

Millennial Pay— What Works and What Doesn't



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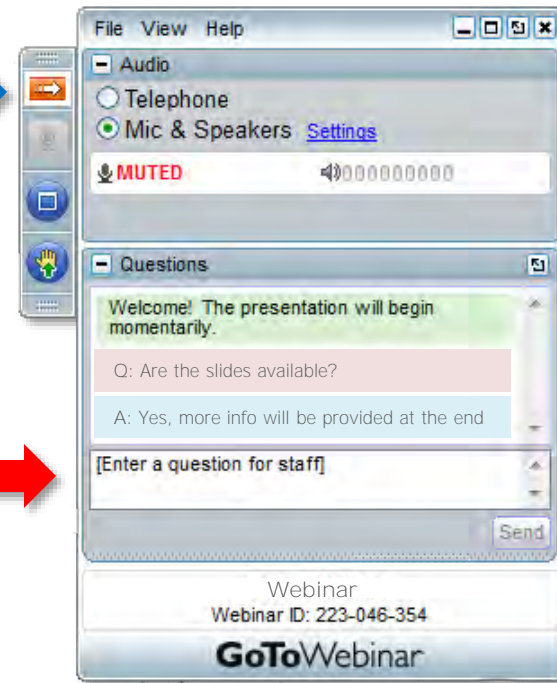
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If you do that...

- Quality of talent will improve.
- Employee engagement will expand.
- Performance will be magnified.
- Business growth will be accelerated.
- Shareholder value will increase.



Talent Trends



One of the biggest headaches for CEOs is making sure that the organization has the right people to cope with what lies ahead. There's the basic question of planning for the skills that are needed now and in the future: Which roles will be automated? What new roles will be needed to manage and run emerging technology? What skills should the company be looking for, and training their people for? Where will we find the people we need?

PwC's 18th Annual Global CEO Survey



But more importantly, CEOs need to be sure that the business is fit to react quickly to whatever the future may throw at it – and that means filling it with adaptable, creative people, working in a culture where energy fizzes and ideas spark into life. If they can't be found, they must be created.

PwC's 18th Annual Global CEO Survey (continued)

Key Prediction

By 2020, the worldwide shortage of highly skilled, college-educated workers could reach 38 to 40 million, or 13% of demand.

(Source: McKinsey Global Institute)



Employee Empowerment



Employees today have increased **bargaining power**, the job market is highly transparent, and **attracting top-skilled workers is a highly competitive activity**. Companies are now investing in analytics tools to **figure out why people leave**, and the topics of purpose, engagement, and culture weigh on the minds of business leaders everywhere.

Deloitte 2015 Study & Report

The Irresistible Organization

...The **employee-work contract has changed**: People are operating more like free agents than in the past. In short, the **balance of power has shifted from employer to employee**, forcing business leaders to learn how to build an organization that engages employees as sensitive, passionate, creative contributors. We call this a **shift from improving employee engagement to a focus on building an irresistible organization**.






Deloitte 2015 Study & Report



The Irresistible Organization

Figure 1. The simply irresistible organization®

What we have learned: Five elements drive engagement

 Meaningful work	 Hands-on management	 Positive work environment	 Growth opportunity	 Trust in leadership
Autonomy	Clear, transparent goals	Flexible work environment	Training and support on the job	Mission and purpose
Select to fit	Coaching	Humanistic workplace	Facilitated talent mobility	Continuous investment in people
Small, empowered teams	Invest in management development	Culture of recognition	Self-directed, dynamic learning	Transparency and honesty
Time for slack	Modern performance management	Inclusive, diverse work environment	High-impact learning culture	Inspiration
A focus on simplicity				

Employer Brand

- Employee perception
- Potential Employee perception
- Consumer perception of you as an employer
- Not completely in your control
- Requires a marketing/branding effort
- Impacted by financial value proposition
- More critical than ever because of social media



Employer Brand



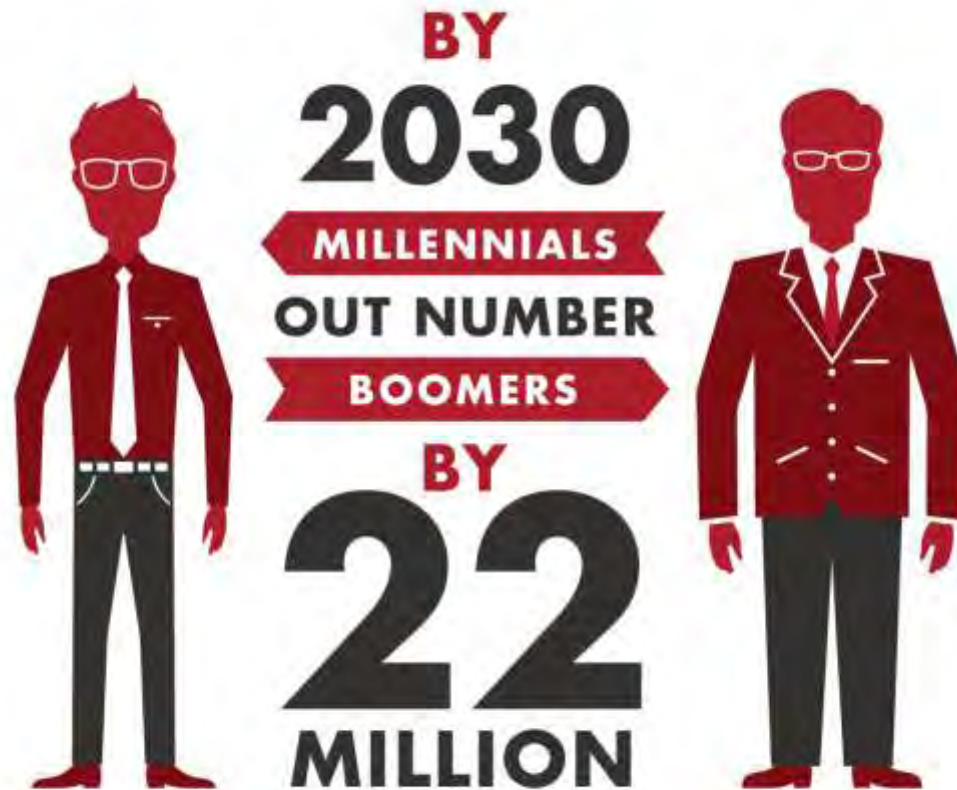
“...some 80% of job seekers today will research an employer online before deciding whether to apply to a position there. **When candidates don't find enough information to convince them you're worth working for, they'll pass.** That much is obvious, but employers are only now beginning to reckon with the consequences. In other words, job seekers are making a consumer decision, too: **If you aren't good enough to work for, why buy anything from you?**”

