Talking About My Generation:
Exploring the Benefits Engagement Challenge
About this report

This report provides human resources (HR) professionals and senior reward managers with a new and compelling way of thinking about how to use employee benefits packages to more effectively engage the different generations within today’s workforce.

Through the lens of generational science, this report offers a unique insight into the modern multigenerational workforce — a workforce which, for the first time in history, comprises five generational cohorts: Maturists (born pre-1945), Baby Boomers (born between 1945-1960), Generation X (1961-1980), Generation Y (1981-1995) and Generation Z (born after 1995).

To produce this report, Barclays commissioned Dr. Paul Redmond (pictured), a leading generational expert at the University of Liverpool. During 2013, Dr. Redmond conducted in-depth research, which included a survey of over 1,200 employees and a series of six focus groups at a range of leading organisations, including Fujitsu, Langland and Nuffield Health, to compile the findings within this report. Supplementing the focus groups were individual interviews with managers and senior HR professionals.

Using a blend of quantitative and qualitative research methods, this report explores the financial aspirations, concerns and priorities of the three largest generational cohorts within today’s workplace — Baby Boomers, Generation X and Generation Y — and considers how HR professionals can use this insight to create employee benefits packages to better meet the needs of the different generations.

Why read this report?

• Because your benefits programme is probably not meeting the needs of everyone in your workplace — the modern workplace is evolving in ways we have never seen before
• Because a benefits scheme that meets the needs of the different generations in your workplace will achieve better outcomes for you and your employees
• Because many have paid lip service to the “generation issue” but being aware isn’t enough, you need to take action

1 Actual dates for the different generational cohorts differ slightly, particularly when comparing U.K. with U.S. research. In holistic terms a generation has been defined by Strauss and Howe (1991) as being the aggregate of all people born over a span of roughly twenty years, or about the length of one phase of life, e.g. childhood, young adulthood, middle-age, etc. For the purposes of this study we have standardised these timescales using the most commonly applied definitions.
2 Further details of the methodology can be found at the end of the report.

Foreword

For the first time in history, we are witnessing up to five generations working alongside each other in the workplace. These generations share the same managers, rub shoulders in the same spaces and collaborate on the same projects — but this is where the similarities end.

With the age gaps between these individuals reaching up to 50 years, we now see just how far apart the values, drivers and needs of these different generations can be. Whereas the stability of family and home ownership has been a priority for older generations, many of those entering the workforce now and in the past decade prioritise travelling the world over saving for a mortgage deposit.

Yet identifying these trends is only to begin to notice the symptoms; If we dig just a little deeper and investigate the underlying causes, the reasons for these stark differences become clearer.

Generation Y is living with parents longer due to the high cost of living and increasing student debts, whilst Baby Boomers are “sandwiched” between financial commitments to elderly relatives and children struggling to get onto the property ladder. Perhaps then it is no wonder that priorities may feel centuries, rather than decades, apart.

As we set out to uncover through Talking About My Generation: Exploring the Benefits Engagement Challenge, the rise of the multigenerational workforce presents numerous challenges to today’s HR professionals when devising benefits packages to engage and attract employees. For the past decade, a “perfect storm” has been raging in the workplace that has brought together a confluence of economic uncertainty, global competition, falling prices, ubiquitous and ever-evolving technology, and shortages in staff and resources.

For organisations, understanding these generational differences is a key business imperative, particularly when devising and implementing organisational engagement strategies. In a post-recession workplace, where employee loyalty is undergoing a fundamental shift, what do employers need to do to ensure that they are meeting the needs of all their employees, at every stage of their lives?

In this report, we explore the key characteristics of three of the five generations that make up the majority of today’s workplace and investigate whether traditional approaches to employee benefits are fit for purpose. Using in-depth research amongst the three generational cohorts and focus groups conducted with a number of high profile U.K. organisations, we pose the pertinent questions facing HR professionals now: How can organisations implement employee benefits packages that meet the differing needs of the generations in today’s workforce? And what is the cost of getting it wrong?

We would like to extend our sincere thanks to Dr. Paul Redmond for all of his work in developing this research report, and hope that our readers find it a unique and thought-provoking read. We look forward to sharing with you our continued work and insight on these issues.
Executive summary

In designing this report we set out to explore five key questions:

1. Does the current employee benefits structure suit the needs of the vast majority of the workforce?

2. How do these needs contrast and compare between the three key generational groups?

3. Is the language and media used to explain employee benefits appropriate for the growing Generation Y workforce? In what ways could it be better fit for purpose?

4. Will the current employee benefits structure be obsolete in five years as the generations in the workplace shift?

5. Building benefits packages for the multigenerational workforce —what’s the cost of getting it wrong?

Below is a summary of the key findings related to our five key questions:

1. Does the current employee benefits structure suit the needs of the vast majority of the workforce?

   **Too inflexible for today’s employees**
   Despite that almost six-out-of-ten employees from all generations claim that the availability of a comprehensive benefits package is a key factor when looking for a new job, 85% of those surveyed felt that their current employee benefits packages failed to provide the support and flexibility required to meet present and future financial needs.

   Our survey revealed 86% of Baby Boomers and 87% of both Generation X and Generation Y employees found their current benefits packages were too inflexible to meet their needs. This is a major finding and suggests that across all industries and sectors a serious discrepancy currently exists between the benefits packages provided by employers, and the actual needs of employees.

   **More financial guidance needed at work**
   Despite recognising the value of work-based financial guidance, we found that over 90% of employees from all generations had no access to any form of work-based financial guidance.

2. How do these needs contrast and compare between the three key generational groups?

   **Talking about my generation**
   Distinct generational characteristics have been found to exist within the workforce, which in turn influence the way that employees engage with their organisation. These characteristics are especially apparent when the focus turns to employee benefits packages:

   - **Baby Boomers** were the least demanding generation in terms of their employee benefits, with 71% valuing their company pension scheme, 48% valuing health care and 57% valuing opportunities for career development. Most of the benefits packages we surveyed benefited the Baby Boomer generation (after all, they designed them).

   - **Generation X** places importance on company pension schemes with 77% valuing this benefit, and is also focused on managing work-life balance, with 69% valuing flexible working hours. Paying off the mortgage and spending more time with the family are major concerns for 41% of Generation X respondents, as is saving for retirement (30%).

   - **Generation Y** is focused on securing opportunities for career advancement and taking on more responsibility, with 64% citing ongoing career and personal development as most important to them. Nearly two-thirds, 65%, seek financial education and guidance. Financially, Generation Y faces significant barriers, as 29% currently prioritise getting on the housing ladder and 30% paying off debts. These financial barriers are likely to become increasingly evident over the coming years.

   Generation X and Y crave financial guidance
   We discovered that Generation X and Y are particularly responsive to the idea of being able to access a personal banker and mortgage adviser while at work. Our focus groups discovered Generation X managers who were being kept awake at night worrying about pensions and mortgages, and talented Generation Y professionals who were resigned to not being able to afford a mortgage until their early forties.

Executive summary
Introduction
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Overview of the findings
HR professional’s tool kit
Appendix and case studies
Is the language and media used to explain employee benefits appropriate for the growing Generation Y workforce? In what ways could it be better fit for purpose?

The limitations of e-mail
Our research found that e-mail (45%) and staff intranet (41%) are still the most popular ways for companies to communicate their benefits to employees, compared to seminars (20%) and one-on-one meetings (13%). The result: confusion. One in five Generation Y respondents said that in the past year they have been confused about what employee benefits they have or are currently entitled to, and separate studies show that 63% of employers think their benefit communications are ineffective in helping staff make the right benefits decisions.

“Digitally detoxed”
From our survey, we found more than 50% of employees of all ages now use the Internet when sourcing financial information. However, counter to claims about the rise of the “digital native” generations, our focus groups discovered widespread support for face-to-face interventions and personal engagement amongst Generation Y.

