

# ROI on Generation Y Employees

Best practice human capital management of  
Generation Y



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## Introduction

Throughout the 1990s, I researched and wrote about Generation Y, also known as Millennials. They were still children then, and I remember thinking, “Employers are gonna love these ambitious high-achievers from day one.” But as millions of Ys have entered the workplace, I have been proven wrong.

Wrong because sometimes employers don’t see the abilities and energy this new cohort brings, or don’t understand the radically different way today’s young people view work and career. And wrong because this youngest generation in the workplace is still learning how to work with others.

So, these days I work with employers willing to step in close and engage the minds and energies of this remarkable generation and foster their development. Already these new employees are tempering. No one is the same employee at 26 that she was at 22, nor the professional at 25 that he will be at 31.

The research gathered in this document demonstrates that during this tempering process, managers can do many things to create value for employer and employee alike. Today’s 20-somethings require substantial investments of employer time and money. But managers who know how to listen can determine the things Gen Y workers want from work and employ those ideas in ways congruent with both the Millennial mindset and organizational imperatives for sustained growth.

The potential for companies that take the needs and voices of Generation Y into account is tremendous. Those companies will discover tomorrow’s ideas and markets today. They will behave in new ways and find value in unexpected places.

That is the subject, and the hope, of this report.

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April 2008  
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Boomers have given them the confidence to be optimistic about their ability to make things happen, and Xers have given them just enough skepticism to be cautious. . . If you want to remember just one key word to describe Millennials, it’s *realistic*.

- Lynne Lancaster and David Stillman  
*When Generations Collide*

\* \* \*

## Executive Summary

Having come of age during an information and technological explosion and having adopted a 21<sup>st</sup> Century mindset suited to an information-based economy, Generation Y workers now challenge the status quo in many companies—not because the 20-somethings of this generation set out to do so, but because they neither define work the way earlier generations did nor expect the same things from it.

This challenge to traditional notions about work necessitates the creation of new economic models for the profitable employment of young professionals. Employers across the U.S. and around the world continue to adapt to this new workforce, sometimes resisting and sometimes embracing changes that accommodate the Gen Y mindset. Along the way, they wrestle with working definitions of work ethic, loyalty and “a good day’s work.”

Wisdom and profitability lie in recognizing the gifts Gen Y brings to the workplace – adaptability, speed, tech savvy and optimism — and absorbing them in their most productive forms. In the process, the shape and shadow of “work,” the forms it takes and the parameters that define it, become different from what they were only a few years ago.

This transition is not easy for the tens of millions of Generation Xers, Boomers and Matures who employ Millennials. Neither is it easy for Millennials, for whom engaged dialog with authority, constant information flow and high-tech connectivity is the natural order of things.

Yet, in negotiating these differences, in asking again and again what factors actually matter to the quality of the work, employers and Millennials invent new solutions, construct a new paradigm for work and new standards for measuring the value of human capital.

As the research gathered in this document illustrates, companies that successfully manage the collision between traditional and 21<sup>st</sup> Century definitions of work follow the lead of the bottom line. They explore the possibilities of mutually profitable employer-employee investment, in all the emerging forms such investment takes in the here and now. Each time a Boomer, a Mature or an Xer sits with a Millennial and asks, “What’s the most effective way to do this job, not yesterday but *today and tomorrow*, he or she creates profitability and value, forging the workforce and the companies of the future.

## Part One: The “Why” of Y

### Forces that shape the workplace behaviors of this generation

#### Generation Y in Context

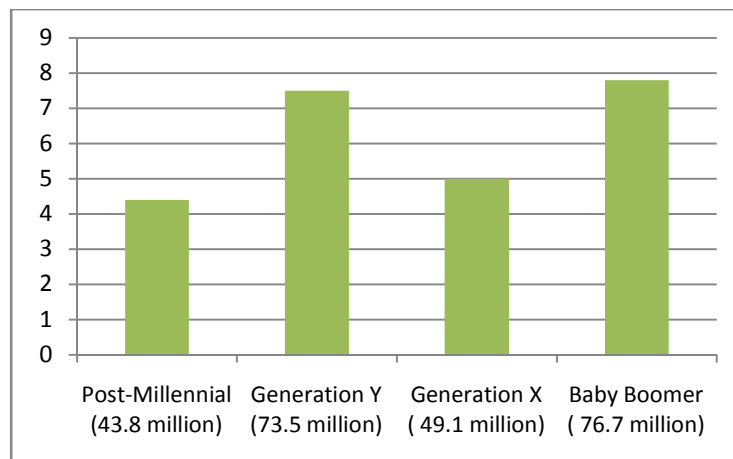
Generation Y in the United States is made up of nearly 80 million young people born during the last two decades of the 20<sup>th</sup> century. As of this writing, the oldest members of Generation Y are nearing 30; the youngest are pre-teens. Fourteen out of every 100 Americans are members of Generation Y.<sup>1</sup>

There is no consensus about the exact birth dates that define Generation Y, also known as *Millennials*,\* *Echo Boomers*, *Boomerangs*, *Netsters*, *Boomlets*, *Generation Next* and *Generation Why*? The broadest definition includes young people born between 1977 and 2002. Members of Generation X, the generation immediately preceding Generation Y, were born roughly 1965 to 1976.

