



Next-gen workforce: secret weapon or biggest challenge?



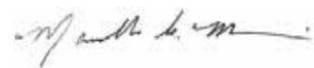
The better the question. The better the answer.
The better the world works.



Building a better
working world

A new generation enters the workforce.

Generation Z is coming of age. Rarely, if ever, has the world experienced so much change as has happened in their brief lifetimes. Politically, socially, technologically and economically, we are moving at warp speed. These changes have created a generation very different from Millennials or any other we have known before. Many retailers have already felt the wrath of Gen Z as consumers. They are informed, equipped and have the highest of expectations. With the oldest now 19, Gen Z will soon become a key player in retailers' talent strategies as well, and the moment of truth will arrive: will Gen Z, the true digital natives with "anything is possible" and ultra-ambitious attitudes, be your next challenge or your biggest asset? Achieving the latter requires an understanding of their mindset today, how they differ from Millennials and preceding generations and how they may evolve in the future. To that end, EY conducted a multigenerational survey of 1,800 people across the United States. While we set out to gain insights into Gen Z, we also discovered important facts about Millennials, too. We highlight a few of our key learnings in the following pages. Some of what we discovered may surprise you, as it did us.



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Who will lead you forward?



Gen Z
12-19*

Younger Millennials
20-27

Older Millennials
28-35

*While people as young as 12 are included in Gen Z, our survey was limited to participants 14 and older.

Retailers are facing more challenges than perhaps at any time in history. Rapidly evolving technologies, innovative new competitors and morphing consumer behaviors are changing the market landscape and forcing businesses to evolve quickly and innovatively just to survive. At the same time, companies are competing hard to attract the talent they need to achieve profitable growth and enhance their industrial value. In the competition for talent, many companies are focusing singularly on understanding the needs of Millennials, those born between 1981 and 1996, who they see as their current and near-term labor pool. This is certainly a large and appropriate population to focus on. However, it is not a homogenous one. Nor does it include the younger generation that follows it, Generation Z.

Gen Z is coming of age, with the oldest about to enter their 20s. They are far from just another Millennial story. They are a unique generation with a global view, entrepreneurial spirit and "anything is possible" attitude. And they are ready to work hard to earn success.

For retailers and service industries, teenagers and those in their 20s have always been an important employee demographic. But we believe these young people are now more important than ever. They can be the secret weapon that enables retailers to outcompete in our mobile-first, experience-obsessed society. This is their world, and they can help retailers understand it and succeed with unimagined innovations.

But first, retailers and consumer businesses wishing to attract them must understand them. What drives them and what will it take to earn their loyalty?

To better understand what the next-generation workforce wants, how it differs from the current labor force and how companies need to respond, EY conducted a nationwide survey in the US of people 14 to 60 years of age. In what follows, we share some of our key findings and their potential implications, including important opportunities for retailers as they welcome this new generation into their workforce.