Will the current employee benefits structure be obsolete in five years as the generations in the workplace shift?

Flexibility and choice
When employees were asked to describe their ideal future benefits packages, few in the focus groups were able to see beyond their current provision. “Flexible” and “more choice” were the main responses.

Back to your future
Although the majority (80%) of employees across all generations expect their employer to provide a comprehensive benefits package, we found that relatively few employees have a clear sense of the type of benefits package that would best suit their future needs. Helping staff visualise their future selves — particularly in terms of the financial challenges they are likely to face in the future — can be a highly effective way of overcoming this obstacle.

Building benefits packages for the multigenerational workforce — what’s the cost of getting it wrong?

Not the Boomers’ world
Our research reveals that 12% of Generation Y respondents are so dissatisfied with their current benefits package that they have considered moving to a different organisation. This indicates the emergence of a new Generation Y “psychological contract” which will rewire the way that future generations of employees engage with their employers: The role of the employer will shift from being a benefits “provider” to a benefits “enabler.”

If you build it, they will come
If the costs of getting it wrong are high, the reward for offering the right benefits packages to the right generational groups can be significant. Research shows that employees who are satisfied with their benefits packages are also more likely to be loyal to their employers and engaged with their organisations.

Calculating the returns on investment
Further still, if tailored to the specific aspirations, priorities and objectives of each generation, benefits packages can be highly effective in enhancing employers’ engagement strategies. Organisations with high levels of engagement have 40% lower employee turnover rates than companies with low levels of engagement. In addition, Total Shareholder Return (TSR) at these organisations has been calculated as being 42% higher than their competitors. Employees with the highest levels of engagement perform 20% above average, while being 87% less likely to leave their organisation.

A toolkit for HR professionals
Workplace generations need and expect tailored benefits packages. Based on generational profiles, there are a number of recommended products and methods of communication for each generation that can arm HR professionals with the tools they need to boost employee engagement.


5 Hays Group, “The Loyalty Deficit,” November 2012

6 P.A. Consulting, “Engaging your employees to drive superior organisational performance,” 2013
Introduction

As today’s workplace can now contain up to five different generations working alongside each other, the issues facing HR professionals in engaging this disparate workforce are undoubtedly becoming more complex. Add to this the wider changes that have taken place in the employment and economic landscape over recent years — the various periods of boom and bust, inflation, innovation and technology improvements — and the challenge of using employee benefits to meet the needs of different generational cohorts within the workplace is no small feat.

In order to unravel this task now lying ahead of organisations, it is important to first explore some of the primary dynamics of employee engagement and benefits.

The new psychological contract(s) for a multigenerational workforce

The term “psychological contract” is defined as: “... the perceptions of the two parties, employee and employer, of what their mutual obligations are towards each other.”7 and in the 20th century, the psychological contract between employers and workers was epitomised by the clear and standardised rewards structure that could be found in most organisations. In return for commitment and loyalty, employees could expect to receive from their employers a range of benefits and rewards. At the core of this “contract” was a commitment to job security.

In today’s multigenerational workplace, the psychological contract is more complex. Few organisations can provide that level of job security. At the same time, the structure of job roles has changed. As a result, the psychological contract has changed, becoming less paternalistic and more transactional.

For HR professionals, this shift in the psychological contract presents numerous challenges. Moreover, instead of there being one dominant psychological contract between employer and employee, there are now several — one for each generation.

Employee benefits packages: one-size doesn’t fit all

The advantages of an effective compensation and employee benefits strategy are well known. Yet research has found that fewer than four-in-ten employers thought their organisation’s benefits packages were “effective” in terms of helping the organisation engage more effectively with different groups of workers — a response which was echoed by their employees. Speaking about her past research into this subject, Lesley Uren from PA Consulting told us:

“We had a hypothesis that HR professionals who were creating an employee proposition for talented workers were coming from the perspective of their own experiences rather than focusing on what really mattered to people at different stages of their careers — and that they were missing a trick. We discovered that there was a big disconnect between what employers were offering and what employees were looking for.”

So why are some HR professionals dissatisfied with their own benefits packages? The answer, it seems, is to be found in the last century.

Traditional benefits packages were developed in the 20th century under radically different economic and social conditions. Even today, many benefits packages still reflect a “one-size-fits-all” 20th century attitude — an attitude informed by large workforces, pyramid-shaped management structures, multiple layers of management and long-term job security.

Although rarely do such conditions exist in today’s workplace, these assumptions are often to be found in benefits and rewards packages.

The economic benefits of engagement

Continuing with a one-size-fits-all approach is self-defeating. The advantages of an engaged workforce reach beyond the organisation, leading to increased shareholder value8 in many cases, and the benefits that employers offer to their employees play an important role in this engagement. According to research by PA Consulting9, organisations which successfully align benefits packages to the aspirations and needs of their most talented employees can expect a Total Shareholder Return (TSR)10 that is around 42% higher than organisations in which benefits packages and talent are misaligned.

The emphasis on employee talent is significant. PA Consulting found that organisations which took steps to segment the workforce into distinct talent groupings exhibited significantly higher levels of TSR than organisations in which a blanket approach to benefits and engagement was the norm. Thinking of the workforce as distinct groups or cohorts clearly pays dividends. So what do the different generations in today’s workplace look like?

Auto-enrolment

Another challenge facing HR professionals, and one which has had an impact on employee benefits and rewards systems, is auto-enrolment in pensions. Across the workforce a range of opinions currently exist on whether auto-enrolment will lead to an increase or a reduction in the value of employee benefits packages.

Evidence from countries where auto-enrolment has been operational for several years suggests that while it has pros and cons, it is particularly effective at increasing enrolment amongst younger generations. But academics have found that high levels of enrolment do not equate to high levels of engagement. In fact, as auto-enrolment becomes more widespread, levels of engagement could continue to fall, with younger generations in particular, taking it for granted or even choosing to opt out altogether. As a consequence for employers, such benefits are likely to have reduced value, particularly in terms of providing an incentive when recruiting and retaining key talent.

This presents an interesting challenge and one which will be explored further in Section 2: For auto-enrolment to become an effective engagement strategy (as opposed to an additional cost) communicating its benefits and value across all workforce generations is critical.

9 Lesley Uren, PA Consulting, conversation with author, 24 July 2013
10 Ibid.
11 PA Consulting. “Engaging your employees to drive superior organisational performance,” 2013
12 PA Consulting defines Total Shareholder Return (TSR) as “the percentage change in the value of an investment in the shares of a company from Year 0 to Year 5 when dividends are invested in those shares.”
Section 1
Talking about my generation

“Employers must now address the fundamental landscape change in workforce requirements and demands.”

Zain Wadee13

From an HR professional’s perspective, the 21st century organisation is a complex place in which to operate. Changes in the statutory retirement age and the “flattening out” of organisational structures have meant that the workforce now comprises not one, but several competing generations, each with its own priorities, preferences and concerns. If managers are to engage effectively with their new multigenerational workforces, it is essential that they understand each generation’s defining characteristics. From this they will be able to develop and promote benefits packages which meet the actual needs of all employees, regardless of their age.

Generations at work
At the core of generational theory is the idea that each generation is shaped or given its unique generational outlook by the prevailing social, economic, political and cultural events which take place during its formative years. Only by understanding these historical events or prevailing assumptions is it possible to decipher a generation’s key characteristics and its own unique outlook on life.

Chart 1 gives a brief summary of some of the defining characteristics of the five at-work generations.