Narrower definitions put Generation Y (*Gen Y* or simply *Y*) as ages 19 to 30 today, born from 1978 to 1989. Under this definition, Gen Y is the fastest-growing segment of the workforce by far — expanding from 14% of the workforce to 21% (32 million workers) between 2002 and 2006. At present, Generation Y makes up approximately 24% of the U.S. workforce.<sup>2</sup>

As Figure 1 illustrates, Generation Y represents a population bulge, if not an outright boom, rivaling the size of the Baby Boomer generation born between 1945 and 1965. As Baby Boomers retire during the coming decade, the portion of the workforce made up of Millennials will increase dramatically. By 2014, 36% of the U.S. workforce will be Ys. By 2020, that portion will reach 46%.<sup>3</sup>

Figure 1 KEY: Scale at left represent 10s of millions.



1. Sharon Jayson, “The Millennials come of age,” *USA Today*, June 29, 2006, online at [http://www.usatoday.com/life/lifestyle/2006-06-28-generation-next\\_x.htm](http://www.usatoday.com/life/lifestyle/2006-06-28-generation-next_x.htm), and Bureau of Labor Statistics.

\* The names *Generation Y* and *Millennial* are used interchangeably. *Generation Y* continues to be more immediately recognized, but *Millennials*, coined by authors Neil Howe and William Strauss in *Generations* (Perennial, 1991) is more descriptive and, therefore, used frequently throughout this report.

2. Stephanie Armour, “They’ve arrived at work with a new attitude,” *USA Today*, November 6, 2005. Bureau of Labor Statistics.

3. *Projections Through 2050*, Bureau of Labor Statistics, May 23, 2007, online at <ftp://ftp.bls.gov/pub/special.requests/ep/labor.force/clafa2020.txt>

### Accelerating Change

By all measures, Generation Y enters the workplace at a pivotal juncture in history. Witness the current seismic shifts in workforce population. By 2010 approximately 64 million workers—40 % of the U.S. workforce—will be poised for retirement, though not all will choose to leave.<sup>4</sup> America's 500 largest companies are likely to lose nearly half their senior managers by 2013. Civil service attrition will be even higher.<sup>5</sup>

The Millennials poised to fill the pipeline behind those retiring leaders bring radically different perspectives on information, technology and leadership to the workplace.

In 1982, when the oldest Gen Ys were preschoolers, *Time* magazine named the computer "Person of the Year,"<sup>6</sup> signaling the start of the digital era. While in 4<sup>th</sup> grade, those same Gen Ys watched the Berlin Wall fall (in real time on television), opening the door to the creation of a single, global business community. When Gen Ys were in junior high school, individuals and businesses around the world began to link to each other directly using the World Wide Web, enabling them to create value using increasingly horizontal business structures. Workflow software, outsourcing, open sourcing and supply-chaining integrated and streamlined the flow of commerce. Productivity soared. Information once found only in books—a media that is linear, time-consuming, private and tactile—became digital, random, public, intuitive and visual. Meanwhile, several billion people from China, India and the former Soviet Union entered the world economy.<sup>7</sup>

During these decades, a convergence of the factors above—in summary, transformative technologies and unprecedented linkages—fueled the pace of change. As technology and linkages reached critical mass, global networks and systems emerged, transforming information access, communications, and transactional systems. The tools workers used and the skills required to use them evolved with increasing speed.<sup>8</sup>

### Job Security and Generation Y

As world markets opened and new technologies emerged, the corporate life cycle gathered speed, and the familiar pattern of creative destruction quickened its pace.<sup>9</sup> Companies were established, went public, downsized, reorganized, failed, merged or were acquired in a rapid economic churn. Within four years' time — the four years when the first wave of Millennials were in high school — the dot.com bubble ran its full cycle from tremendous boom to "dot.bomb" bust.<sup>10</sup>

4. Lynne Morton, "Managing the Mature Workforce" (Report #1369) published by The Conference Board, available at [www.conference-board.org/publications/describe.cfm?id=1007](http://www.conference-board.org/publications/describe.cfm?id=1007).

5. Adrian Woolridge, "The Battle for Brainpower," *The Economist*, October 7, 2006, p.4.

6. "A New World Dawns," by Roger Rosenblat, *Time*, January 3, 1983, available at <http://www.time.com/time/magazine/article/0,9171,953631,00.html>.

7. Thomas L. Friedman, *The World Is Flat: A Brief History of the Twenty-first Century* (Farrar, Straus and Giroux, 2005).

8. Juan Enriques, *As the Future Catches You: How Genomics and Other Forces Are Changing Your Life, Work, Health and Wealth* ( Crown Business, 2001).

9. Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1975) [orig. pub. 1942], pp. 82-85.