A more nuanced view of the Millennial workforce

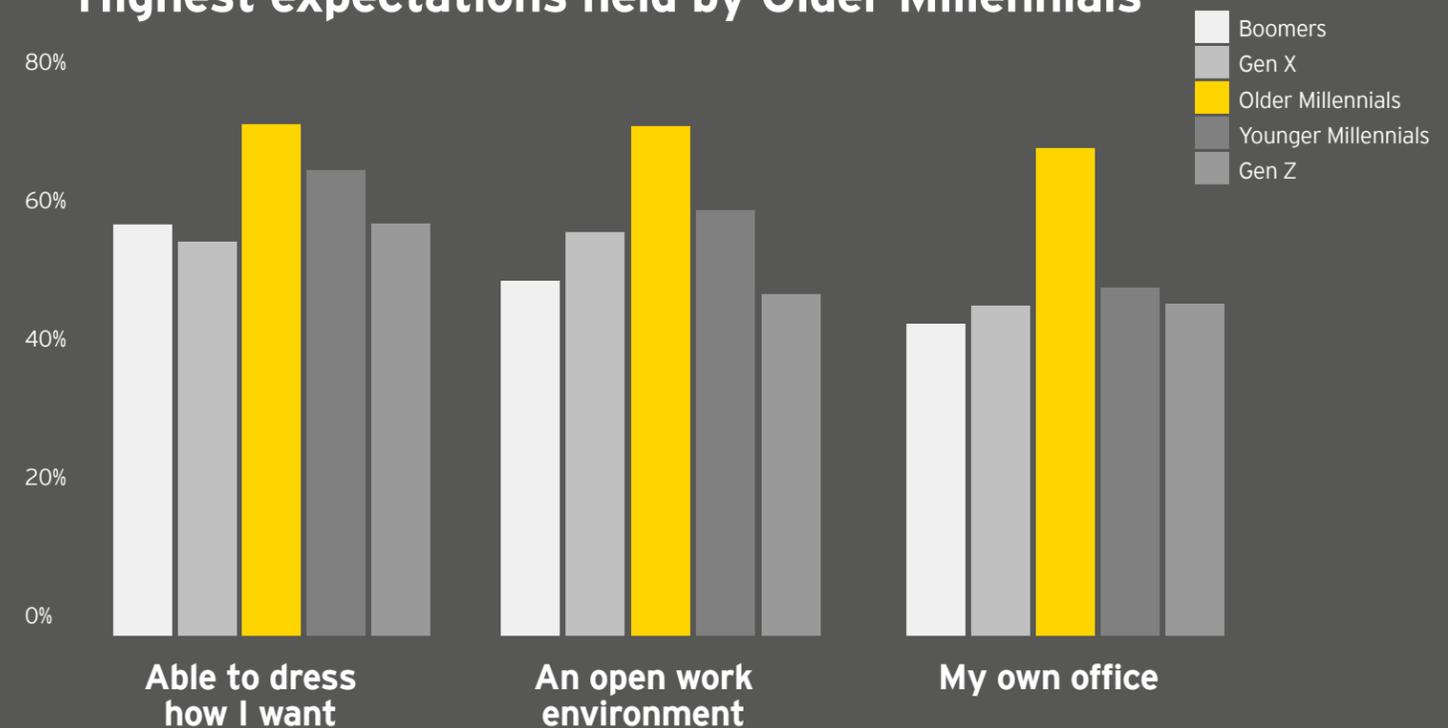
One of the general traits of Millennials, aged 20-35, is that they have higher and, some might say, unrealistic expectations about their lives and opportunities. This is likely the result of growing up in a time of greater economic stability and being raised by Baby Boomer parents who sheltered them from many of the dangers of the world while reinforcing their specialness and their extraordinary potential.

This trait is reflected in the work attitudes of the subgroup we'll call Older Millennials, aged 28-35, who have challenged norms, are demanding

more from employers, and have reshaped today's workplace to be more casual, open and flexible. These workers are coming into their own and are eager to fill today's middle and senior management roles. Most companies recognize them well, even if they still struggle to make them feel fully embraced. However, the working demands of Older Millennials are not consistent with those of younger generations. Younger Millennials, aged 20-27, and Gen Z, aged 12-19, have different, and arguably more realistic expectations.

Older Millennials,
aged 28-35,
are a unique subgroup

Highest expectations held by Older Millennials



Q: When considering job satisfaction or career goals, would you consider this one of the three most important job benefits?

Employee expectations have evolved with Younger Millennials and Gen Z



Harsh economic realities have been part of the lives of Younger Millennials and Gen Z as they've matured. They have faced the global recession and its lasting impact directly. They are also living in a time of great social change, and they are the first generations for whom digital technology is native to their lifestyle. The parents of Younger Millennials had a much more difficult time than their predecessors shielding their kids from not only economic risks, but social risks and exposure to the regular terrors occurring globally and in their own schools. As for Gen Z's parents, they never had a chance – many Gen Z were regular users of tablets by two and had quicker access to world news than their parents by middle school. Parents of those born in the mid-90s to 2000s abandoned the highly protectionist approach for a new tack: open communication and new expectations of childhood experience.

As a result, Gen Z and Younger Millennials are fundamentally different than Older Millennials, with new attitudes, values and life goals and different employment demands. They have more realistic expectations when it comes to work, and a differentiated view regarding development, benefits and corporate culture.