“Showing pride and confidence in your company's employer brand sends a strong message: 'These are our employees. See for yourself how they make our company great.' And, like any good brand strategy, **the key is to know how your employees are unique and then flaunt it.**” (J.T. O'Donnell, Fast Company)

Why Talk about Millennial Pay?

- Largest generation in global workforce (Pew Research)
- Myths abound
- Unique frame of reference
- Limitless potential impact
- Mystery to business leaders

Why Talk about Millennial Pay?



Who Are Millennials?

Pew Research Center analysis of U.S. Census Bureau data:

- 1/3 of Workforce
- Ages 20 to 36 in 2017
- 24% of the US population (77 million individuals)
- The median income:
 - Younger Millennials-- \$25k
 - Older Millennials-- \$48k



Who Are Millennials?



2014 Nielsen Research

- 21% of Millennials are married (42% of Boomers married at same age)
- 23% have a Bachelor's degree or higher (most educated generation)
- Most ethnically and racially diverse generation (19% Hispanic, 14% African-American, 5% Asian)
- 36% of women are mothers
- 2 in 3 Millennials are US-born
- 38% of Millennials are bilingual

Who Are Millennials?

WHO ARE MILLENNIALS?



"GEN Y"
80
MILLION
IN THE U.S



LARGEST GENERATION YET

2.5
BILLION
WORLDWIDE

&
MOST
ETHNICALLY
&
RACIALLY
DIVERSE



**DOMINANCE OF
SOCIAL NETWORKS**

DO THEY MATTER?



**MAKE A
DIFFERENCE
W/ THEIR WORK**

- CONFIDENT**
- HAVE HIGH EXPECTATIONS**
- ACHIEVEMENT ORIENTED**

Millennial Myths

"...studies have started to dispel the myth of the itinerant millennial. Using data from the U.S. Bureau of Labor Statistics, for example, the website FiveThirtyEight.com has shown that millennials change jobs less frequently than gen Xers did at the same age....at least 40 percent of millennials see themselves staying at their current organization for a minimum of nine years — a much longer period than the 16 months to three years that's often reported."

Millennials Play the Long Game, Strategy+Business,
Jennifer Deal and Alex Levenson



Trend for Job Changes

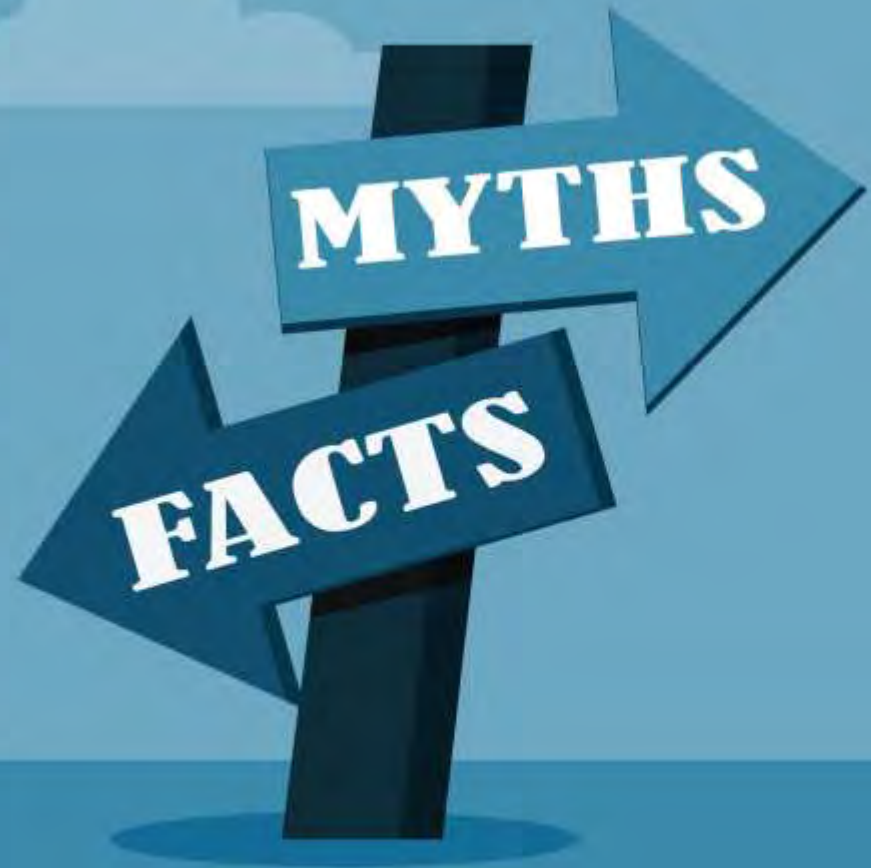
Do Young Workers Stick With Their Jobs?

Percentage of workers ages 22 to 29 who changed jobs in a given month, 12-month moving average



Myths Translate into Mistakes

- Using myths as an excuse
- Treating millennials as a monolithic group
- Resisting change
- Making assumptions



Roundtable Discussion



Perplexed Business
Leader:

“Our company initiated a
profit sharing bonus plan
and it just bombed.”

