Outcomes

- Two key concepts
  - Generations in the workplace
  - Total Rewards
- Understanding your workforce
  - Key metrics
- The future of Total Rewards
  - The “secret” formula
Generations in the Workplace
Total Rewards

TWO KEY CONCEPTS

Generations in the Workplace
Defining the Generations

First time in business we have 4 generations working together (shortly to be 5)

- Need to understand each generational cohort
  - These characteristics are not intended to define an individual
    - Members of each generation do develop a collective personality with assumptions about organizations, attitudes related to authority, and expectations of success at work
  - Key characteristics
    - Learning
    - Pivotal life events
    - Life Stage
  - Each characteristic provides a direction to HR strategies
Generations in the Workplace

- GG: Youngest is 70
- Gen Z: 18 in 2016
- BB: Avg age is 59
- Gen Y: Avg age is 27
- Gen X: Avg age is 43

Defining the Generations

Life Stage Matters

- Financial Priorities
- Steady Income
- Affordable Health Insurance
- Time with Family
- Productive Aging

- Entry Level: Career growth, Income, Recognition
- Mid-Career: Income, Time off, Career growth
- Established: Time off, Health & wellbeing, Savings & Income protection
- Productive Aging: Health & wellbeing, Savings, Career accomplishment
Entry-Level

- **Life Stage Characteristics:**
  - Generation Y (in his/her 20’s)
  - Single or recently married, childless
  - Little or no savings, does not own a home

- **Career Priorities:**
  - First or second “real” job – not necessarily a career path
  - Trying to establish financial stability
  - Job advancement, income growth, recognition

- **Total Reward Needs:**
  - Short-term, intermittent rewards important
  - Light user of medical benefits
  - Less tolerant of financial risk – greater financial stress than previous cohorts
  - Work environment and corporate culture are important

- **Learning Style:**
  - Expects technology
  - Prefers multiple focal points in presented information
  - Consistent reinforcement
  - Needs guidance and structure

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Financial Stress

Perceived financial stress, by generation

- Millennials: 41%
- Gen X: 34%
- Younger Boomers: 26%
- Older Boomers: 28%

- 10% of Older Boomers have to use paycheck to paycheck
- 4% have to make decisions on financial matters

*Source: MetLife’s Fourteenth Annual Study of Employee Benefits Trends, 2015*
**Mid-Career**

- **Life Stage Characteristics:**
  - Generation X (early 40’s)
  - Young family, day care needs
  - Growing financial obligations
- **Career Priorities:**
  - Career advancement and income growth
  - Professional development/certifications
  - Work/life balance
- **Total Reward Needs:**
  - Steady salary increases and career development
  - Likes choice
  - Moderate to heavy user of medical benefits
  - Time off/flex time benefits are important
- **Learning Style:**
  - Group learning
  - Prefers summarized, visually appealing information
  - Seeks advice of peers in similar life stage

**Established**

- **Life Stage Characteristics:**
  - Late Gen X and Baby Boomers (late 40’s – 50’s)
  - “Second Career” employees
  - Lessening family obligations, elder care needs
  - Established financial routines
- **Career Priorities:**
  - Professional respect
  - Leadership and mentorship opportunities
- **Total Reward Needs:**
  - Recognition of contributions and achievements
  - Push to achieve highest salary levels
  - Moderate to heavy user of medical benefits
  - Retirement benefits, financial planning advice are important
  - Life insurance, long term care benefits are important
- **Learning Style:**
  - Prefers practical and factual information
  - Prefers individual attention
  - Expects to be asked for feedback
Productive Aging

Pre-Retiree

- Life Stage Characteristics:
  - Late Baby Boomers and Traditionalists/Veterans (late 50’s – 60’s)
  - Empty nester, elder care needs
  - Focus on securing steady income in retirement
- Career Priorities:
  - Preparing for transition into retirement
  - Candidate for “second career”
- Total Reward Needs:
  - Rewards that are flexible
  - Increase in elective surgery
  - Retirement benefits, financial planning are highly important
  - Life insurance, long term care benefits are highly important
- Learning Style:
  - Prefers peer advice
  - Accustomed to classroom style learning
  - Expects to be asked for feedback

Total Rewards
Definitions

- Base Compensation
  - Rate of pay or salary for doing the job.
  - Competitive rate of pay assists in recruitment and retention of many workers in moderate job markets

- Total Compensation
  - Includes the values of health/welfare benefits, retirement programs, and paid time off programs
Total Rewards

Definitions

Total Rewards

- Identifies and clearly communicates the value of base compensation, total compensation, **PLUS** variable pay opportunities, work-life rewards, recognition programs, performance management systems, career development strategies, and non-monetary items