10. The tech bubble is generally dated from August of 1995 to March of 2000. *Wall Street Journal* online at [http://online.wsj.com/public/article/SB116294042194116133-X1cHBIVB9HHJA\\_OYjXWjl1gN2HM\\_20071107.html](http://online.wsj.com/public/article/SB116294042194116133-X1cHBIVB9HHJA_OYjXWjl1gN2HM_20071107.html)

During the final decades of the 20<sup>th</sup> Century, 30 million U.S. workers were officially laid off as companies navigated multiple transitions. Surveys from this period that include forced retirement and the growing numbers of “free agent” 1099ers indicate that as much as 7% of the U.S. workforce experienced job loss annually during the final years of the 20th Century.<sup>11</sup>

In contrast to earlier generations, the 20-somethings now in the workplace were imprinted as children, not by the era of increasing job security that had lasted for nearly a century, but by a period of diminished job security and weakening of ties between employee and employer. Few Millennials would have been surprised upon reading the April 2001 *Time Magazine* prediction that, on average, they would hold nine jobs before turning 32.

### The 21<sup>st</sup> Century Mindset about Work

Generation Ys enter a workplace that has become highly networked, team-based, knowledge-intensive and predictably unpredictable; and they are adapting accordingly, developing behaviors that seem to them best suited to the 21<sup>st</sup> Century workplace they experience. These adaptive assumptions about how people are managed and how work is accomplished — collectively, a new mindset or psychology of work—are intrinsic to Gen Y, familiar to Gen X, but largely foreign to Baby Boomers. Figure 2 summarizes these attitudes. Note the shift from a 20<sup>th</sup> Century, command and control, manufacturing-based mindset to 21<sup>st</sup> Century, information-based attitudes and behaviors.

Figure 2: Source, Gartner Research.

<b>Traditional Workforce Expectations and Psychology</b>	<b>21<sup>st</sup> Century Workforce Expectations and Psychology</b>
<ul style="list-style-type: none"><li>▪ Command and control</li><li>▪ Individually focused work</li><li>▪ Influence through organization</li><li>▪ Managed flow of information</li><li>▪ Managers as experts</li><li>▪ Job security</li><li>▪ Work = income</li><li>▪ Employer-defined career planning</li><li>▪ Clear boundaries</li><li>▪ Inward-looking perspective</li><li>▪ Relationships by proximity</li></ul>	<ul style="list-style-type: none"><li>▪ Active, involved leadership</li><li>▪ Collaborative project work</li><li>▪ Influence through informal networks and communities</li><li>▪ Unstructured flow of information</li><li>▪ Knowledge workers as experts</li><li>▪ Employability</li><li>▪ Work = income and personal enrichment</li><li>▪ Individually designed portfolio of experience</li><li>▪ No boundaries</li><li>▪ Outward-looking perspective</li><li>▪ Relationships by networks</li></ul>

This 21<sup>st</sup> Century perception of work shapes the work ethic of Generation Y, making it dramatically different from the work ethic of Baby Boomers, with Generation X generally falling along a continuum in between. Gen Y perspectives on information, job security, and, in particular, leadership tend to be diametrically opposed to the perspectives of most traditional 20<sup>th</sup> Century employees.

Thus, during an era of sweeping change, employers are further challenged by growing numbers of a new kind of employee — collaborative but inexperienced Millennials with unprecedented access to information and who expect life balance, variety and the opportunity to shape portable, parallel careers.

11. Louis Uchitelle, *The Disposable American: Layoffs and Their Consequences* (Knopf, 2006) page 5. Bureau of Labor Statistics.

In a knowledge economy with an aging workforce and growing shortages of skilled people in areas such as IT, healthcare, accounting and engineering, strategic management of these young workers becomes essential to financial viability for many, if not most, companies. Even economic slowdown will not completely stop job creation, and the time it takes to fill openings in key sectors is expected to continue to increase.<sup>12</sup>

Establishing an organizational climate that serves both this new breed of worker and the organization itself is no longer optional. Companies that effectively attract and engage Gen Y energy, skills, ideas and muscle will thrive during coming decades.

\* \* \*

The Millennial Generation will entirely recast the image of youth from downbeat and alienated to upbeat and engaged—with potentially seismic consequences for America.

- Neil Howe and William Strauss,  
*Millennials Rising*

Although they are better educated, more techno-savvy and quicker to adapt than those who have come before them, they refuse to blindly conform to traditional standards and time-honored institutions. Instead they boldly ask, *Why?*

- Eric Chester  
*Employing Generation Why?*

\* \* \*

12. 2008 Workforce. Workplace Forecast 2008, December 12, 2007. Herman Group Trend Alert, online at [www.hermangroup.com/alert/archive\\_12\\_12-2007.html](http://www.hermangroup.com/alert/archive_12_12-2007.html)



## Part Two: Enhancing Return on Gen Y Human Capital Investment Engaging and retaining a high-speed generation

### **Connecting Human Capital with Business Strategy**

Without the right people with the right skills at the right time, organizations cannot innovate, grow or, in many cases, survive. The onus on today's manager, therefore, is to attract, inspire and retain precisely the Generation Y talent his or her company needs when those employees are needed—in other words, to create a “clear line of sight between people programs and business strategy.”<sup>13</sup>