13 Wadee, Z., “Generations X and Y are different, so tailor your benefits accordingly,” HRM Magazine, 4 April 2011
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<tr>
<td>Formative experiences</td>
<td>Second World War Rationing Fixed-gender roles Rock ‘n’ Roll Nuclear families Defined gender roles — particularly for women</td>
<td>Cold War Post-War boom “Swinging Sixties” Apollo Moon landings Youth culture Woodstock Family-oriented Rise of the teenager</td>
<td>End of Cold War Fall of Berlin Wall Reagan / Gorbachev Thatcherism Live Aid Introduction of first PC Early mobile technology Latch-key kids; rising levels of divorce</td>
<td>9/11 terrorist attacks PlayStation Social media Invasion of Iraq Reality TV Google Earth Glastonbury</td>
<td>Economic downturn Global warming Global focus Mobile devices Energy crisis Arab Spring Produce own media Cloud computing Wiki-leaks</td>
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<tr>
<td>Percentage in U.K. workforce*</td>
<td>3%</td>
<td>33%</td>
<td>35%</td>
<td>29%</td>
<td>Current employed in either part-time jobs or new apprenticeships</td>
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<tr>
<td>Aspiration</td>
<td>Home ownership</td>
<td>Job security</td>
<td>Work-life balance</td>
<td>Freedom and flexibility</td>
<td>Security and stability</td>
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<tr>
<td>Attitude toward technology</td>
<td>Largely disengaged</td>
<td>Early information technology (IT) adaptors</td>
<td>Digital Immigrants</td>
<td>Digital Natives</td>
<td>“Technoholics” — entirely dependent on IT; limited grasp of alternatives</td>
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<tr>
<td>Attitude toward career</td>
<td>Jobs are for life</td>
<td>Organisational — careers are defined by employers</td>
<td>Early “portfolio” careers — loyal to profession, not necessarily to employer</td>
<td>Digital entrepreneurs — work “with” organisations not “for”</td>
<td>Career multitaskers — will move seamlessly between organisations and “pop-up” businesses</td>
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<td>Signature product</td>
<td>Automobile</td>
<td>Television</td>
<td>Personal Computer</td>
<td>Tablet/Smart Phone</td>
<td>Google glass, graphene, nano-computing, 3-D printing, driverless cars</td>
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<td>Communication media</td>
<td>Formal letter</td>
<td>Telephone</td>
<td>E-mail and text message</td>
<td>Text or social media</td>
<td>Hand-held (or integrated into clothing) communication devices</td>
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<tr>
<td>Communication preference</td>
<td>Face-to-face</td>
<td>Face-to-face ideally, but telephone or e-mail if required</td>
<td>Text messaging or e-mail</td>
<td>Online and mobile (text messaging)</td>
<td>Facetime</td>
</tr>
<tr>
<td>Preference when making financial decisions</td>
<td>Face-to-face meetings</td>
<td>Face-to-face ideally, but increasingly will go online</td>
<td>Online — would prefer face-to-face if time permitting</td>
<td>Face-to-face</td>
<td>Solutions will be digitally crowd-sourced</td>
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*Percentages are approximate at the time of publication.
Generational wealth distribution
The distribution of wealth amongst generations is particularly unequal and reflects the wider economic shifts discussed earlier, which in recent years have had a far-reaching impact on society. A generation ago, wealth tied up in housing was worth less than wealth linked to pensions. Now housing wealth is worth double: One reason, perhaps, why Generation Y is so keen to get on the housing ladder (see Section 3).

Summary of key points

5 generations are currently working together in the workplace — the largest generations of which are Baby Boomers (33%), Generation X (35%) and Generation Y (29%). Each generation retains its own generational “characteristics” and assumptions. At work, generational differences influence the “psychological contract” between different generations of employees and their organisations.

Financially, Baby Boomers remain the most affluent generation, with significant investments and savings. Aiding this group are the majority of employee benefits packages, which to a large extent were built by Baby Boomers for Baby Boomers. As such, Baby Boomers have the most to gain from maintaining the status quo.

Nationally, the majority of wealth and assets are owned by the Baby Boomer generation. Due to the economic downturn, this is unlikely to change in the near future.
Section 2
Overview of the findings

Section 2 takes an in-depth look at our research findings as they relate to five key research questions. In particular, this section explores what each generation wants and expects from employee benefits, using the rich data generated from the focus groups, interviews and questionnaire survey.

Question 1: Does the current employee benefits structure suit the needs of the majority of the workforce?

Mapping the current benefits landscape
From our research, it is apparent how clear differences exist between the three workplace generations. Each generation has its own priorities and needs — particularly when it comes to financial planning. To assess whether the current employee benefits structure meets the needs of the majority of the workforce, and generations, we began by mapping the current benefits provision across the workforce. To put this in context, we know from our research that 85% of survey respondents expected their employers to provide financial benefits, support and information. Another third expected basic level benefits such as pensions and competitive pay. An equal proportion expected their employer to provide a full range of benefits, including easy access to preferential-rate loans. An equal proportion expected their employer to provide a full range of benefits, including easy access to preferential-rate loans. But to what extent were these expectations being met?

We started by looking to see if the benefits that might be considered to be more commonly available to employees in the workplace (e.g. company pension schemes, ongoing staff training and development opportunities) were actually being delivered. Chart 2 illustrates which of these benefits our 1,200 respondents said were available in their organisation, and which were not.

As expected, the majority of employers provide company pension schemes and ongoing staff training and development. Due to auto-enrolment, all employers will have to provide workers with a workplace pension scheme by law over the next few years, so it is not surprising to see that almost seven out of ten are currently doing so.

What is noticeable is that relatively few organisations are providing benefits packages consisting of childcare support, private health and dental care, and health and wellbeing services.

From this, our research set out to explore how many less common benefits packages were available in today’s organisations. Such benefits would typically include “Save as You Earn” (SAYE) plans, financial guidance, preferential banking products and help toward obtaining a mortgage. As the research shows, such additional benefits are highly popular with employees, but despite being available in some organisations, comparatively few of these benefits have become broadly established in today’s workplace.

By reviewing the current employee benefits landscape, we know what benefits the current generations have available to them in the workplace, but what benefits do they want?

Please note: For the purpose of this report, we have opted to focus on the three largest of currently working generations: Baby Boomers (born between: 1945-1960); Generation X (1960-1980); and Generation Y (1980-1995). Nevertheless, for reference purposes, Chart 1 provides a brief overview of the preferences and characteristics of the oldest generation currently at work — the Maturists (born before 1945) — and Generation Z (born after 1995).
What do the different generations want from benefits packages?

According to our research over 85% of employees from all three generations do not feel that their current benefits package offers the flexibility required to suit their needs. So what do the different generations look for from benefits packages — and how do these requirements differ?

Respondents to our survey told us that competitive pay and other financial rewards remain the leading requirement in any benefits package. For reasons that will be discussed later, pay is marginally more important for Generation X than it is for either of the other two generations.

Next is a company pension scheme. For the majority of those surveyed, pensions were of crucial importance — particularly for Generation X. Generation X also values flexible working and access to career development opportunities. This is a generation that wants to develop its career and professional skills, but only when the time is right for them.

Baby Boomers, meanwhile, value health care and ongoing career development. When it comes to employee benefits packages Baby Boomers are the least demanding of the three generations — perhaps because so many of these packages reflect the economic conditions which prevailed during their formative years.

Generation Y also desires ongoing career development opportunities and the chance to work flexibly. Financially, this is the generation in most need of financial education and guidance — particularly in terms of choosing mortgages and making decisions around savings and investments. Generation Y — über digital natives — value help and guidance which is provided not online but on a face–to–face basis, and ideally in their workplace. According to Lesley Uren from PA Consulting, Generation Y is typically looking for more transactional benefits, which fit around their own priorities and goals:

"For Generation Y, the benefits which count are generally linked to learning and opportunities for seeking out new challenges — access to education and further training. And any help that can be provided to help them navigate their way around the housing market will be very popular."  

Share-ing in success

The research shows that access to share plans and save as you earn schemes is popular with all three generations — one in three employees across the board welcome this benefit. And it’s easy to see why. Take the example of Sports Direct. It announced this year that employees would share in a huge windfall from the company’s share scheme — the largest payout in history. The award was linked to the firm’s performance and saw staff share a pot of £88 million.