Roundtable Discussion



All Knowing Business Leader:
"What's the average age of
your people?"

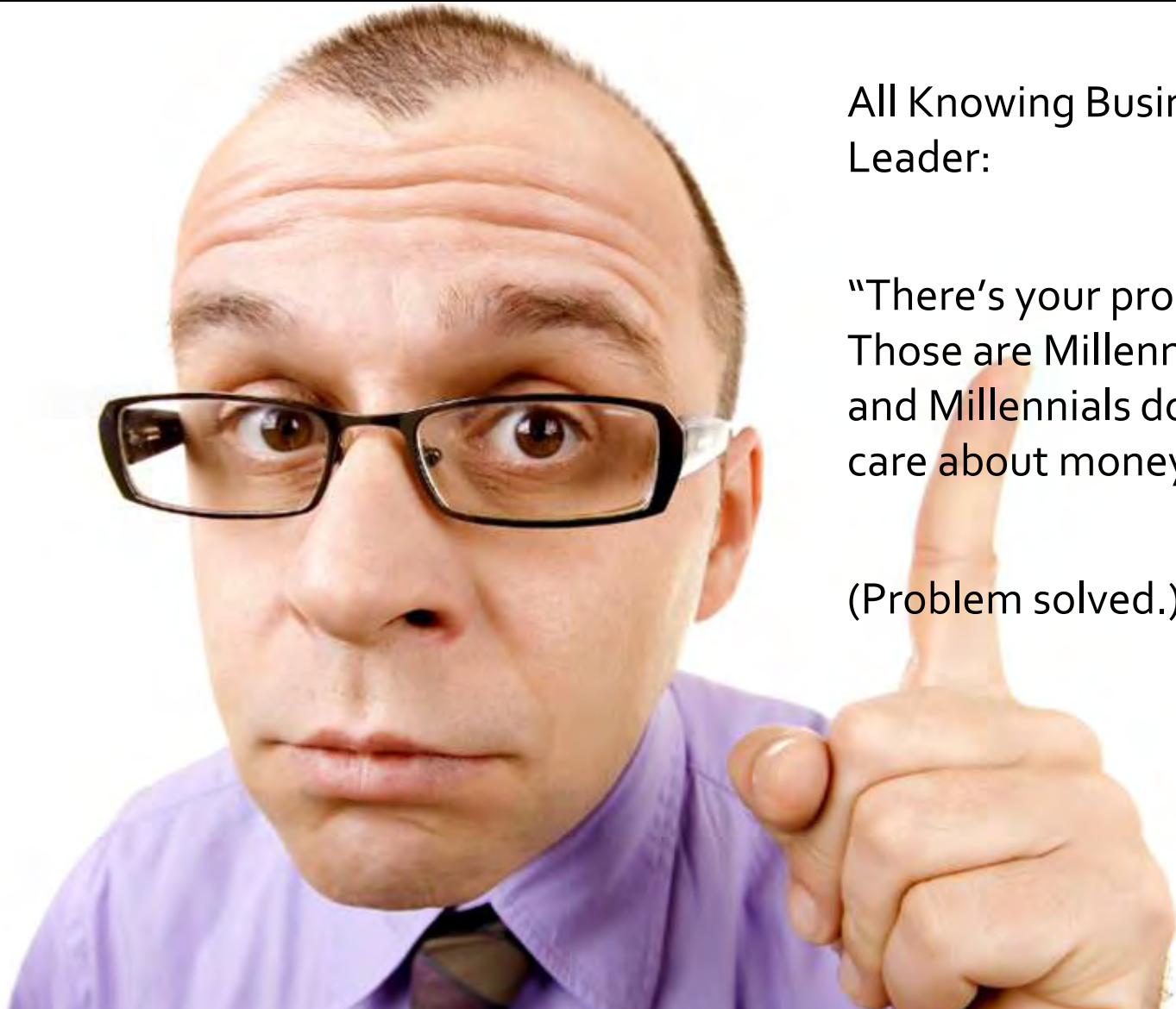
Roundtable Discussion



Perplexed Business
Leader:

“Probably between 22
and 31.”

Roundtable Discussion



All Knowing Business
Leader:

“There’s your problem.
Those are Millennials—
and Millennials don’t
care about money.”

(Problem solved.)



REALLY?

Eric Rea

- Graduated in computer engineering
- Offered job with United Nations
- \$100,000 salary non-taxable
- “No one ever leaves the U.N.”



Podium

PEAK100

Utah's Most Inspiring Entrepreneurs

TOP 10



Millennial Pay Plan as a Marketing Strategy

- Audience
- Do
- Believe
- Know



Identify the Audience

Not All Millennials are Created Equal

- Persona
- Age group
- Career phase
- Family
- Goals
- Living arrangements
- Millennial type
- Free time



Identify What You Want them to Do

- Role
- Outcomes
- Impact
- Performance channel
- Unique abilities
- Fit



Identify What They Need to Believe

- What's possible
- Who benefits
- Why it matters
- Positive outcomes

Simon Sinek: "Start with Why"



Identify What They Need to Believe



Focus on Purpose

“The linchpin for connection is a sense of purpose. Most leaders and managers I talk with get this but don’t really know what to do about it. A 2015 study by the Harvard Business Review and EY Beacon Institute found that **more than 80% of the 474 surveyed executives believe that purpose is important to many key measures of a business and 70% believe it is important to integrate purpose into core business functions.** Less than half, however, believe that their organization has a shared sense of purpose or aligns its strategy to a purpose, and **fewer than 38% say that employees are clear on purpose or that the business model and operations are well aligned with their purpose.** Given my experience clarifying and activating purpose for organizations, I suspect the percentage of companies that have actually aligned their purpose with their business models or processes is likely much lower.”