The rewards for doing so are well established. When organizations link human capital investment with organizational strategy, they reap a return on total capital that is 6% to 38% higher than returns for companies that don't.<sup>14</sup>

### **Assessing Employer Investment in Gen Y**

Typically, bringing a Generation Y employee on board involves the costs of developing an effective value proposition, recruitment, processing, interviewing, testing and orientation. Recruitment usually includes the cost of direct email campaigns and of establishing a presence on the social network sites where targeted talent groups gather. Recruitment web pages, complete with video, must be designed, built and frequently updated. In sectors with talent shortages, recruitment also requires an investment of senior management hours, as they meet with candidates and their families—often a wise investment because Ys look to their parents for assistance in making career decisions. Further, parents who have met employers are more likely to urge Ys to hang in there when the job becomes challenging.

For Gen Y, training requires not only equipment and instructional hours, but designing (or redesigning) short, repeatable training units that capture the attention of this digital generation and that can be repeated for improved retention and performance. Hands-on problem solving, time tests and simulations work best.<sup>15</sup>

Additional costs beyond base salary include the standard insurance, social security, 401K matches and other monetary benefits. Employers hiring Millennials must also include additional management hours for the supervision of flexible work schedules. Constant training and lateral moves also require additional management and instructional hours.

Further, employers generally consider the first three to six months' salary an investment as inexperienced knowledge workers come up to speed. During those first months, supervisors invest substantial time in frequent feedback — in person and electronically — for Gen Y employees. Additionally, supervisors invest time coaching Millennials through “first failure” experiences and in developing decision-making skills (instruction that protective parents and test-oriented educational programs may not have provided). Company-specific metrics vary widely, but on-boarding today's 20-something employee can easily cost an employer significantly more than on-boarding a 20-something a decade ago.

13. Author interview with global human resource consultant, Janet Walsh, March 27, 2008.

14. Ibid.

15. Julie Coates, *Generational Learning Styles* (LERN, 2007) pp. 125-128.

### A Shift in Responsibility

Overall, the emerging guidelines for engaging Gen Y in the workplace reveal a shifting balance of responsibility in the employer-employee relationship. Young employees who, a decade ago, would have felt obligated to have good reason for *leaving* employment now expect employers to provide them with compelling reasons to *stay*. For Generation Y employment, and even more so, loyalty is an even value-for-value exchange rather than the traditional one-sided transaction.

Two factors feed this attitudinal shift. One, unlike previous generations, the parents of educated Millennials provide financial support for their children. A survey of college graduates from 2000 to 2006 found that 58% of those polled had moved back home after school. Thirty-two percent (32%) lived there more than a year. Even among those who managed to stay away, 73% received financial support from parents.<sup>16</sup>

The second factor is the motivation of Millennials on the whole. In **live first, work second**, Rebecca Ryan tracks the priorities of various generations, correlating them with Maslov's Hierarchy of Needs. In a natural developmental progression, the Matures (born between 1927 and 1946) experienced the Great Depression and World War II. They had a basic need for safety. In their wake, Baby Boomers needed to belong. Generation X struggled with the need for esteem, and now Generation Y seeks self-actualization, defined by Maslov as "doing what one was born to do."<sup>17</sup>

In regard to career, Ryan's analogy holds true. Surveys reveal that 97% of Millennials want work that "has an impact on the world." Creativity (96%) is second on the list; flexible work schedule (92%) is third.<sup>18</sup> Given the opportunity, Millennials choose to work for more than money. They want meaning, too.

These attitudes along with growing demand for knowledge workers prompted futurist Jay Jamrog to dub this "The Decade of the Employee."<sup>19</sup> In a series of surveys, he identified the factors most important to retaining a committed workforce in today's business climate. The essential factors are (1) the opportunity to contribute to and share in firm's success, (2) outstanding training and education, (3) a good worker-supervisor relationship, (4) a challenging work experience, and (5) open and honest communication.

The results, summarized in Figure 3, indicate best practice engagement of Gen Y; and they correlate closely with the new psychology of work examined earlier in this report. These management principles surface repeatedly as we examine the optimal job cycle of hiring, engaging, retaining and rehiring (that's right, *rehiring*) Millennials.