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14 Lesley Uren, PA Consulting, conversation with author, 24 July 2013
15 ifs ProShare annual SAYE (Save As You Earn) survey, published June 2013
Apart from competitive pay and pension schemes, an “aspiration gap” is emerging in the workplace, whereby the benefits each generation wants from its employer are not necessarily those which are being delivered.

For Generation Y, this is becoming a growing area of concern, with 16% reporting that they are frustrated by the lack of benefits that suit them, their family and their life stage.
Another objective of this study was to find out more about the current financial priorities of employees and how these might vary between generations. A summary of the findings is presented below.

The importance of on-site guidance

For Generation Y — and to some extent, Generation X — the option of having access to personal, on-site financial guidance was of crucial importance. From the focus groups, it became clear that levels of financial literacy amongst younger workers are comparatively low. Few had received financial education while in school or university:

“There was no financial education at school. We need to know what the pros and cons are when you’re making financial decisions.”

Generation Y focus group respondent

“Credit rating? No one told me. I never check my bank statements.”

Generation Y focus group respondent

Levels of trust in online financial services are low across all generations, and since the economic downturn there are heightened levels of concern that people can be “sold” inappropriate financial products. But locating a financial service within the workplace has generation-wide support — partly because it associates the financial provider with the employer.

Despite perhaps having less of a need for these services during this stage in their lives, a quarter of all Generation Y respondents in the survey felt that having their employer provide help with a mortgage deposit was desirable. Mortgages and house-buying were important topics in each of the focus groups and is clearly a major preoccupation with this generation. One young woman spoke of the dilemma she faces when considering to buy a house — and the lack of inter-generational comprehension she faces when trying to explain her predicament to her parents:

“It’s only because she (the nail technician) visits the office every fortnight that I get my nails done — she’s there in the office. I wouldn’t get my nails done every two weeks otherwise.”

Just under half of Generation Y respondents thought that having their employer provide help with a mortgage deposit was desirable. Mortgages and house-buying were important topics in each of the focus groups and is clearly a major preoccupation with this generation.

Question 2: How do the current needs of the workforce contrast and compare between the three key generational groups?

Being able to manage their accounts, organise loans, have access to flexible overdrafts and oversee their children’s accounts — all while at work — was hugely attractive to those we talked to.

One Generation X manager saw a parallel between the availability of on-site financial advice and her firm’s in-house nail technician. Her point was that if the service wasn’t available to her during the daytime, when and where it suited her, it would be unlikely that she would be able to afford the time to make use of the service beyond work-hours. For her and others, convenience was the major factor:

“It’s only because she (the nail technician) visits the office every fortnight that I get my nails done — she’s there in the office. I wouldn’t get my nails done every two weeks otherwise.”

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“My parents say to me, ‘Why don’t you buy? Renting is dead.’ But they don’t understand how much money you need to put down a deposit: £25,000, £30,000… They bought a house for £9,000 and keep saying how they never went out and had to scrimp and save. But it’s not like that now. We still want to go on holiday every year.”
The financial needs of each generation differ considerably across the workplace. While over half (53%) of baby boomers are prioritising saving for retirement, the majority (41%) of Generation X is focused on paying off their mortgage. For Generation Y, meanwhile, they are hit with the double whammy of paying off unsecured debt (30%) and buying their first home (29%).

In particular, we discovered that when it comes to financial planning and making the most of financial benefits packages, Generation Y lacks key conceptual “building blocks” — a deficit which could potentially leave younger workers confused, disorientated and disadvantaged in the workplace.

Employers are increasingly engaging with this generation through ongoing training opportunities and access to competitive salaries; but this study has uncovered evidence of a growing “comprehension gap” which appears to be emerging in the workplace between the financially literate and the financially illiterate. One way of bridging this comprehension gap is through the use of language.
Chart 4: Generational life and work priorities*

Baby Boomers’ family responsibilities are the most complex and challenging of all three generations, leaving them “sandwiched” between looking after elderly relatives and supporting Generation Y as it attempts to gain afoothold on the housing ladder.

For Generation X, the priority is all about managing today — mortgage payments, outstanding loans and costs attributed to childcare.

For Generation Y, the priority is becoming established at work and in the housing market. The future is packed full of numerous life-changing dilemmas: whether or not to buy a house, whether they can afford to get married and start a family, how to pay off debts and student loans. To all intents and purposes, their lifestyles had barely changed since leaving university.

Key
- Baby Boomers
- Generation X
- Generation Y

*Data taken from the following YouGov survey question: Which of the following would you say are currently your priorities in your work and/or personal life?

Source: YouGov
Question 3: Is the language and media used to explain benefits appropriate for the growing Generation Y workforce? In what ways could it be better fit for purpose?

“I don’t like it when people try to sell to me on the phone. It’s like, ‘Who are you?’”

Generation X focus group respondent

The Internet has provided employees from all generations with access to a dazzling array of financial information, guidance and options. The result: confusion. Our research found that e-mail (45%) and staff intranet (41%) are still the most popular ways for companies to communicate their benefits to employees, compared to seminars (20%) and one-on-one meetings (13%). However, one in five Generation Y respondents said that in the past year they have been confused about what employee benefits they have or are currently entitled to.

Rather than the democratisation of financial services, our research suggests that for some, the Internet has been counterproductive and appears to have made financial information seem extra complicated and increasingly risk-laden. When it comes to making sense of benefits packages, we found — almost counter-intuitively — that what people actually want is access to information and guidance on a one-to-one basis.

As we have seen, few newly-hired graduates have an informed understanding of how the loan operates or even how the repayments work now that they are employed. To some extent, part of the problem appears to be the perceived complicated language which can be used by the financial services industry when describing financial benefits. For the uninitiated, such terms can seem overly-technical. There is also too much information to take in — particularly when communicated via e-mail.

**Digitally detoxed**

The concept of the digital native is widely used in both business and academia to conceptualise how younger people utilise and relate to the Internet. The general assumption is that as digital natives, Generation Y is more likely than others to prefer online communication channels. As a result, considerable energies and resources have been made by organisations in recent years to communicate to this generation via e-mail, websites, text messaging and more recently, social media.

Our research has shown that this assumption may be misplaced. Instead of digital natives, we discovered a cohort of the digitally detoxed — people who were turning away from online resources in preference of face-to-face services.

Paradoxically, it was the Baby Boomers who were more likely to do their financial banking via the Internet and they prided themselves on their digital skills. For Baby Boomers, online services were impartial and unbiased — an ideal way to manage their finances.

“I do all my research about financial services online. I don’t want to feel that I’m being sold to.”

Baby Boomer focus group respondent.

This was counter to the Generation Y experience. When making financial decisions, the Generation Y respondents were considerably more suspicious of websites: far more than has been recognised in previous studies, which have tended to emphasise this generation’s preference for digital communications. Partly this was connected to a deficiency in financial knowledge: Those we talked to felt they lacked the knowledge and skills to decipher complex data. There was also a concern that they might accidentally choose the “wrong” option or the “wrong” benefits package — the consequence of which could be costly and long-lasting.

When we asked people how they thought such mistakes could be avoided, the answers were unequivocal: someone who can give impartial information and guidance on-site:

“Meeting in person is what counts. Personal services and face-to-face contact equates to trust.”

Focus group respondent

Face-to-face, but no hard sell!

There is however a caveat to this. What Generation Y does not want from financial guidance, particularly when encountered face-to-face, is a hard sell. This generation seeks authenticity and distrusts sales people. They want to see that the benefits offered to them stand up against industry-standard comparators and that this financial guidance is motivated not by targets or sales figures but by responding to their own personal best interest. If this can be provided, then Generation Y is more than willing in return to be loyal to the company providing that information and guidance. Generation Y seeks to be loyal.