Key Metrics

UNDERSTANDING YOUR WORKFORCE
Workforce Planning

**Workforce Planning Initiatives**
- Deeply understand the demographics and perceptions of the current workforce
  - Including engagement studies
- Most effective tool in a Total Rewards Strategy
  - Pro-actively identifying critical occupations where organization is vulnerable today or in the future
    - Critical knowledge retention
  - Develop detailed plans for retention of key positions and/or replacing pivotal employees
  - Cascade down succession planning from management to critical positions
- Begin to develop workforce planning metrics as part of the ongoing HR metrics to Senior Management and the Board

**Understand your workforce**
- Demographics
  - Employee census
  - Benefits information, including retirement projections
  - Performance factors
  - Recruitment information
  - Results of engagement surveys
- Profile of your “typical” employee and your “ideal” employee
- Plans for future
- Make-up of talent needs
- Succession planning
Workforce Planning

Workforce Distribution by Tenure

- Less Than 3 Years: 33%
- 3 - 6 Years: 23%
- 6 - 9 Years: 12%
- 9 - 12 Years: 11%
- 12 - 15 Years: 5%
- 15 - 20 Years: 7%
- 20+ Years: 9%

Workforce Planning

Predominate Workforce Segments

- Highest Turnover
- Future Leadership
- Knowledge Retention

<table>
<thead>
<tr>
<th>Cohorts</th>
<th>% of Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 25</td>
<td>12.0%</td>
</tr>
<tr>
<td>25 - 30</td>
<td>9.0%</td>
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<tr>
<td>30 - 35</td>
<td>8.0%</td>
</tr>
<tr>
<td>35 - 40</td>
<td>7.0%</td>
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<tr>
<td>40 - 45</td>
<td>10.0%</td>
</tr>
<tr>
<td>45 - 50</td>
<td>19.0%</td>
</tr>
<tr>
<td>50 - 55</td>
<td>21.0%</td>
</tr>
<tr>
<td>55 - 60</td>
<td>12.0%</td>
</tr>
<tr>
<td>60+</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
Workforce Planning
Demographics – Retirement Eligibility

Percentage of Key Groups Over Age 50

- Age Over 50
- Retirement Eligible in 5 Yrs

Workforce Planning
Current “Risk Zone” – All Employees

Projection of Current Employees Each Year Reaching Average Retirement Age

- New Hires
- Replacement
- Current Employees

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Shawn_Bogenrief@ajg.com
Workforce Planning
Current “Risk Zone” - Management

Projections of Current Management Employees Each Year Reaching Average Retirement Age

- New Hires: 8% 8% 8% 8% 8%
- Replacement: 9% 20% 35% 50% 71%
- Active: 83% 72% 47% 42% 21%

Workforce Planning
Workforce Distribution Factoring in Key Talent

- Male
  - Entry-Level: 24
  - Mid-Career: 46
  - Established: 32
  - Pre-Retiree: 23

- Female
  - Entry-Level: 32
  - Mid-Career: 84
  - Established: 101
  - Pre-Retiree: 73
The Secret Formula

THE FUTURE OF TOTAL REWARDS

Future of Total Rewards

- Development of a Total Rewards strategy
  - Cannot afford to dissipate relatively scare resources on “reward silos”
- Creating choice and flexibility
  - With 4 to 5 generations in the workplace, total rewards will not be effective as a single program
  - “Laser target” the strategy
    - To Life Stages
    - To Key Employees
    - To Succession Planning
- The Secret Formula
Total Rewards
Think of Them as the 4 “R’s” + “C”

- Recruitment
  - Creating a sustainable pipeline
- Retention
  - Work environmental issues
- Recognition
  - Recognition “toolbox” for managers
- Rewards
  - Individual, Team, Organizational
- Communication
  - Selling your story

Total Rewards
Focusing on the 4 R’s + C

- Recruitment
  - Creating and sustaining the pipeline of talent
  - Creating the workplace as a “magnet” to potential employees
    - Also called the “destination workplace”
    - Balance of compensation/benefits, supervisor skills, career development, worklife balance
  - Broadening the base of potential workers
- Career Development Pathways
  - What is next step for you, and as your manager...how do we get there?
  - Training, education, and more training
Role of Benefits

Benefits are a powerful draw for attracting younger employees to a company.