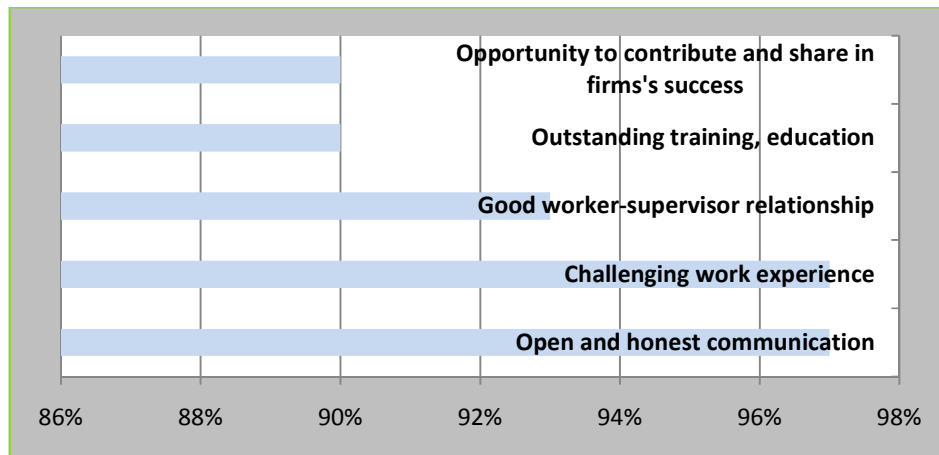
16. Nadira Hira, Pew Research cited in "Attracting the twenty-something worker," *Fortune Magazine*, May 15 2007, online at [http://money.cnn.com/magazines/fortune/fortune\\_archive/2007/05/28/100033934/](http://money.cnn.com/magazines/fortune/fortune_archive/2007/05/28/100033934/)

17. Rebecca Ryan, *live first work second: getting inside the head of the next generation* (Next Generation Consulting, 2007) pp. 14-15.

18. Lisa Belkin, "When Whippersnappers and Geezers Collide," July 26, 2007, *New York Times*, online at <http://www.nytimes.com/2007/07/26/fashion/26work.html>

19. Jay Jamrog, "The Coming Decade of the Employee," *Human Resource Planning*, September 1, 2002.

Figure 3: Jay Jamrog, *The Perfect Storm*, HRI Loyalty & Commitment Survey, Human Resource Institute, University of Tampa.



Percentage of respondents who indicated item as "important" or "very important" to engaged retention.

#### A. ROI on Hiring Costs

During recent years, research has identified best practices that both reflect Millennial expectations and create value for organization and employee alike. Those practices begin with hiring.

The top career concern among Gen Y (sometimes dubbed *Generation Debt*) is financial security. The typical Millennial has between \$2,000 and \$4,000 in credit card debt. Recent college graduates owe, on average, \$20,000 in student loans.<sup>20</sup> While their investment in higher education is greater than that of earlier generations, Ys now entering the workforce actually earn less in inflation-adjusted dollars than their counterparts did in previous generations. In 1974, the typical male high-school graduate between 25 and 34 earned \$42,697 (adjusted to equivalent 2007 dollars). In 2004, when the first Millennials high school grads went to work, their earnings averaged \$30,400 — a decline of 25%. Even Ys with college educations earn less than their 1974 counterparts.<sup>21</sup>

Astute about their futures and not afraid to ask for what they need, Millennials consider salary and benefits first when job hunting. Opportunity for advancement is the second most important factor, and location is third.<sup>22</sup> Corporations offering compensation packages slightly above industry and regional averages get first pick of Gen Y talent. Thus, the number of employers on *Businessweek's* list of Best Places to Launch a Career paying \$55,000 in starting salaries doubled between 2006 and 2007.<sup>23</sup> As of this writing, the economy has slowed and companies report plans to cut salaries, benefits and positions. This will almost certainly make adequate starting salaries even stronger attractors for Gen Y.

As noted earlier in this report, Millennials expect to provide their own financial security rather than finding security within companies. A high up-front offer, rather than a lower offer with the possibility of advancement, is attractive to a typical 22-year-old who believes he will never see a pension or a social security check. Healthcare coverage and 401(k)s that take effect without waiting periods also appeal.

20. Survey, The American Institute of Certified Public Accountants. Cited in "Gen Y Crushed by Debt," *The Frugal Duchess*, November 5, 2006.

21. *Workplace Visions*, Society for Human Resource Management, No. 4, 2007. Available at [www.shrm.org](http://www.shrm.org)

22. *Generation Y: What Millennial Workers Want*, Robert Hall International and Yahoo!, national survey, 2007.

23. "Best Places to Launch a Career," *BusinessWeek*, September 13, 2007, online at [http://www.businessweek.com/careers/content/sep2007/ca20070913\\_595536.htm?chan=careers\\_special+report+--+best+places+to+launch+a+career\\_best+places+to+launch+a+career](http://www.businessweek.com/careers/content/sep2007/ca20070913_595536.htm?chan=careers_special+report+--+best+places+to+launch+a+career_best+places+to+launch+a+career)

After a Millennial becomes interested in a company (based on salary, benefits and location), other attraction factors come into play — among them, company leadership, employer brand, training opportunities, flexibility, diversity and company philanthropy.<sup>24</sup>

However, these factors only attract a young person; they do not hold him. The surest way to lose investment in a new worker is through a quick quit. Three hiring practices that help prevent quick quits among 20-somethings are talking straight, offering challenge and emphasizing community.

### **Straight Talk and Challenge**

One of the most important lessons companies have learned is that Gen Y appreciates straight talk about what they can expect from a job. As consumers, 20-somethings expect that the promise of the brand will match the reality. If it doesn't, they'll try something else. Same goes for the workplace.