**Summary of key points**

The language of financial services and financial benefits packages can be off-putting to Generation Y, particularly when presented via the Internet, which is what the majority of employers are doing. For this generation, online services do not equate to value; what they seek is face-to-face meetings with advisers who offer guidance and are motivated by the employee’s own goals and aspirations. For Generation Y, the key is authenticity and being genuine.


One of the objectives of the research was to explore to what extent employees were confident that their current employee benefits packages would still be relevant in the future. This is particularly important given the shift that is likely to take place in the composition of the workplace when the Baby Boomer generation retires.

Yet as we discovered, when it comes to thinking about their future employee benefit needs, each generation has first to overcome its own specific obstacles and barriers.

As seen from previous sections, personalised benefits are still lacking in many of today’s organisations. As workplace generations age — and as Generation Y approaches middle age and takes on potentially more financial responsibility as a result of growing families and less job security — why are more people not demanding these benefits now?

Flexible benefits

When employees were asked to describe their ideal future benefits packages, few in the focus groups were able to see beyond their current provision. “Flexible” and “more choice” were the main responses:

“It would be an evolution of what we already have. I want choice. You have different priorities at different stages of your life; these change. More could be available to help people tailor their remuneration packages to their lives.”

(Baby Boomer)

“Salary: top of the list. Your pay enables you to do what you want; it gives you lots of flexibility.”

(Generation X)

“Help with mortgages and savings: I don’t want to be with my mum when I’m thirty!”

(Generation Y)

Flexible benefits have been available in the U.K. since the mid-1980s and are now widely available across a number of organisations. Nevertheless, few employees in our focus groups appeared to be familiar with them. Perhaps one of the reasons for this benefits-myopia was an over-developed dependency on the employer. Older employees had, until the recent economic downturn, trusted their employer to make the right financial decisions on their behalf. As a Baby Boomer told us:

“Pensions — never bothered with them before. It’s just too complicated so we rely on the company. This has changed. Investments that you thought were rock solid are now changed. The rug has been pulled from under people’s feet.”

In some firms, work reorganisation and the introduction of project and team-based working has clearly had a side-effect of alienating some groups of workers from the organisation, leaving them on one level dependent on the company benefits package, and on the other, unable to influence or shape how these benefits are constructed.

What does this mean for HR professionals?

For employers, this presents numerous opportunities. Our research found that employees from all generations were keen to find out more about employee benefits packages but were confused about what was available to them in their organisation or how

18 Barton, T., “What is the future for flexible benefits?” Employee Benefits (online), 11 April 2013
those benefits related to their particular financial circumstances. From our survey we found that the majority of employees from all generations feel that a strong benefits package is important when choosing a future employer — this was particularly true for Baby Boomers and Generation X. Of these groups, 65% and 59%, respectively, viewed a comprehensive benefits package as being “very important” or “important” when selecting jobs. We also found that over 80% of employees from all generations expect the employer to provide a range of benefits and support to help them when making choices.

Yet as we discovered from the focus groups, when asked for their preferences, many still opt for “flexible benefits,” even though these benefits have been available in most organisations for a number of years. Whilst this type of benefit has a valuable place in the workplace and should continue, to paraphrase Henry Ford, this is a recipe for “faster horses” rather than revolutionary innovation.

Back to your future
One way HR professionals can help overcome this problem is to help employees develop a stronger identification with their future selves. This is particularly important for Generation Y, who, as we have seen, may find it more difficult than Generation X or Baby Boomers to contemplate their long-term financial requirements.

According to Greg Davies at Barclays, the more tangibly future outcomes are presented to younger employees, the greater the emotional connection to these future outcomes will be. He argues:

“Showing people photographs of the different standards of accommodation they might be able to afford in retirement for different levels of saving now, has been shown to be much more effective in increasing savings rates than the typical numerical tables of income expectations for those savings rates.”

Davies has also found visual images equally effective in overcoming some of the barriers to encouraging employees to think about their future needs:

“There are also intriguing studies which demonstrate an increase in current savings, and presumably planning behaviour, when individuals are shown artificially aged photographs of themselves when older.”

Helping younger employees identify not only with their future selves, but their future financial situation, can be an effective way to help them enter into a more informed and realistic discussion about benefits. It can also help HR professionals minimise the risk of providing inappropriate or out-of-date benefits solutions.

From an HR professional’s perspective, it is clear that a new approach to benefits is required if the “conversation gap,” which currently exists in many organisations around the issue of benefits, is to be bridged.

Our research also uncovered widespread cross-generational levels of confusion over the type of benefits that were currently being offered by employers — or the extent to which these benefits were appropriate to people’s needs. Employees — particularly those from Generation Y — clearly find it difficult to conceptualise their future selves and the financial challenges they are likely to face in the future.

Although the majority (80%) of employees across all generations expect their employer to provide a comprehensive benefits package (65% of Baby Boomers and 59% of Generation X consider an attractive benefits package to be of crucial importance when choosing jobs) we found that relatively few employees have a clear sense of the type of benefits package that would best suit their future needs.
Question 5: Building benefits packages for the multi-generational workforce — what’s the cost of getting it wrong?

“Employers construct benefit plans and communicate them in a manner that assumes people carefully study the materials provided, conduct their own microeconomic analyses and make informed decisions. The trouble with this assumption is that people do not make rational decisions.”

Christopher Goldsmith and Steven Cyboran

Given the rise of the multigenerational workforce and the implications this has for organisations, HR professionals need to be confident that their benefits packages are future-proof. Failure to do so could have some unforeseen consequences.

Beware the post-crunch talent exodus

The economic downturn has had a well-documented impact on employers’ profits. Less well-documented is the effect it has had on the loyalty of their employees.

85% of employees are currently working longer hours than before the recession and have taken on more responsibility. What employers are unlikely to realise, however, is that less than one-in-four workers feels “fully engaged” with their organisation. More alarmingly, 59% of workers are either contemplating changing jobs or are in the process of submitting applications — the highest figures yet recorded.

Even amongst those not actively seeking new positions, 92% claim this is only because the current climate is too volatile. 87% said the only reason why they are still with their present employer is because of a lack of suitable vacancies.

Like it or not, the economic downturn has had a significant impact on the loyalty and commitment of U.K. employees. Once the economy improves, employers should be prepared for what could be the greatest talent exodus of the 21st century.

The employer-employee disconnect

Accustomed to time-serving Baby Boomers, few of today’s employers, or politicians, have yet to grasp the full implications of the generational shift which is about to take place, or the implications this will have on benefits and engagement strategies.

Benefits “BC” and “AD”

If Baby Boomers and Generation X grew up in a world “BC” (before the crunch), generations Y and Z are growing up in a world “AD” (after the downturn). For employers and HR professionals, this raises several key issues.

In this “AD” post-recession workplace, the concept of loyalty is increasingly being rewired to mean anything longer than two years. Studies reveal that on average, Generation Y is likely to change jobs once every three years. This means during the course of their careers they will have anything between 15 and 20 employers.

For Baby Boomer managers, this can be hard to grasp. It might also look like serial job hopping. For generations Y and Z however, it is the “new normal.”

For both employers and employees, the financial implications of a workforce which changes jobs more frequently are likely to be just as significant. The U.K. is already one of the most expensive countries in the world in which to hire and replace staff. Estimates put the cost of replacing employees to be between 50% and 150% of salary. For HR professionals, reducing staff turnover, particularly amongst future generations of leaders and managers, is a crucial imperative. If Generation Y talent is to be recruited and retained, an engagement strategy which includes effective and generationally appropriate benefits packages is essential, and must reflect the actual economic realities of Generation Y. Our research reveals that currently over one in ten (12%) of the Generation Y workforce is so dissatisfied with their current benefits package that they have considered moving to a different organisation.