(Ways to Cultivate Purpose in the Workplace, Workspan Magazine, January 2017, pg 21-26)

Identify What They Need to Know

- Company vision
- Business model & strategy
- Purpose
- Partnership
- Rewards
- Relevance

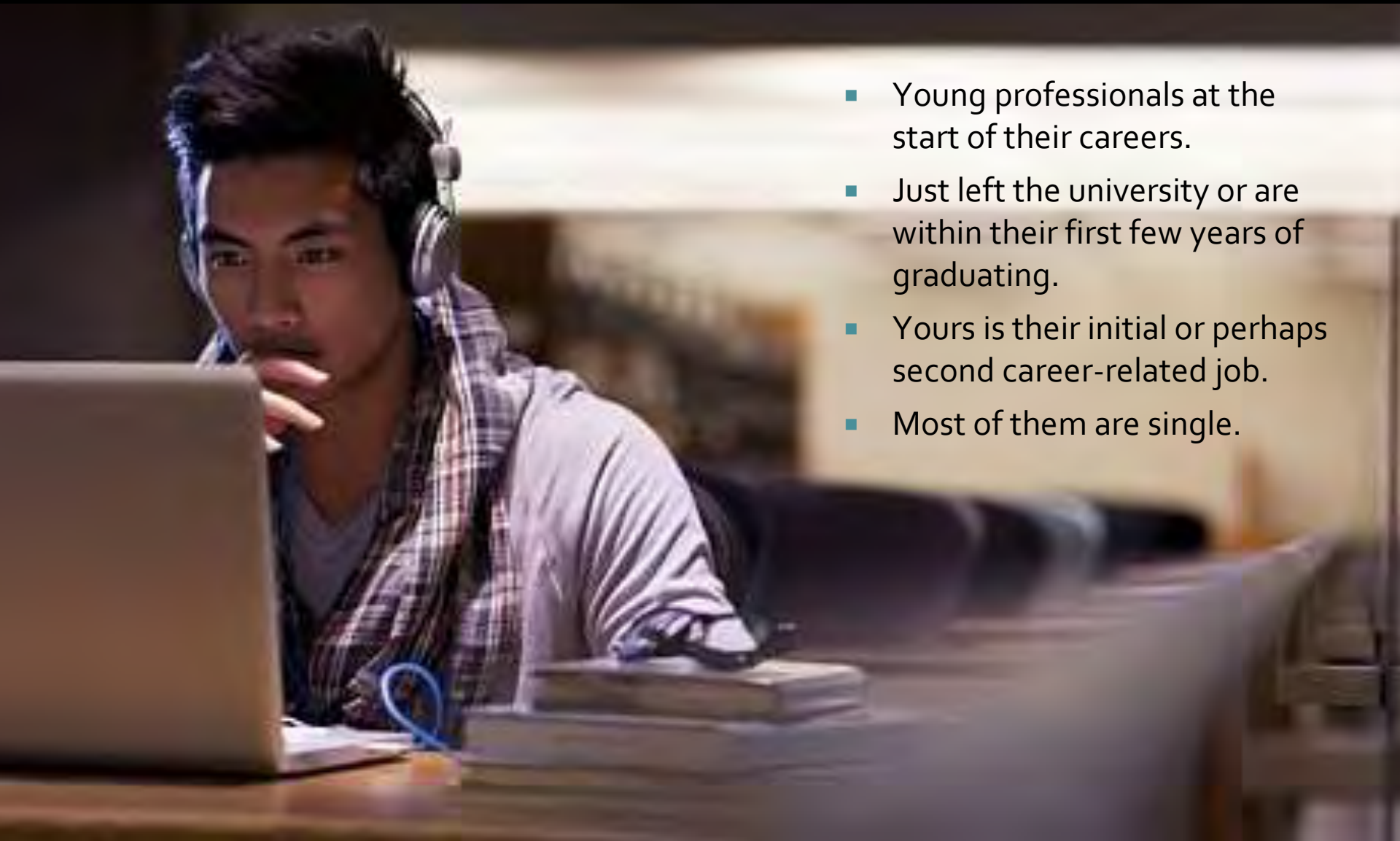


Millennial Career Segments

- Launchers
- Accelerators
- Catalysts



Launchers



- Young professionals at the start of their careers.
- Just left the university or are within their first few years of graduating.
- Yours is their initial or perhaps second career-related job.
- Most of them are single.

Accelerators

- Have had some experience with more than one company
- Are now trying to settle in with an organization where they can rise in ability, recognition, contribution and influence.
- Most still single but a growing number are married or have life partners and are starting families.



Catalysts

- Entering or are well into their 30s
- Have gained meaningful experience and possess unique abilities.
- Able to affect significant (positive) change in an organization
- Companies are competing for their talents.
- They have leverage and are in a position to negotiate.
- Many married and have children.

Julia Hartz, Eventbrite



The Emergence of Catalysts

The New Corporate Garage

"...Apple's inventiveness is no anomaly; it indicates a dramatic shift in the world of innovation. The revolution spurred by venture capitalists decades ago has created the conditions in which scale enables big companies to stop shackling innovation and start unleashing it."



Catalysts Change Growth Trajectory

“...entrepreneurial individuals, or ‘catalysts,’ within big companies are using those companies’ resources, scale, and growing agility to develop solutions to global challenges in ways that few others...” (Harvard Business Review, September 2012)



The Millennial Value Proposition:

Total Rewards

1. Compelling Future

2. Positive Work Environment

3. Opportunities for Personal and Professional Growth

4. Financial Rewards

1. Compelling Future

- I like the direction the company is headed.
- I embrace the company's values.
- I believe the company can achieve its growth goals.



- I see myself in the company's future.
- I want a "seat at the table" in determining the direction of the company.

