Talking ‘bout Y Generation:
Employee Benefit Strategies
Communication in the Digital Era
November 2009
The Generation Game: Definitions

Generation Y  The section of the population born between the late 1970s and the early 1990s
Generation X  The segment of the population born between the mid 1960s and the late 1970s
Baby Boomers  Those born between the mid 1940s and the mid 1960s
Veterans      Born before the mid 1940s.
George Bernard Shaw once observed that the greatest problem in communications is the illusion that it has been accomplished.

The great Irish playwright could have been commenting on one of the fundamental problems facing employers as they seek to engage and inform increasingly diverse, discreet and segmented employee audiences within their workforces on the issue of pensions and employee benefits programmes.

However, while the pensions industry has been preoccupied with the structural impact on pension and benefits provision of an ageing population, it is in danger of neglecting the second front in the demographic challenge.

The dilemma is created by the entry of the highly educated, technologically adept, ambitious and mobile Generation Y into the workforce. Present strategies in the vital area of employee communication and engagement may no longer be fit for purpose.

This is a concern given that Generation Y is three times larger than Generation X and almost on a par with the Baby Boomers. 250,000 new Generation Y graduates are entering the workforce every year from Britain’s universities alone. According to McCrindle Research, Generation Y will more than double its representation in the workplace in the next decade, from 20% of the workforce currently to 42% in 2020.

The positive news for the pensions industry is that Generation Y values pensions as much as their elders with 68% believing a contributory pension scheme is the most important employee benefit compared to 66% of Generation X and 71% of Baby Boomers. (Source: FreshMindsTalent, research report 2008)

The risk is that employers fail to capitalise on maximising the perceived worth of their employee benefit packages by alienating this important and rapidly growing segment of the workforce through ineffective communication.

Achieving best results requires insight into the mindset of Generation Y in terms of their aspirations and values and an understanding of their preferences in sourcing and sharing information.

In this paper we will examine what corporations must do to engage effectively with Generation Y in terms of:

• Understanding their mindset and attitudes
• Exploring how their consumption of media and information differs from their predecessors in Generation X and the Baby Boomer cohort
• Creating a best practice guide to engaging effectively with Generation Y to maximise benefit for both employer and employees.
New media for the next generation

Media has become interactive and democratized. The challenge for companies is the urgent necessity of adapting their current command-and-control communications models, that emerged and were refined in the analogue, information-push era to match the needs and expectations of a disruptive generation that has a radically different mindset, attitude and perspective to its elders and predecessors.

Jonathan Schwarz, President and Chief Executive Officer of Sun Microsystems, has succinctly encapsulated the challenge for major corporations.

“We've moved from the information age to the participation age and trust is the currency of the participation age. Companies need to be authentic.”

The Generation Y mindset

Generation Y are the real heirs of the Thatcher revolution. They have never known anything other than the world of the unregulated free market economy, which explains their flexibility, ambition and career mobility.

Having grown up in a world of economic prosperity with access to further education they have a far greater sense of self-worth and entitlement than Generation X and the Baby Boomers. The prevailing attitude is the sense, or perhaps illusion, that they control their own destinies and take control of their own futures.

Typically, Generation Y is more demanding. Its members expect greater flexibility in their working environment and in the way they receive remuneration benefits.

They are more transient and have generally already held as many jobs as their parents had in a lifetime. Generation Y is focused on delivering results rather than worrying about presenteeism. Work is something to do rather than somewhere to go.

While it is crucial to avoid stereotyping an entire demographic group it is important to recognise broad cultural influences, traits and behaviours so that communication can be tailored effectively in terms of channels, content and engagement.
Talkin’ ‘bout my Generation: the identikit Generation Y member

Making informed choices is one of their determining characteristics along with a predisposition to use technology.

Generation Y make buying decisions based on peer recommendations. Friends opinions are the most influential.

Having grown up in a media age they do not trust advertising. Their awareness level is very high.

When it comes to information Generation Y wants it instantly and easily.

They will access information real time across a variety of channels.

They will certainly want to be able to access and view their pensions and benefits information in real time.

They will lose interest if they cannot quickly and easily access the information they require in a relevant and engaging way.
Generation Y behaviours

As a consequence of changes in educational practices in the 1970s, which saw traditional rote-learning replaced by an emphasis on encouraging pupils to challenge ideas and offer their own opinions, Generation Y has grown up with a faculty for critical evaluation and analysis.

Employers must make compelling arguments regarding the strength of their employee benefits proposition when dealing with Generation Y. They do not accept authority and command and control hierarchies as their parents did.

If an employer tells a member of Generation Y that they must join a pension scheme or be poor in retirement then they will investigate that proposition independently rather than accept the statement at face value.

Generation Y is characterised by its technological and media sophistication. Authenticity is valued and their trust must be earned. It is not automatically conferred as was more the case with Baby Boomers and, to an extent, Generation X.

Instant connectivity and networking is a feature of the Generation Y mindset. They want to drill down immediately into information about investment or savings options and to seek opinions from their peers. They want high level information that they can engage with and explore. Their expectation is that all content will be linkable and searchable. Noticeboards and employee booklets are as old to them as papyrus and stone tablets.

These behaviours are common across Generation Y as a whole, since all members grew up with easy and cheap access to technology. Regardless of their socio-economic category, Generation Y members will, by preference, shop on Amazon, listen to music on I-Tunes, watch videos on YouTube, look for information on Google and socialise on Facebook or an alternative networking site.