But losing key talent isn’t the only risk associated with wrongly pitched benefits. As Lesley Uren from PA Consulting argues, there is an added danger that it encourages disillusionment amongst employees who in turn don’t leave, but stay:

“The risks of providing the wrong benefits proposition are not all around retention. The scariest alternative is that people stay — and the ones who stay are the ones who are most disillusioned and disengaged, the ones who give less of themselves. Disengaged employees affect the bottom line.”

For HR professionals, reducing staff turnover, particularly amongst future generations of leaders and managers, is a crucial imperative.

22 For further information on how the world of work has changed before and after the economic downturn (i.e. ‘BC’ and ‘AD’), see Redmond P. (2010) “The Graduate Jobs Formula: Improve your employability and land your dream career” Trotman Publishing.
23 Meister, J., “Job Hopping Is The New Normal For Millennials,” Forbes, 14 August 12
24 U.K. talent acquisition costs rise to £5,311 per hire, compared to £2,226 in U.S.” HRM Magazine, December 2011
26 Lesley Uren, PA Consulting, conversation with author, 24 July 2013
The impact of the recession has been particularly detrimental on the economic prospects of Generation Y. Current predictions state that when they are aged 65, this generation will be 25% less well off than their parents were at this age.27

The gulf in generational wealth is particularly apparent when it comes to buying a house. The average age of a first-time buyer in London is now 38 compared to 30 in 2008 and 28 in 2002. In the early 1960s, when Baby Boomers were buying their first homes, the average age for first-time buyers was 24.28

Failure to buy a house or secure a deposit means that Generation Y is less likely to remain in one geographical location. As a result, they are more likely to live in short-term rented accommodation.29 They are also unlikely to have the wealth and investments that previous generations currently take for granted. All these are factors which make it easier for Generation Y to job hop. But it is not just being overworked and being able to plan for the future that is leading to a fall in levels of loyalty. A growing dissatisfaction with employee benefits packages is emerging which is causing some of the highest levels of employee dissatisfaction — again, amongst younger generations.30

For Greg Davies, Head of Behavioural Finance at Barclays, this dissatisfaction stems not just from the prevailing economic context, but from the fact that many of the core issues raised by benefits packages appear to many young employees to be unrelated to their present situation:

“The big problem for financial planning for Generation Y in particular, is that the outcomes are so far off — these issues may be perceived as important, but only in the abstract. They are being asked to make sacrifices of current time, energy and consumption to meet much later goals which are hypothetical, abstract and contingent.”

Not the Boomers’ world

For employers, this shift in the psychological contract poses many questions. If new generations of employees are not seeking “jobs for life” because they deem it impossible or unrealistic, what impact will this have on employee loyalty and commitment? Should organisations be trying to reward loyalty or is it time to accept that such concepts are beyond their sell-by dates?

Our research found that if current trends continue, the workplace of the future will be transformed. In place of the Baby Boomer psychological contract, we envisage a new transactional contract taking its place (see Chart 5). Instead of being the key provider of benefits and security, the role of the employer will become that of an enabler. Employers will enable employees to develop market-valued skills and knowledge; they will also provide access to prized networks and contacts. Instead of promotion and progression, employees will increasingly look for personal development and career enrichment.

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27 Barrow, B., “Baby ‘bust’ generation today’s youth will end up 25% worse off than their boomer parents,” Daily Mail, 11 October 2011
28 “Ten year wait for first time buyers to raise a deposit,” Post Office Mortgages, 11 September 2012
29 Walker, T., “No place like home: the generation who can’t afford to buy,” The Independent, 16 March 2010
If you build it, they will come

Behavioural economists have found a “comprehension gap” existing between the benefits packages offered by organisations and the needs and understanding of Generation Y employees.31 Too often, the way that benefits were structured appeared incomprehensible to those unfamiliar with the terminology and concepts. So complicated is this information to decipher that consumers switch off — a process known to behavioural economists as “complexity aversion.”

If your organisation is creating complexity aversion amongst generation Y and Z employees, it is essential that benefits packages are communicated in familiar language and terminology.32 If this can be achieved, evidence suggests this will drive engagement. According to a recent U.S. study, 72% of employees who claimed to be satisfied with their benefits provision were also found to be more loyal to their employers and engaged with the organisation.33

The key, researchers found, was in how benefits packages were communicated to employees. The next section provides a model for helping you think about how to do this.

Summary of key points

The generational shift in the workplace and economic downturn have had a profound effect on the loyalty of employees, and once the economy improves employers should be prepared for what could be the greatest talent exodus of the 21st century.

This trend goes further. Our research reveals that 12% of Generation Y respondents are so dissatisfied with their current benefits package that they have considered moving to a different organisation. This indicates the emergence of a new Generation Y psychological contract which will rewire the way that future generations of employees engage with their employers, with the role of the employer shifting from that of benefits provider to benefits enabler.

Yet if the costs of getting it wrong are high, the reward for offering the right benefits packages to the right generational groups can be significant. Research shows that employees who are satisfied with their benefits packages are also more likely to be loyal to their employers and engaged with their organisations.
While carrying out the focus groups and talking to employees about financial planning and their attitudes to benefits packages, we observed several types of responses which, to some extent, mapped against the generational categories. In shorthand, we are referring to these response types as Financial Innocents, Active Agents, Opted Outs and Window Shoppers (Chart 6).

**Chart 6: Four attitudes to financial planning**

**Financial Innocents**
Almost entirely made up of Generation Y, Financial Innocents are confused, bothered and bewildered about financial benefits and find the process of choosing between financial products equally disorientating. They are, however, at least aware that decisions are to be made and that there are workplace benefits and support opportunities to be taken advantage of. Left alone, however, they will be unlikely to take the initiative. But if approached with messages composed in language they understand and which relates to them, there is a good chance they can become tomorrow’s Active Agents.

**Opted-Outs**
Again, Generation Y: Opted-Outs are the Mr. Hyde to the Financial Innocents’ Dr. Jekyll. They have opted out almost completely from any financial planning. Services and benefits available to them at work will largely go unnoticed. Don’t take their lack of engagement personally.

**Window Shoppers**
Predominantly members of Generation X, Window Shoppers spend what limited time they have available surfing Internet sites, and watching TV consumer money programmes. This group is engaged with the process of financial planning but rarely have the time to take things forward or make significant changes. They are keen to learn more about workplace benefits packages and will engage with HR, but only if the engagement is at a time and place which is convenient to them. This group may need help and support in making lasting financial decisions.

**Active Agents**
When it came to making use of financial benefits — either available to them at work or through their own active agency, active agents were by far the most engaged and the most organised of all four categories. We found active agents tended to be Baby Boomers: They had the networks and the contacts — both in work and at home — from which to gain financial guidance and, with their mortgages all but paid for and their pensions organised, had the financial “space” to explore different financial options. On the whole, active agents were content with the one-size-fits-all benefits packages available to them via their employer. After all, these packages were largely built by Baby Boomers, for Baby Boomers.
The following toolkit has been designed for HR professionals who are looking for ways to boost employee engagement by providing a more generationally-appropriate benefits package.
Appendix

Baby Boomers

“The Baby Boomer generation is the largest single generation in history. Even today, Baby Boomers still account for the majority of managers, chief executive officers, politicians and world leaders — although this is gradually changing. This generation has walked on the moon, danced at Woodstock, invented the personal computer and declared “All you need is love.” Boomers are confident, opinionated and are used to being in charge.

Characteristics

- Organisational
- Careerist
- Qualifications and time-serving
- Value face-to-face interaction

At Work

- Typically affluent and willing to spend
- Loyal to established brands and products
- Value relationships and personal services
- Concerned about online security
- Local focus: value communities and local services

Career profile

The Baby Boomers we spoke to in the focus groups were, from a career perspective, relatively content to remain with their employer until retirement. In fact, getting to retirement was for some the overriding objective. As one Boomer told us:

“I have just turned sixty. I don’t want to work fifteen hour days anymore; for me, it’s five o’clock and then that’s it.”