2. Positive Work Environment

- I like the nature of the work I'm doing.
- I am working within my unique ability.
- My responsibilities have strategic purpose.
- I like the team of people with whom I work.
- There are channels and processes for solving problems and decision making.



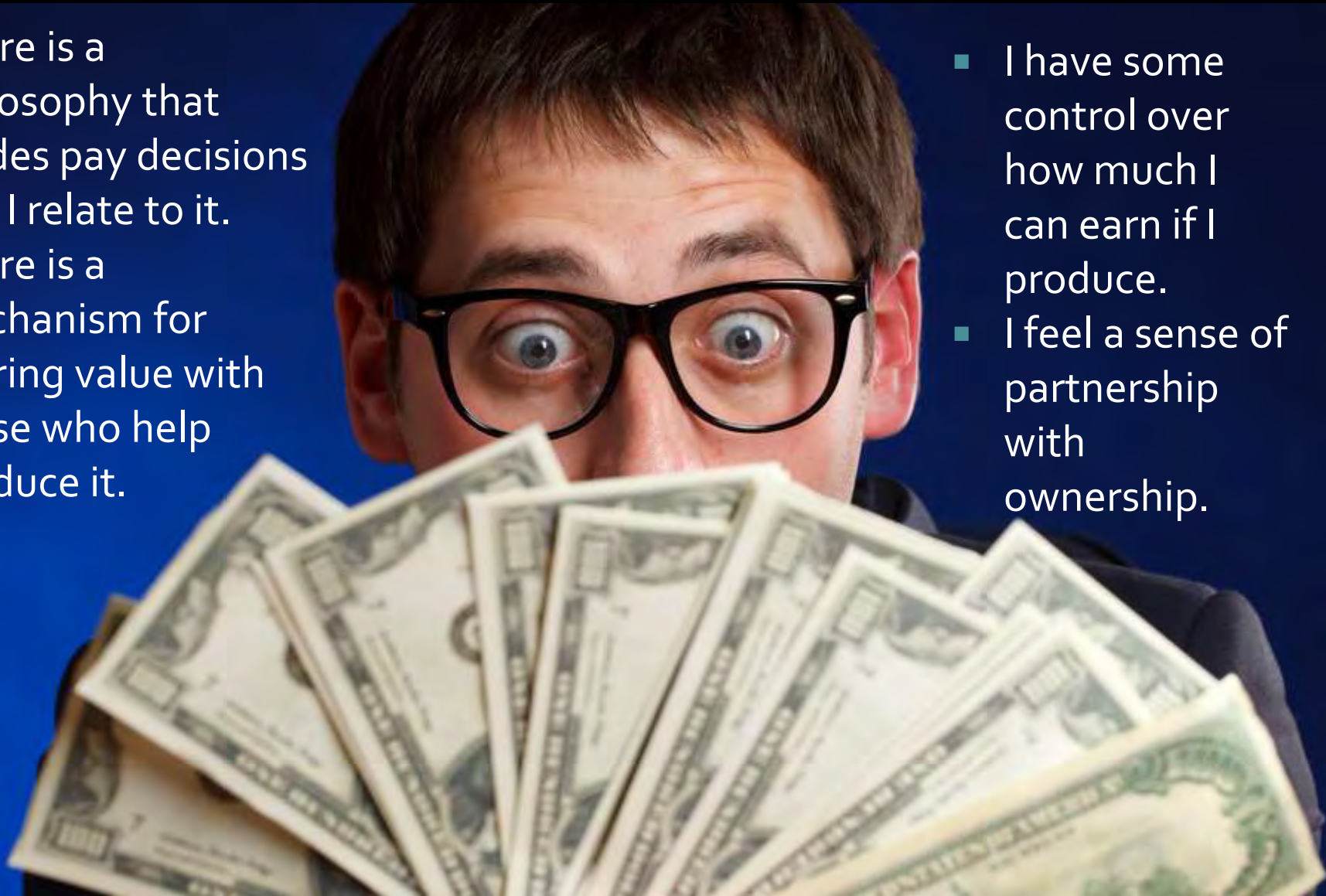
3. Personal and Professional Development

As a result of my immersion in the culture and resources of this organization, my unique abilities will improve—and I will experience personal and professional fulfillment.



4. Financial Rewards

- There is a philosophy that guides pay decisions and I relate to it.
- There is a mechanism for sharing value with those who help produce it.



- I have some control over how much I can earn if I produce.
- I feel a sense of partnership with ownership.

Total Rewards Approach

Compelling Future
Purpose

Opportunities for
Personal and
Professional Growth
Mastery & Purpose

Positive Work
Environment
Autonomy

Financial Rewards
Partnership

Financial “Hierarchy of Needs”

Wealth Multiplier Commitment

4

Wealth Accumulation

Short & Long-Term Incentive
Plans

3

Retirement Planning

Qualified & Executive
Retirement Plans

2

Security

Comprehensive, Flexible
Benefits Plan

1

Cash Flow & Living Standard

Salary & Bonus

Clear Pay Philosophy

Hierarchy & Millennial Segments



Launchers	
Area	Orientation
Cash Flow/Standard of Living	<ul style="list-style-type: none">• Pay expectations still being formed• Modest needs• Competitive salary and mentoring
Risk Protection	<ul style="list-style-type: none">• Basic needs• Don't want to pay anything
Retirement	<ul style="list-style-type: none">• Small or little concern
VS/Wealth Accumulation	<ul style="list-style-type: none">• More concerned about money for this weekend• Short-term preferred over long-term

Hierarchy & Millennial Segments

Accelerators

Area	Orientation
Cash Flow/Standard of Living	<ul style="list-style-type: none">• Context:<ul style="list-style-type: none">• Experience• Peer Pay• Life Responsibilities• College Debt
Risk Protection	<ul style="list-style-type: none">• Adequacy of coverage—family focus• Cost sensitive
Retirement	<ul style="list-style-type: none">• Growing Focus
VS/Wealth Accumulation	<ul style="list-style-type: none">• Emphasis on increased cash flow• Short-term preferred over long-term