<table>
<thead>
<tr>
<th></th>
<th>Gen Y</th>
<th>Gen X</th>
<th>Younger Boomers</th>
<th>Older Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees agree that the benefits offered were an important reason why they came to work for this employer</td>
<td>56%</td>
<td>52%</td>
<td>40%</td>
<td>31%</td>
</tr>
<tr>
<td>Employees agree that the benefits are an important reason why they remain with their employer</td>
<td>63%</td>
<td>62%</td>
<td>53%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: MetLife’s Fourteenth Annual Study of Employee Benefits Trends, 2015

Total Rewards

Focusing on the 4 R’s + C

- Retention
  - Skill level of managers and supervisors
    - This is a “must do” for the organization to thrive
  - Sufficient number of supervisory staff
    - Often not done well, as a perceived “cost”
  - Focusing on workforce commitment and work environment
    - What is the generational make-up of workforce – Want/need different things: flexible scheduling, child-care programs, sick-child programs, career opportunities, choice in benefits, etc...
  - Hidden costs for turnover
    - Separation, replacement hiring, training new hire, lost productivity
      - Costs assume to average 25% to 75% of employees salary
Total Rewards

Erosion of Employee Loyalty

- Employers have become used to relatively low employee turnover – but this may be changing
- Employee loyalty is not recession-proof

More than one in three (34%) surveyed employees hopes to be working elsewhere in the next 12 months.

Source: MetLife’s Fourteenth Annual Study of Employee Benefits Trends, 2015

Total Rewards

Retirement and Career Development

- X and Y generations believe in self-directed careers
- New employees coming into the workforce expect to be the manager in 2-5 years
  - If I am not learning and moving in my career, I will go somewhere else!
- Critical to have career development and pathways
  - Company must show flexibility in career development and willingness to develop the employee
  - Clinical ladders, continuous learning, mentoring, and succession planning (beyond executives)
    - Fits in with need for knowledge transfer
    - Next 10-15 years will be largest shift in management
Role of Benefits

Employee loyalty is linked to satisfaction with benefits – employees who are very satisfied with their benefits are more likely to feel loyal to their employer.

<table>
<thead>
<tr>
<th>Employees who are very satisfied with benefits</th>
<th>Employees who are very dissatisfied with benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel a very strong sense of loyalty to my employer</td>
<td>61%</td>
</tr>
<tr>
<td>My employer has a very strong sense of loyalty to me</td>
<td>48%</td>
</tr>
</tbody>
</table>

Source: MetLife’s Fourteenth Annual Study of Employee Benefits Trends, 2015

Total Rewards

Focusing on the 4 R’s + C

- Recognition
  - Recognition “toolbox” for managers
    - Spot bonus programs
    - Instant non-cash rewards
    - Coaching skills
    - One size does NOT fit all
  - Career opportunities
  - Recognizing tenure, through benefits and retirement programs
    - Employee contributions based on tenure
    - Phased Retirement opportunities
Total Rewards
Recognition Strategies

- Benefits
  - Need to consider flexibility in benefit plans
  - Current plans designed by and for Boomers

- Compensation Strategies
  - Talk about philosophy and program constantly
  - May need multiple compensation opportunities in first 12 to 36 months
  - One "size" does not always work anymore

- Reward and recognition
  - New generations grew up on “Sesame Street”, expect lots of recognition
  - Developing strategies for high potentials
    - Organizations must be willing to differentiate in substantial ways

Total Rewards
Focusing on the 4 R's + C

- Rewards
  - Performance Management
    - Individual, Group, Team, Business, Organization
    - Using a Layered Approach
  - Individual
    - Revising "pay for performance" to clearly recognize high performers
    - Rewarding high performers outside of the performance management system
  - Group and Team
    - Sometimes better “line of sight” than Organization-wide plans
Total Rewards
Focusing on the 4 R’s + C

Driving employee understanding and appreciation of Total Rewards investment and long-term opportunities is key to enhancing employee/job satisfaction levels and obtaining return on human capital investment

– These programs only work if the employees know about them!

Most significant trend is the amount of resources being committed to communication and education

– Branding initiatives
  • Constant communication of your employment “value proposition”
  • Organizations just can’t “sell themselves” at the interview
– Total Reward communication platforms
  • Don’t forget the recruitment phase
  • Younger generations involved in constant communication
    – Expect employer to do the same
    – Forget paper
Effectiveness of Learning Styles

- One-on-one consultations with a non-sales benefits expert: 61% local, 68% Millennials (21-34)
- A mobile app for managing your benefits: 49% local, 64% Millennials (21-34)
- Automatic enrollment in the lowest cost offering and you opt-out/change if desired: 45% local, 55% Millennials (21-34)
- A mobile app for learning and education about your benefits: 45% local, 58% Millennials (21-34)

Source: MetLife’s Fourteenth Annual Study of Employee Benefits Trends, 2015

Questions & Discussion