Baby Boomer focus group participant

Economic characteristics

In terms of financial investments, the Baby Boomer generation was definitely in the right place at the right time. Boomers have spent most of their careers in company benefits programmes — programmes which essentially, were designed for them, by them. Not only was this generation able to buy affordable houses, it was they, more than any other group, who were ideally placed to benefit from the property boom of the 1980s and 90s. They also benefited from free higher education. As a result, Boomers are affluent and empowered.

Not everything, however, is in the Boomers’ favour. The economic downturn has had an impact on their levels of confidence, particularly in terms of how they view their pensions:

“I’ve got two sons and grandchildren; there are lots of money concerns — will my pension be high enough to maintain the lifestyle I’m used to? I go skiing every year and cycling. How will I afford this on £20,000 a year? It’s not ‘will I survive?’ It’s ‘will I have a good time?’”

Baby Boomer focus group participant
Generation X grew up in families in which divorce was rising and where both parents were at work. This was the “latch-key” generation — from this they developed a certain degree of independence and self-reliance which they have retained into adulthood.

Technologically, Generation X was the first generation of “digital immigrants” who had to teach themselves the language of computers, often while working in pre-digital work environments. As such, they are often enthusiastic digital converts — particularly when it comes to smart phones, digital cameras and online learning.

Of all generations we encountered, Generation X is most concerned about work-life balance. Financially, this means that when it comes to choosing financial benefits — access, flexibility and convenience are the decisive factors.

**Economic characteristics**

Like the Baby Boomers, Generation X was motivated at the earliest opportunity to invest in property. But unlike their older counterparts, house prices for this generation have largely stagnated. The same applies to their pensions and savings. For Generation X, finances are a growing cause for concern:

“I've got a big cloud on my horizon: pensions. Pensions might not be there when we ever get to retire. So how can we plan ahead? So what else can we do?”

*Generation X focus group participant*

This inability to plan ahead is partly exacerbated by the growing realisation that Generation X will be unlikely to retire at the statutory retirement age. There is therefore increased pressure to manage finances. What Generation X lacks, however, are the networks of guidance and support that other generations are able to call on.

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**Financial Characteristics**

- Less affluent
- Pressed for time — value convenience, reliability and flexibility
- Cynical when faced with brand promises
- More willing to shop around
- Question loyalty to brands and products

**Characteristics**

- Reactive
- Complicated home lives and family structures
- Reduced social capital
- Dual-incomes

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**At Work**

- Middle managers
- Loyal to profession, not necessarily employer
- Digital immigrants
- Worried about work-life balance
- Value face-to-face interaction

**Career profile**

At work, Generation X is typically the middle-manager generation, the generation that started work in the 1980s and is now approaching middle-age. Unlike the Baby Boomers who profited from hierarchical, pyramid-shaped management structures, Generation X has worked through numerous workplace evolutions and re-engineering processes — the results of which have left the workplace less hierarchical and more transactional. As a result, Generation X is often caught between the world of the Boomers and the world of Generation Y.

Poignantly, few Generation X respondents were satisfied with how their careers were unfolding; several were keen to stress that they still wanted to progress, if only opportunities for career advancement could be found:

“We're caught in the middle. We have ambitions — but Generation Y have come and taken the steps that we deserve. Y gets the career development and we're ignored.”

*Generation X focus group participant*
Generation Y is skilled at keeping its options open. According to Business Week,\(^{35}\) members of this generation tend to shun commitments — be they to employers, institutions, even partners (marriages amongst Generation Y are at an all-time low).

Compared to Generation X, Generation Y has been found to have a far higher level of awareness about the environment. One study has found that 72% of final-year students said they would have to feel happy with an employer’s ethical record before agreeing to work for them.\(^{36}\)

**Career profile**
At work, Generation Y is causing businesses to rethink their marketing and communication strategies. Having grown up in a media-saturated, IT-driven, brand-dominated environment, studies suggest that Generation Y responds to organisations differently than the preceding generation. For organisations, this makes working with Generation Y both a challenge and an opportunity to rethink strategy.

Our research found different levels of engagement being exhibited amongst Generation Y employees. As long as respondents were confident that they were being offered opportunities to develop their skills and knowledge, on the whole, levels of engagement were positive. However, it was also noticeable that Generation Y could become quickly disillusioned, even disruptive, if they felt that opportunities for advancement were being denied to them:

“I don’t see why I have to be managed by someone just because they’ve been in the business for twenty years more than me — not when I’ve got a degree and better IT skills than her. She even asks me to fix her computer.”
*Generation Y focus group participant*

**Economic characteristics**
Generation Y has grown up in relatively affluent times. Not only do members of this generation have more disposable income than other generations, they have spent more time in education.

This apparent affluence, however, comes with certain qualifiers. In absolute terms, Generation Y might have higher income and spending power than the two preceding generations, but this largely reflects technological advances which have led to a greater availability (and affordability) of a wider range of goods and services. Yet when it comes to wealth tied up in housing and pensions, Generation Y has been called the new “Baby Bust” generation — the first post-war generation that risks growing up less affluent than its parents.\(^{37}\)

If Generation Y is aware of their inability to afford property, few respondents in our research were overly concerned about not being able to secure a mortgage:

“I don’t want life to be all about working and scrimping and saving.”
*Generation Y focus group participant*

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\(^{35}\) Ericson, T., “Redefining Generation Y,” Business Week, 9 June 2010

\(^{36}\) “Engaging Generation Y,” Reckitt Benckiser, 19 October 2010

\(^{37}\) Hawksworth, J. & Lund, R., “How will the wealth of the baby bust generation compare with that of the baby boomers?” PricewaterhouseCoopers, October 2011
Maturists

Maturists are still in the workplace but their numbers are rapidly diminishing. Nevertheless, their influence and values have been critical in shaping today’s workplace. This is the generation that grew up during the Second World War and who have witnessed numerous social, technological, demographic and cultural shifts.

At Work

- Hierarchical
- Pre-digital
- Hard work/long hours
- Job for life — security

Characteristics

- Loyalty
- Family-orientated
- Respect for tradition
- Clear gender roles

Financial Characteristics

- Concerned about pensions and savings
- Conservative values
- Invest in property

Born pre-1945

The number of Maturists at work doubled between 2001 and 2010, signifying that the U.K. workforce is getting older. According to research for the Houses of Parliament, by 2020 a third of U.K. employees will be over 50. Within 20 years, a quarter of the total U.K. population will be over 65.

Generation Z

Through part-time jobs, new apprenticeships and other forms of entry-level employment, Generation Z is gradually entering the job market. This generation will grow up in a post-economic downturn environment; a world of ubiquitous technology, wall-to-wall social media, and the constant availability of information.

At Work

- Team players
- Multi-taskers
- Interchangeable work and home life
- Highly entrepreneurial and “intrapreneurial” – likely to want to run their own businesses while working “with” organisations

Characteristics

- Socially (and globally) aware
- Global (rather than local) outlook
- Environmentally conscious
- Digital infants
- Highly brand-aware
- Overly dependent on hand-held technology

Financial Characteristics

- Seek security and financial stability
- Likely to enter job market with education-related debts
- Less likely than any post-war generation to own home
- Heightened requirement for portable financial packages

Born after 1995
Case studies

For the report, we worked with leading organisations across a range of industries and sectors. While each organisation had its own approach to benefits packages, three of the most forward-thinking organisations that we encountered are featured here as case studies.

Case study: Fujitsu

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Approximately 170,000 Fujitsu people support customers in more than 100 countries.

Employee Benefits
As a large employer, Fujitsu offers a wide range of employee benefits. These include:

- Competitive base salary
- Company-wide incentive plan based upon individual and/or company performance
- Up to 10% company pension contribution
- 4x salary life assurance
- Income protection if you are unable to work because of illness
- Depending on role
  - Company-provided medical cover
  - Company car or cash allowance

“Your Choices”
Fujitsu is committed to supporting its employees in making the right choices for their lifestyle and the company website stresses that the organisation understands that “everyone has differing priorities.” The Fujitsu initiative, “Your Choices” offers wide-ranging benefits which provide protection and security for employees and their families as well as those which support lifestyle.