Skilled or unskilled, Millennials quit quickly if they find an employer has not been honest or clear about job tasks or performance standards. This is especially important for young people raised with a “we’re all winners” mentality. If managers and recruiters don’t spell out job expectations with complete candor, Millennials conclude they were betrayed.<sup>25</sup> The Marine Corps conveys no-nonsense requirements with its highly successful recruitment slogan: *We don’t accept applications. Only commitments.* In addition, they use the challenge of almost impossibly high standards as a draw for this high-performance, ambitious generation.

On the civilian side, Gentle Giant Movers based in Boston makes use of a similar philosophy when hiring Gen Y crew members. Potential hires are taken to the Harvard football stadium and asked to run the stairs. This not only shows recruiters how fit candidates are, it also demonstrates which candidates finish what they start (without whining). This give-it-to-’em-straight approach works for Gentle Giant. Unlike many movers, Gentle Giant has a large core of Gen Y full-time workers who stay with the company year-round.<sup>26</sup>

It works in the fast food industry as well. Pals Sudden Service drive-through restaurants expect top performance from the thousands of Ys they employ. Staffers who don’t arrive the required 15 minutes early for a shift are sent home, no exceptions. An employee has to demonstrate 100% proficiency before being allowed to work a specific station. Even after employees reach proficiency, they have to retest periodically on each station, and must improve their times with each testing. The result? Company turnover is less than one third the industry norm, making Pals franchises 50% more profitable than the industry standard.<sup>27</sup>

By talking straight about the challenge of its jobs, Southwestern Company reduces early quits and turnover, making hiring cost-effective. Nothing on the Southwestern site is a soft sell. The same page that lists the benefits of working with the company (personal growth, communication skills, life skills, a strong resume, travel) warns that a Southwestern summer job is “Not for Everybody.” Challenges are listed in bold type, including 72-hour weeks, being away from home and friends and having no

24. *Generation Y: What Millennial Workers Want*, Robert Hall International and Yahoo!, national survey, 2007.

25. Rebecca Hastings, “The Ideal Workplace for Generation Y,” *SHRM Workplace Diversity Library*, December 2006, online at [www.shrm.org/diversity/ibrary\\_published/nonIC/CMS\\_019637.asp](http://www.shrm.org/diversity/ibrary_published/nonIC/CMS_019637.asp)

26. Timothy Haddershon, “All The Right Moves: Gentle Giant’s Innovations Apply Anywhere,” *Businessweek*, Fall 2005, online at [http://www.businessweek.com/magazine/content/05\\_38/b3951419.htm](http://www.businessweek.com/magazine/content/05_38/b3951419.htm)

27. Eric Chester, *Getting Them to Give a Damn: How to Get your Front Line to Care about Your Bottom Line* (Kaplan, 2005) pp. 179-185.

guaranteed income. Southwestern's value proposition is built around potential personal growth and potential income. As the website warns, "It's not glamorous." Company spokesman Trey Campbell says that Southwestern trains young people physically, mentally and spiritually for the rigors of the job. "We still lose people those first 2 weeks," he says. "But the rest bond around the challenges and stay."<sup>28</sup> Seventy percent (70%) return the following year.

Gen Ys may have been raised with care, but that does not mean that employers who coddle them have the most appeal. Last year New York Life faced a dismal reality: Only 3% of the company's interns accepted full-time positions. But, instead of showering this year's interns with perks, New York Life did the opposite. This year interns got no more Friday afternoons off, mandatory business classes, and the bottom-line assignment of making company products appeal to Gen Y. The strategy appears to have worked. More than 90% of this year's interns say they want an offer.<sup>29</sup>

### Teamwork and Community

Ys also want community. When the polling firm Roper Starch Worldwide did a survey comparing workplace attitudes among generations, 90% of Gen Ys said they wanted co-workers "who make work fun." No other generation put that requirement in their top five.<sup>30</sup> Millennials rank "working with people I enjoy" above luxurious office space, state of the art technology and even work/life balance.<sup>31</sup>

Boomer managers (for whom "professionalism" means not letting personal life interfere with work) and Gen X managers (who, deservedly or not, earned a reputation for preferring to work alone) invariably see quick quits when they do not take into account the Gen Y need for teamwork and community.

Millennials grew up learning and playing on teams. The 1990s saw a boom in high school team sports such as swimming, running and cycling.<sup>32</sup> As the shootings at Columbine High School in 1999 and other social circumstances exacerbated fears about the safety of young people, schools and parents organized this generation's time into nearly constant group activities. During middle school and high school, typical Gen Ys hung out with, shopped with, studied with, worked with, traveled with and went on dates within their "posses." Even when Millennials were not physically with their friends, they were networked all the same, calling, emailing or twittering\* with text messages.

This behavior is not lost on the Army. Note the evolution of recruiting slogans from *Be all that you can be* for the Boomer era, to *Army of One* for independent Xers. Now, for the always-connected Ys, there's *Army Strong* with its implied "we" of community. For this generation, fun and safety lie in numbers.

