.'

24-year-old male, Japan, employed in financial services.

Developing millennials

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. But with so many aiming for the top, it's inevitable that many will be disappointed – a quarter of millennials in financial services are already dissatisfied with the opportunities for career progression at their current employer. Organisations 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 and structured feedback. Millennials in Asia were generally less satisfied with the level of recognition they receive for their work than others, with 41% saying they were satisfied, and a quarter saying they weren't.

'If your boss shows that he is serious about teaching you, it makes you want to work harder for yourself, for the client and for your boss.'

22-year-old female, Japan, working in the insurance sector.

International assignments

The chance to gain experience overseas is well recognised as a temptation for millennials when selecting an employer and the financial services sector is ideally placed to capitalise on the attraction of overseas assignments. 72% of millennials working in financial services said they want to work abroad at some stage, and 74% of those based in Asia 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 Germany 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. With many financial services organisations looking to expand their operations in Asia, this represents a significant challenge.

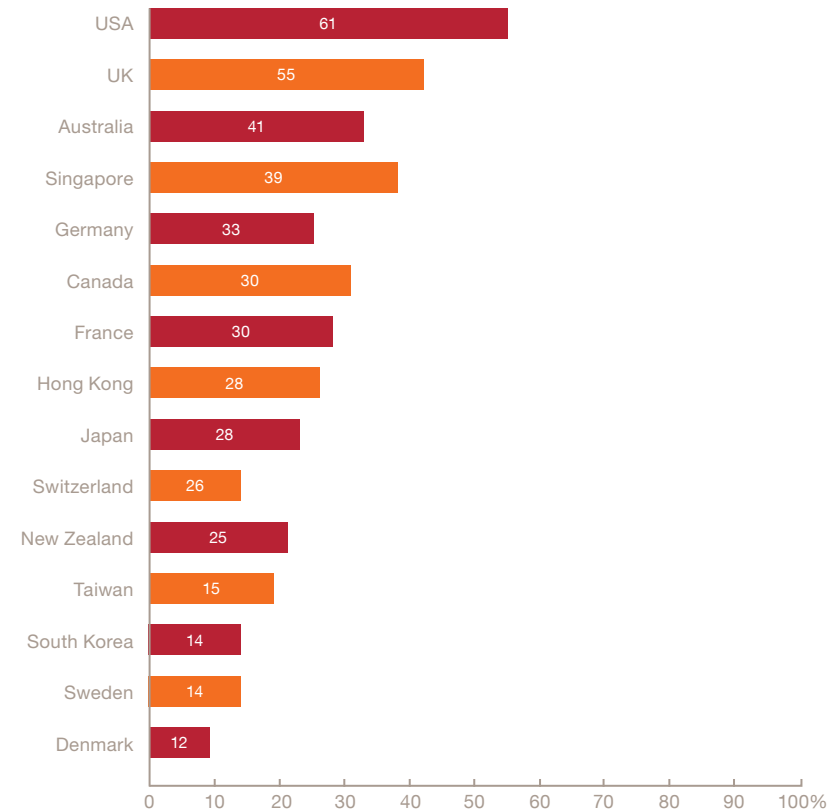
It's possible that these millennials have yet to develop the more commonly held view of more experienced workers in the sector that developing markets are 'where the action is'. Even so, a more targeted approach to assignments in countries seen as less desirable by millennials, such as purpose-based projects spanning a shorter time period than the traditional two or more years, could prove to be the more attractive option for this generation. This could also help reduce the risk that assignees coming from emerging markets might choose to remain in developed countries rather than take their skills back home.

'[Working overseas] would be an eye-opener, but also helpful for my future career.'

26-year-old male, China, working in financial services.



Where outside your home country would you most like to work?



Source: PwC Millennials at Work – Reshaping the workplace

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 is 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.

65% of millennials working in Asia said they felt that rigid hierarchies and outdated management styles failed to get the most out of younger recruits and half felt that older senior management could not always relate to younger workers. Millennials' use of technology is a particular flashpoint, with 54% saying that older senior management did not understand the way they use technology at work. 64% of millennials in Asia make use of their own technology at work and three-quarters feel that this makes them more effective.

'I want to feel that I'm doing something worthwhile.'

27-year-old male, Japan, working in asset management.

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 85% saying diversity policy was important when considering an employer.

But it's clear that this generation often feel let down by reality, and that this view is particularly prevalent in the financial services sector. 67% of all millennials based in Asia and 68% working in the financial services sector (rising to 72% in insurance) said that while companies talk about diversity, they felt that opportunities were not equal for all. 63% of those in banking said they felt that organisations were not doing enough to encourage diversity and inclusion.

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 counterparts¹⁰ – while simultaneously reinforcing diversity policies that millennials find so appealing.

¹⁰Gender and Gen Y: Insights into global diversity in China, published by Diversity Best Practices in association with PwC, 08.02.11

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 that 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?



'I don't like people to underestimate me and I want to achieve something so people won't look down on me just because I'm young.'

23-year-old employed female, Malaysia.

Contacts

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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