Hierarchy & Millennial Segments



Catalysts	
Area	Orientation
Cash Flow/Standard of Living	<ul style="list-style-type: none">• Prefer median of market pay but with high upside potential
Risk Protection	<ul style="list-style-type: none">• Want flexibility and options• Maximum Control
Retirement	<ul style="list-style-type: none">• Two areas of focus:<ul style="list-style-type: none">• Retirement accumulation• Current tax savings• Deferred compensation
VS/Wealth Accumulation	<ul style="list-style-type: none">• Large area of emphasis• Focus on long-term opportunity• Mirror owner opportunity

Salaries

Competitive with market standards?
Tied to strong performance management process (merit)?
Managed within a flexible but effective structure?

Performance Incentives

Tied to productivity gains?
Clear, achievable and meaningful?
Self-financing?

Sales Incentives

Challenging yet achievable?
Reinforcing the right behaviors?
Differentiating your offering?

Growth Incentives

Linked to a compelling future?
Supporting an ownership mentality?
Securing premier talent?

Core Benefits

Responsive to today's employee marketplace?
Allocating resources where most needed?
Evaluated to eliminate unnecessary expense?

Executive Benefits

Flexible enough to address varying circumstances?
Communicating a unique relationship?
Reducing employee tax expense?

Qualified Retirement Plans

Giving employees an opportunity to optimize retirement values?
Operated with comprehensive fiduciary accountability?
Avoiding conflicts and minimizing expenses?

Nonqualified Retirement Plans

Optimizing tax-deferral opportunities?
Aligning long-term interests of employees with shareholders?
Structured to receive best possible P&L impact?



An Aligned
Millennial
Pay Strategy

6 Reasons Millennials Care About Pay

Personal

1. Lifestyle & Wealth Accumulation
2. Career Measurement
3. Contribution Ambitions

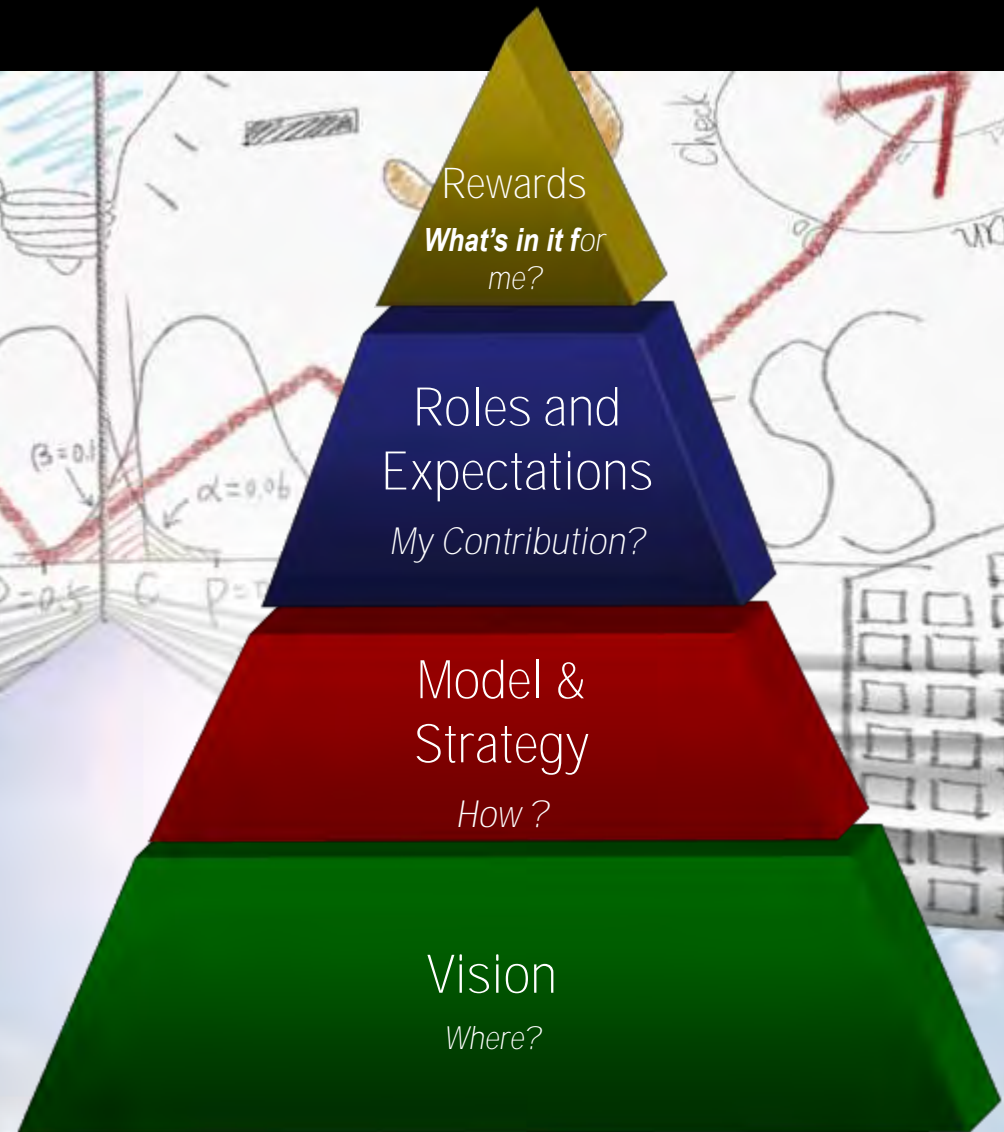
Business

4. Roles, Expectations & Priorities
5. Partnership
6. Continuity & Fairness



What Millennial Pay Needs to Reinforce

Line of Sight



Market a Future that's Relevant

- Communicate desire for a growth partnership
- Demonstrate commitment
 - To the future business
 - To key contributors
- Promote don't just communicate
- Be consistent