At the lower end of their demographic cohort the Generation Y in the workplace are recently graduated and concerned with paying off student debt. At the higher end, the late 20s age group, they are making major life decisions on career, marriage, home ownership.

For employers the objective is not so much about creating key messages around pensions and employee wealth as in creating the necessary communication environment and catalysts to help Generation Y understand, formulate and articulate their goals.
The preferred channels

Current best practice in employee engagement is based on a framework comprising member contact programmes using a range of tools from presentations, seminars and workshops, through websites to commissioned research. This is reinforced with member-specific performance information of their own pension plan including personal statements and income.

Many elements of this have continuing value in communicating with Generation Y, but employers must accept that social media platforms such as Facebook, Twitter, YouTube and LinkedIn are now social norms for this cohort (and indeed many of their elders). Engaging with employees using email, text and RSS feeds has become more common with employers but this is obsolescent Web 1.0. A study by KPMG has shown that Generation Y rarely uses email.

With the exponential growth of social media there is a two-fold risk for employee communication strategies: either in being seduced by it or in resisting it. Management guru Michael J Wolf provides valuable perspective when he points out that: “No new medium has ever killed off another: it has only influenced changes in it.”

Over a quarter of young adults (28%) had discussed a product or brand in an online forum during the last month. Almost half (49%) had reviewed a product online. (Source: Penknife Research)

Generation Y spends an average of 16 hours a week online. 96% have joined a social network. (Source: RepNation Media 2008)

Just 14% of consumers trust advertising. 78% of consumers trust social media. (Source: Nielsen, Trust in Advertising)

Time spent on social networks is growing at three times the rate of overall internet usage. (Source: Nielsen – ‘Global Faces and Networked Places’ research, 2009)

93% of social media users believe that companies should have a presence in the social media space

UK social network use will treble from 9.6million to 27 million by 2012 (Source: Datamonitor)

In 2008, six of the top 10 internet sites were social, up from none in 2005 (Source: Datamonitor)

If Facebook were a country it would be the 8th most populous in the world, just ahead of Japan. (based on members as of January 2009) (Source: Facebook)
However many employers are still resistant to these online networking tools, fearing that they will negatively affect productivity.

Rather than seeing social networking or instant messaging as distractions employers should encourage an adult approach in which employees can use them productively for the benefit of themselves and the company. It is about creating a dialogue and allowing employees to feel a sense of engagement and increased sense of belonging.

Greg Thorley, National Employee Communications Manager at Standard Life, says that when corporations are selecting media channels they should simply be where their people are. “If your people are active on Facebook, then you should be active on Facebook. But don’t feel obliged to build a Facebook strategy and then try to drive people onto it.”

If your employees are on Facebook then not having a presence creates a substantial reputation risk in terms of authenticity and trust since 93% of social media users believe a company should have a presence in social media. (Cone, business in social media study, September 2008)

Richard Morgan, director of consultancy services at Vebnet explains: “It’s about providing the choice of communication channels and content options but not presuming what that choice should be.”

“There is a trend towards relying on peer groups and friends for ‘word of mouth’ information rather than employers. However this is not an exclusively or predominantly Generation Y phenomenon. Lifestyle factors are as important as age and generational influences.”

The most successful strategies involve putting high quality, customer-centric content out there in shareable format whether in digital text, video or audio format and making it readily available.

The web is about harnessing collective intelligence. Employee wealth will increasingly be discussed in forums as with the Amazon model, with peer review, feedback, knowledge sharing and user generated content.

A legacy attitude of telling but not listening still prevails in many companies and it alienates Generation Y more than its predecessors. If you create compelling content then Generation Y will help you do the job.

Employers know a lot about their employees and if they mine their data effectively they can segment their audience into very clearly defined groups with common characteristics. This segmentation need not be based on a top-down delivery model but can be achieved practically by providing self-service options to employees.
Conclusion

In the run-up to the introduction of Personal Accounts in 2012, effective communication and engagement strategies will be a key component in successful implementation.

It is true that Generation Y has grown up with social/digital media as its default choice for communicating and sourcing information and that any strategies should take account of this trend.

However, best practice indicates that deployment of online and social media tools should be integrated into a holistic approach that also makes use of existing highly effective and proven methods of employee engagement and communication.

Standard Life’s own performance analysis shows that properly conducted seminars will encourage up to 97% of employees to join a scheme while tailored face-to-face communication programmes achieve a take-up rate of 88%.

The auto-enrolment mechanism in Personal Accounts dispenses with the recruitment aspect of communication but the new benchmarks of effectiveness will be awareness, understanding and appreciation.
The shape of things to come: optimising communication and engagement with Generation Y

| Segment your audiences in a meaningful way and provide tailored content. |
| Actively explore the potential of the various social media platforms including YouTube, Twitter, Flickr, MySpace, Linkdin, Technorati, Wordpress, Digg, Facebook. |
| Don't throw out the baby with the bathwater: Combine the best aspects of existing communication and engagement programmes with the most impactful emerging digital tools. |
| Listen, participate and engage in dialogue. Asking can be empowering. |
| Avoid taking control – the aim is not to dominate the conversation |
| Make your content multi-format and shareable. Content is no good without connectivity. |
| Use the Wiki model: Get out of the silo. Your employees will help you optimise your communications model in a collaborative fashion. |
| Engage: create opportunities for employees to feel ownership of the benefits platform. |
| Give members a place to share views and create a community. Give them something to talk about and use the extremely valuable market intelligence that results. |
If you would like more information please contact your Standard Life relationship manager.