Friendship is such a strong motivator that Gen Y workers will choose a job just to be with their friends. That's why Gentle Giant Moving once hired an entire rowing team.<sup>33</sup> Meanwhile, Ernst & Young

28. "Benefits and Challenges," online at <http://www.southwestern.com/site/students/Benefits.aspx> and author interview with Trey Campbell, April 7, 2008.

29. "Best Places to Launch a Career," *BusinessWeek*, September 13, 2007, online at [http://www.businessweek.com/careers/content/sep2007/ca20070913\\_595536.htm?chan=careers\\_special+report+--+best+places+to+launch+a+career\\_best+places+to+launch+a+career](http://www.businessweek.com/careers/content/sep2007/ca20070913_595536.htm?chan=careers_special+report+--+best+places+to+launch+a+career_best+places+to+launch+a+career)

30. Lisa Belkin, "When Whippersnappers and Geezers Collide," *New York Times*, July 26, 2007, online at <http://www.nytimes.com/2007/07/26/fashion/26work.html>

31. *Generation Y: What Millennial Workers Want*, Robert Hall International and Yahoo!, national survey, 2007.

32. Marilyn Moats Kennedy, "Machiavelli, Baby Boomers and Baby Busters: Managing (and Surviving) Demographic Politics in the Workplace," presentation to M. Lee Smith Strategic Workforce Summit, Las Vegas, November 2006.

\* Keeping in touch by constant electronic "pinging," letting friends know where you are and what you're doing.

33. Penelope Trunk, "What Gen Y Really Wants," *Time.com*, July 5, 2007, online at <http://www.time.com/time/magazine/article/0,9171,1640395,00.html>

enhances hiring practice by using Facebook to let prospective employees talk freely with real ones, Deloitte uses intern-made videos to give prospects the flavor of working with the company, and Microsoft encourages employees to blog about their work experiences.

Ys are so networked that 46% say the availability of support or networking programs for employees with common interests is “very important” in their decision to join or stay with an employer.<sup>34</sup> One of the most effective hiring practices an employer can use is to find out what a Y’s interests are and connect her or him to others in the company with shared interests. Successful recruiting sites (for example, <http://www.pwc.tv/> or [www.McDonalds.jobs](http://www.McDonalds.jobs), or [www.joinourteam.espn.com/joinourteam/](http://www.joinourteam.espn.com/joinourteam/) ) are full of the friendly faces of real people inviting Ys not just to take a job, but to join a community.

### “Give Me a Cause.”

On the whole, this civic-minded generation is drawn to causes. A 2006 survey of 1,800 Ys found that 79% want to work for a company that cares about how it affects society.<sup>35</sup> More than 60% of Ys prefer employment in companies that provide volunteer options.<sup>36</sup> In a 2007 survey of recent graduates in Australia (where Y attitudes tend to foreshadow Y attitudes in the U.S.), 73% of Ys said a company's carbon footprint and its environmental practices affect job decisions. Seventy-five percent (75%) said they respond more positively to companies with high levels of commitment to fundraising and charitable activities.<sup>37</sup>

In a concession to the Millennial desire to do good before they do well, 15 companies on *Business Week’s* 2007 Best Places to Launch a Career list allow new hires to defer employment for two years while they work for Teach for America.<sup>38</sup>

The software company [Salesforce.com](http://www.salesforce.com) gives 1% of profits to its foundation, which pays for employees to volunteer 1% of their work time. CEO Marc Benioff identifies this policy as an effective hiring tool, saying the program has “dramatically increased our ability to recruit and retain high-quality employees.”<sup>39</sup>

By clearly communicating high standards up front and providing an environment where Ys work with friends and like-minded people supportive of their causes, employers can substantially reduce quick quits, thereby preventing immediate losses on hiring and on-boarding costs.

## ROI on Management Costs

### “Talk to Me.”

When Matures entered the workforce, they treated leaders with respect. A generation later, Boomers challenged leaders. In its turn, Gen X tended to distrust leaders. Today, the distinctly different Millennial generation prefers active engagement with managers.

34. Rebecca Hastings, “Surveys Shed Light on Generation Y Career Goals,” Hastings, March 2007, *SHRM Workplace Diversity Library*, online at [www.shrm.org/diversity/library\\_published/nonIC/CMS\\_020839.asp](http://www.shrm.org/diversity/library_published/nonIC/CMS_020839.asp)

35. Sarah Neddleman, “The Latest Office Perk: Getting Paid to Volunteer,” *Wall Street Journal*, April 29, 2008, p. D1.

36. 2007 Deloitte Volunteer Impact Survey, online at

[http://www.deloitte.com/dtt/cda/doc/content/us\\_comm\\_volunteerimpact\\_survey\\_results2007\(2\).pdf](http://www.deloitte.com/dtt/cda/doc/content/us_comm_volunteerimpact_survey_results2007(2).pdf)

37. “Gen Y Acts All Grown Up,” *Daily Telegraph*, November 26, 2007, online at

<http://www.news.com.au/dailytelegraph/story/0,22049,22818686-37775,00.html>

38. “Best Places to Launch a Career,” *BusinessWeek*, September 13, 2007, online at