Younger Millennials and Gen Z have a “do-it-myself” mentality and entrepreneurial spirit. They've grown up turning to the internet, YouTube and their global peer group for answers. They've watched people their own age create successful companies. This independence and entrepreneurial view is carrying over to the workplace. Unlike Older Millennials, they do not want a lot of guidance and do not expect frequent feedback from employers. More than half prefer independent work to teamwork. They look to employers who would not micromanage them and who will give them opportunities to create new and better processes and solutions.

When we asked generations about the top benefits they wanted from employers, Younger Millennials and Gen Z ranked “feels my ideas are valued” as among the top benefits they want from employers (#1 and #2, respectively). This ranks #4 for Older Millennials. The younger group's expectation is that their value will be recognized and financial benefits will follow as a result.



Gen Z and Younger Millennials look for employers who value their ideas and work

Top 3 benefits wanted from employees

Gen Z	Younger Millennials	Older Millennials
Health insurance coverage	Feeling my ideas are valued	Health insurance coverage
Feeling my ideas are valued	Health insurance coverage	Work-life balance
Recognition for my contribution	Work-life balance	Vacation/paid time off

Outside of health insurance coverage, Younger Millennials and Gen Z do not rate benefits like vacation, paid time off and work-life balance as highly as Older Millennials. Volunteering and community work are not the high priority for Gen Z and Younger Millennials that some companies may think (or the media has suggested). Granted, this may be attributable to age and life stage, or how long they've been in the workforce. So perhaps this will change as they get older. On the other hand, it may be a fundamental change based on what's important to younger workers (purpose-driven pursuits rather than economic ones, for

example). Companies cannot safely assume younger employees will want what the current workforce does.

Being part of their community (beyond family and friends) and contributing to the social fabric are actually more important to Older Millennials than to any other group. Perhaps stronger now that they themselves are having children, these priorities were evident in Older Millennials even in their teens and early 20s. This difference between the older and younger generations is worth noting for companies who use volunteering programs as a way to attract younger talent.

Gen Z and Younger Millennials rate workforce perks differently than the Older Millennial workforce

Enjoying time with family and friends



78%
Older Millennials
69%
Younger Millennials
65%
Gen Z

Taking vacations



66%
Older Millennials
47%
Younger Millennials
44%
Gen Z

Volunteering



47%
Older Millennials
36%
Younger Millennials
33%
Gen Z

Q: What's important to you as you think about your life today and your future goals?

The gender story is a complex one



What drives generations?

	Gen Z	Millennials	Gen X	Baby Boomers	
Achieving high-level salary/compensation	64%	80%	64%	43%	Male
	54%	61%	50%	45%	Female
Achieving a high position/title	60%	71%	53%	32%	Male
	52%	50%	44%	33%	Female
Achieving a leadership position	53%	71%	67%	51%	Male
	49%	55%	54%	51%	Female

Overall, flexibility and a balance between work and life responsibilities are now as important to men as they are to women. In fact, more Older Millennial men than women say a balance between work and life is important to them (81% vs. 73%). Both men and women want the option to work remotely away from the office and flexible working hours. It is no longer accurate to assume women alone want these benefits, or that this is driven strictly by family-related needs.

Work-life balance is important to both men and women



Q: When considering job satisfaction or career goals, would you consider this one of the three most important job benefits?

Will the gender equality gap widen with Millennials?