“Your Choices Flexible Benefits” is designed to give employees a versatile and cost efficient way to optimise their benefits portfolio. The benefits currently included are:

- Lifestyle — Annual holiday, childcare vouchers and travel insurance
- Health care and wellbeing — Dental cover, medical benefit, health screen and healthcare cash plan
- Savings and Protection — Pension, spouse/partner life assurance, critical illness cover, additional life assurance and personal accident insurance

Fujitsu also has an employee discount site offering discounts on Fujitsu equipment as well as discounts from a variety of retailers.

Case study: Langland

Langland is an award-winning health care advertising agency. The agency was established in 1991 and is still owned by its founding directors. Based in Windsor, Berkshire, the agency employs around 80 permanent staff.

All employees, regardless of job function or seniority, enjoy a comprehensive benefits package. This includes pension (Langland contributes a minimum of 5% of salary; the company then matches the employee’s contribution up to a further 5%), life assurance, private health and income protection insurance, interest-free season tickets loans, childcare vouchers, an iPhone for business and personal use, contractual profit-related bonus and the opportunity to earn a discretionary, performance-related bonus.

Langland runs a rolling programme of training, which covers a broad range of topics, enabling learning and development to be tailored to individual needs. A recently introduced initiative is a programme of external speakers invited into the agency to give keynotes on a wide variety of topics including advertising, UX design, generational theory and motivation. There is an active social club and the agency arranges regular staff parties and away days, the most recent being a family day at the Cornbury Festival.

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Introduction
Talking about my generation
Overview of the findings
HR professional’s tool kit
Appendix and case studies
Case study: Nuffield Health

Nuffield Health is the U.K.’s biggest health charity. Nuffield Health has been providing health services for almost 60 years and over that time has developed from purely running hospitals to incorporating Cannons gyms, Greens gyms and Proactive Health to now offer a wide range of integrated health and wellbeing services.

Running hospitals, fitness and health clubs, diagnostic units and medical centres, as well as working directly with employers, the charity runs a national network of over 300 wellbeing facilities and supports over a million people a year with their health needs. Its aim: to help people get healthy and stay healthy. This is reflected in the Nuffield Health Brand Strategy: “Success depends on our people — they are the most important part of how we deliver our promise to health consumers. We want everyone at Nuffield to become a champion in the cause of ‘health as it should be’ and our culture of wellbeing, recruitment, training and rewards processes will be designed to encourage, enable, and support them to achieve this goal.”

Financial Wellbeing

At Nuffield Health, Financial Wellbeing comprises a number of employee-based options:

• **Retirement savings plan** — Starting in June of 2013, Nuffield Health will be automatically enrolling all eligible employees into a new retirement savings plan, starting with an initial contribution of 1% of their salary. The good news is their contribution will be matched on a 1:1 basis up to 6% of their salary.

• **Life assurance** — All employees are automatically provided with life assurance to ensure their families are financially protected in the event of the employee’s death. The level of cover is 1x salary for employees who are not members of the retirement savings plan and for those members who are contributing at the minimum level. If employees are members contributing above the minimum level, they will be covered 3x salary.

According to Kevin Thomson, Head of Wellbeing:

“Our aspiration is to develop a culture of wellbeing, where all employees have the ability to ‘thrive’ in the workplace, where the employee is considered as important as its customers. If our employees have a sense of ‘happiness’ and aligned to the brand strategy they are more likely to put in maximum effort.”

**Wellbeing**

Employees at Nuffield Health can learn about the wide range of wellbeing initiatives available to them via a dedicated website. A “Wellbeing Triangle” (see diagram) has been developed along the model of Maslow’s Hierarchy of Needs, which illustrates how the organisation’s values, leadership, approach to community and foundation and commitment to “total health management” fit together — for the benefit of both consumers and employees. Throughout the organisation, a clear link is drawn between the company’s desire to support and enhance employee wellbeing and its vision to improve the health of the nation.

Financial Wellbeing comprises a number of employee-based options:

**Diagram: Nuffield Health — “Wellbeing Triangle”**

- **Values**
  - Aligned values and behaviours
  - Recognised as individuals, treated with respect, listened to, knowing their opinions are valued

- **Leadership**
  - Developing and encourage a cross-divisional social workplace with opportunities to “take part” internally and externally

- **Community**
  - Equal and consistent access to health-related services

- **Total Health Management**
  - Fair and transparent HR policies, financial reward, learning and development, performance appraisals. A healthy work environment

- **Foundation**
  - Give As You Earn — also known as payroll giving — is managed through Nuffield Health’s partner, Sharing the Caring. The employees choose the amount to donate to their selected charity and the money is deducted from their gross pay, which means they don’t pay tax or national insurance on it. Instead, the charity will receive what the employee would have paid in tax as part of the donation.
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Methodology

An in-depth questionnaire was developed to explore employee attitudes to benefits packages. This online survey was conducted by YouGov between 31st May - 3rd June 2013 and completed by more than 1,200 employees, in addition to employees of the companies with which focus groups were completed. The generational breakdown of those completing the questionnaire was evenly spread and closely matched the actual distribution of generations across the U.K. workforce. The gender split of respondents was also balanced between 52% female and 48% male and the figures have been weighted and are representative of all GB adults (aged 18+).

The majority of those employees who completed the questionnaire were employed on a full-time basis (i.e. 30 or more hours per week). Of the three generations, Generation X was most likely to be working fulltime and Baby Boomers the least likely.

Respondents were drawn from all major professional and industrial employment fields, providing a rich and comprehensive data set.

In occupational terms, the majority of respondents were working in professional or managerial jobs. This was followed by people working in supervisory and administrative-related jobs.

The focus groups

After data from the questionnaire had been analysed, six focus groups were held at a range of leading organisations with backgrounds including professional, technical, retail and health care. The aim of the focus groups was to test some of the key hypotheses which had emerged from the questionnaire. Supplementing the focus groups were individual interviews with managers and senior HR professionals.

Responses from focus group attendees are used throughout the report.
Much work has been undertaken in recent years around the idea of wellbeing. According to a study undertaken by Gallup, an employee’s overall sense of wellbeing requires five elements:

1. Career wellbeing: enjoying the work you do.
2. Social wellbeing: having good, positive relationships.
4. Physical wellbeing: having good health and energy.
5. Community wellbeing: feeling a strong connection to where you live.

Employees with high levels of financial wellbeing actively manage their personal finances and spend their money wisely. Underpinning this approach is an understanding of how to devise and implement effective financial strategies. In turn, “[…] these successful strategies result in financial security, which eliminates daily stress and worry caused by debt. This financial security allows them to do what they want to do when they want to do it.”

As we will see, for many people at work, developing effective strategies for managing personal finances is an aspiration rather than a reality. Levels of financial literacy remain low, across all generations.

Many people also lack the time and expertise — and the confidence — to take control of their finances. For others, the “long hours” culture which has become prevalent in many organisations means that there is not the time available at the end of the day to devote to personal finances. For many, managing one’s finances means surfing well-known consumer websites in the hope of encountering useful information. Others — particularly those with the least experience of financial self-management — have simply opted out altogether, abandoning any sense of hope of personal agency, preferring instead to rely on the (somewhat limited) guidance of friends, relatives and older colleagues.

For employers, this lack of financial wellbeing which permeates all generations in the workplace presents significant opportunities for improving engagement across the workforce.

Appendix – Financial wellbeing

1. Career wellbeing: enjoying the work you do.
2. Social wellbeing: having good, positive relationships.
4. Physical wellbeing: having good health and energy.
5. Community wellbeing: feeling a strong connection to where you live.

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