Market a Future that's Relevant

- Here's our future
- Here's how we're going to get there
- Here's the role we picture for you
- Here's how we encourage our people to grow and contribute
- Here's our philosophy about pay and rewards
- Here are our specific pay programs
- Here's how our pay programs could work for you if we achieve our plan

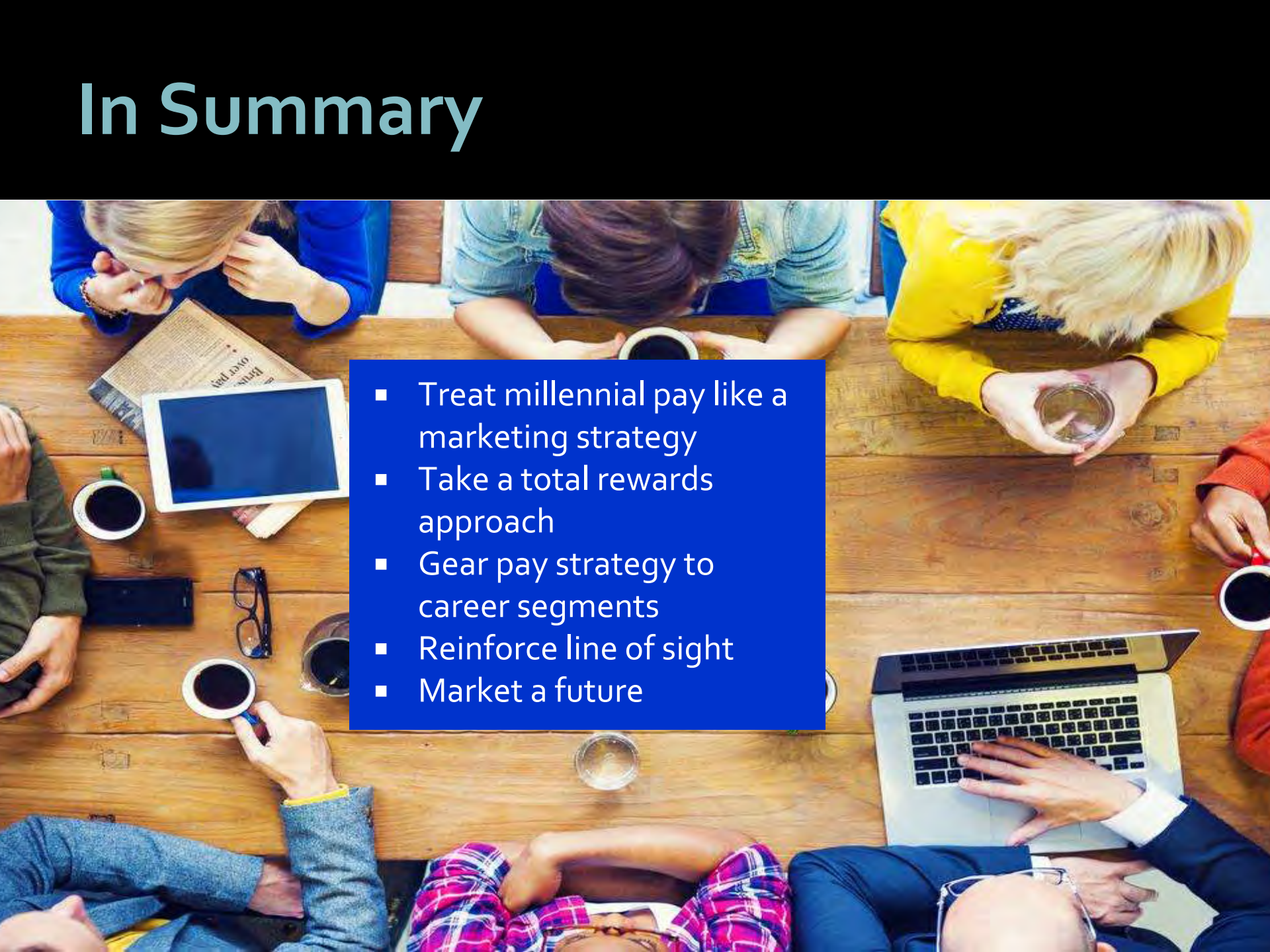


Employer Brand

- Employee perception
- Potential Employee perception
- Consumer perception of you as an employer
- Not completely in your control
- Requires a marketing/branding effort
- Impacted by financial value proposition
- More critical than ever because of social media
- Millennials are most connected generation