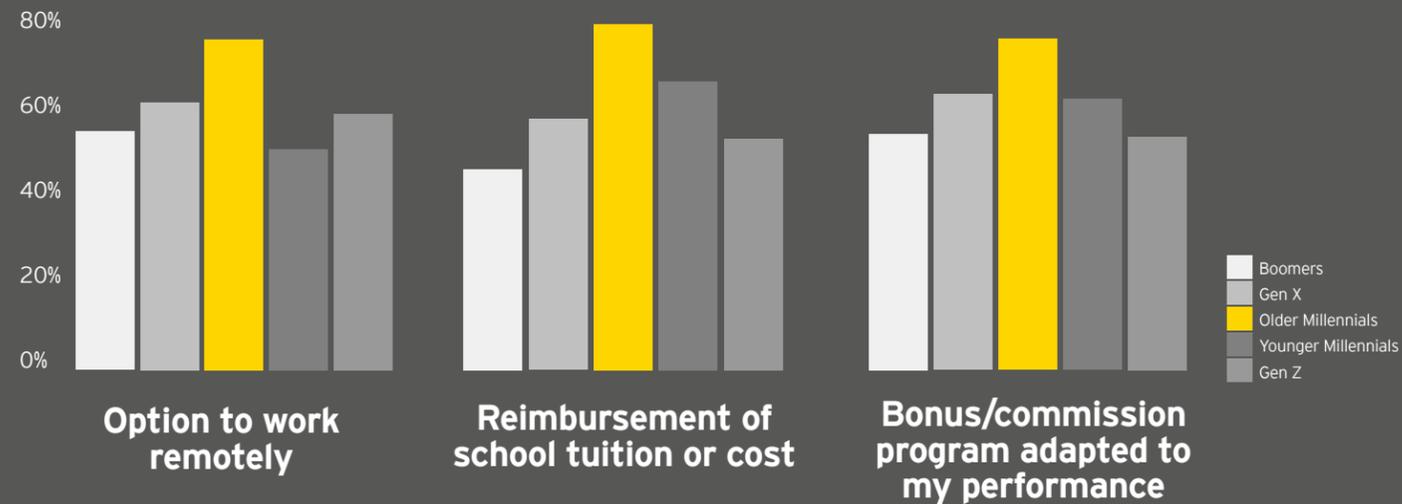
Where do gender differences remain? Females of younger generations are pushing back from the notion exhorted by their Boomer mothers that they can “have it all.” Only 55% of Millennial women aspire to be in a leadership position, only 50% want a high-level position or title, and 61% aspire for a high-level salary – figures about 20 points lower than men of the same age. This creates a major challenge for companies looking to hire future female leaders. Companies need to figure out how to avoid losing this generation of female leaders. And they need to address this issue immediately, because it does not mark a trend away from valuing women’s rights – Gen Z sees gender equality as a vital and nonnegotiable right – and this generation is entering the workforce now.

Only **55%** of Millennial women aspire to be in a leadership position ...

... whereas **71%** of men aspire for the same.

How will companies avoid losing this generation of female leaders?

Desired employer benefits by generation



Q: When considering job satisfaction or career goals, would you consider this one of the three most important job benefits?



Turning next-gen into competitive advantage

1

Feed younger generations' hunger to learn

Younger Millennials and Gen Z are realists who believe they can never be too prepared or know too much. Career-focused perks and professional development opportunities, e.g., higher education benefits and training courses that help them stay ahead of the curve, are more important than flexible schedules and open work environments.

2

Recognize differences among Millennials

Don't assume Millennials as a group have consistent needs and desire similar work benefits. This large segment of the workforce is in fact divided into different groups, in different life stages formed by very different life events. Attracting and retaining Older and Younger Millennials, as well as different genders, may require unique approaches.

3

Speak to their independent nature

Gen Z and Younger Millennials want to take things into their own hands when it comes to the workplace. They want to set their own goals and have their opinions heard. Entrepreneurial companies can more easily take advantage of this mentality, while large companies can add entrepreneurial opportunities to their operating models.

4

Understand life priorities matter ... and evolve

Our research shows that as employees get older, achieving work-life balance becomes more important for both genders. It is no longer enough merely to suggest better balance opportunities; employees are often hesitant to take advantage of them in fear of how they might be perceived by coworkers and management. Employers must change organizational norms by openly recognizing the importance of priorities outside work. Creating a culture that openly encourages balance will result in a more well-rounded and confident workforce.

5

Crack the gender equality code

While companies are increasingly recognizing the competitive advantage of diversity in leadership, women remain hesitant to take the leap. Companies that identify and work through the perceived or imposed barriers to gain the loyalty of these women will gain short- and long-term competitive advantage.

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