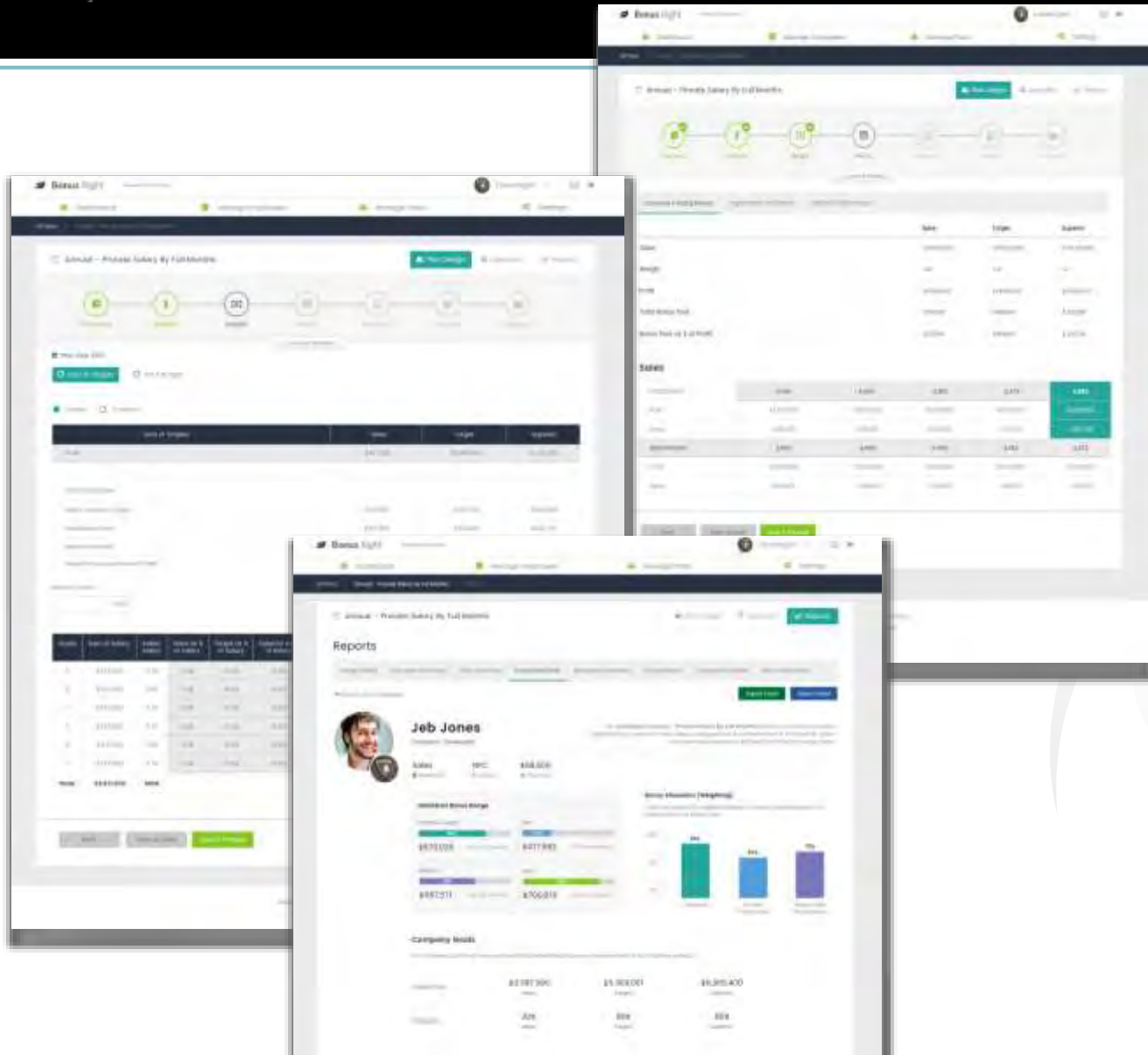
In Summary

- 
- Treat millennial pay like a marketing strategy
 - Take a total rewards approach
 - Gear pay strategy to career segments
 - Reinforce line of sight
 - Market a future

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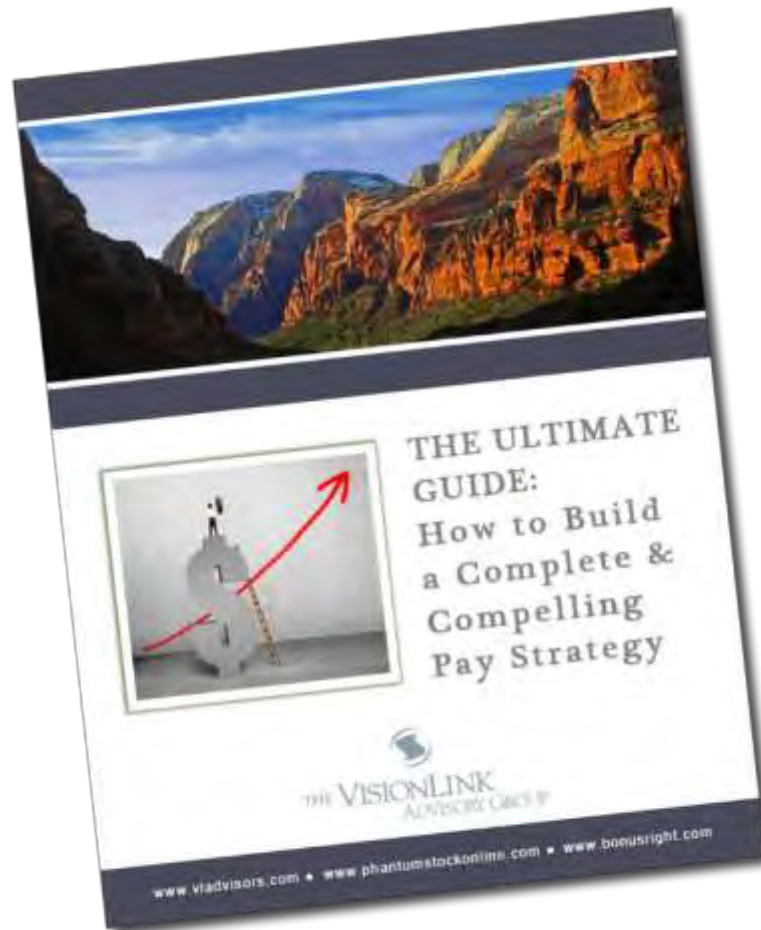
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Why Your Bonus Plan Isn't Working (<i>HR Specific</i>)	June 14th
How to Transform Entitlement into Stewardship	June 28th
The CEOs Role in Building a Pay Strategy	July 26th
How to Improve "Line of Sight"—and Why it Matters	August 23rd
Why a Total Compensation Structure is HR's Best Friend (<i>HR Specific</i>)	September 13th
Guaranteed vs. Incentive Pay: What's the Right Balance?	September 27th
How Should You Pay High Performers?	October 24th

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Q&A



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Thank You!