[http://www.businessweek.com/careers/content/sep2007/ca20070913\\_595536.htm?chan=careers\\_special+report+-+best+places+to+launch+a+career\\_best+places+to+launch+a+career](http://www.businessweek.com/careers/content/sep2007/ca20070913_595536.htm?chan=careers_special+report+-+best+places+to+launch+a+career_best+places+to+launch+a+career)

39. What Gen Y Really Wants,” by Penelope Trunk, *Time.com*, July 5, 2007, online at

<http://www.time.com/time/magazine/article/0,9171,1640395,00.html>

Ys have had ready access to a massive flow of information all their lives. Matures and, for the most part, Boomers worked in a “need to know” culture of structured and limited information flow. In contrast, Generations X and Y insist on an “expect to know” culture where information flows 24/7, up, down and sideways on the organizational chart. Information is the air Ys grew up breathing. They want leaders who share it with them freely, just as their parents did.

Ys grew up during a child-centric period when parents emphasized communication. The best parents and teachers were thought to be both authoritative and connective — they made the rules and enforced them, but were always willing to listen. As a result, this new generation passed through their teenage years remaining closer to their parents than previous generations had. When surveyed, 90% of Ys say they are close to their mothers, and 65% describe a close relationship with their fathers.<sup>40</sup> In this, Gen Y mirrors the family-oriented generations of their grandparents and great-grandparents.

When they take jobs, Ys transfer their experience and expectation of dialog with authority figures to their managers. An InsideEdge study in 2005 decisively confirmed the relationship between communication and retention. Researchers divided several thousand respondents into three categories: “leapers” (people taking action to leave), “lookers” (people interested in leaving) and “lifers” (people who planned to stay). In the survey, 87% of lookers said that improved communication would make a difference in their decision to go or stay put. An overwhelming majority (89%) said their employers’ communication with them was key to earning their trust; and not trusting one’s employer correlated with being a leaper.<sup>41</sup>

Not only does the quality of communication affect retention, it has a powerful and direct affect on productivity. A study of more than 3,300 team members across 300 teams found that productivity lost to poor communication due to cross-cultural issues, including cross-generational issues, cost well-run teams 10% of productivity. For a poorly run team, costs ran as high as 50 to 70%.<sup>42</sup>

Will an employer’s Gen Y workers be engaged and productive? Will they stay? The answer is more likely to be yes when frequent, genuine dialog is in place. When Gen Ys know their supervisors listen, they work harder and stay longer, enhancing organizational return on investment in Gen Y human capital.

### **The Gen Y Template for Leadership**

If effective dialog is essential to leading Generation Y, employers need to know exactly what that dialog looks like. One of the best indicators is the extensive work done by John Beck and Mitchell Wade in their study of the culture of role-playing games among young adults. They found Ys surprisingly inclined to and fluidly able to share authority and involve subordinates in decision making.

Beck and Wade reveal a Millennial template for effective leadership that requires a leader to take responsibility for decisions, but also to get substantial input from team members. The “game generation” as Beck and Wade call Gen Y, appears to be less authoritarian than previous cohorts. The researchers found that Millennials in general, and most especially those who game heavily, prefer a balanced decision-making style. This egalitarian balance was described by study participants as “share

40. Sharon Jayson, summarizing work of Quinlan Rosner Research, “The Millennials come of age,” *USA Today*, June 29, 2006, online at [http://www.usatoday.com/life/lifestyle/2006-06-28-generation-next\\_x.htm](http://www.usatoday.com/life/lifestyle/2006-06-28-generation-next_x.htm)

41. “U.S., U.K. Workers Confirm That Good Communication Fuels Employee Trust and Retention” Results of InsideEdge survey, released February 27, 2006, online at [www.golinharis.com/news\\_rel.php?ID=64](http://www.golinharis.com/news_rel.php?ID=64)

42. Bob Brady, “Cultural Diversity: Think twice before offering advice.” Reporting address by Ennest Gundling to SHRM Global Forum, March 24, 2006, online at <http://hr.blr.com/news.aspx?id=18007>

the problem one-to-one or in a group with employees and ask for input, but make the decision on your own."<sup>43</sup> Ys expect leaders to listen and then decide.

Various companies stimulate this kind of dialog in different ways. Pals Sudden Service, mentioned earlier in this report, makes dialog a condition of employment. Front-liners must routinely submit ideas for improving the operation. In addition, every employee has the cell phone number of company president, Thom Crosby. Crosby makes a point of being giving employees his cell phone number so they can call him day or night.<sup>44</sup> It bears repeating here that Pals' turnover rate is 33% of the industry norm.

### **Time is the New Money**

For Generation Y, time is the new money — a currency to be valued, saved and traded carefully. Despite worries about financial security, Millennials are the generation least likely to value pay increases and most likely to value personal time.<sup>45</sup> In Universum's 2006 survey of 37,000 college grads, the most frequently chosen career goal was "to balance personal and professional life."<sup>46</sup> Time is so dear to Gen Y that 20-somethings choose "interesting work" as the most important criterion for their next job.<sup>47</sup>

This emphasis the present rather than the future is typical of the development of young adults, but in Gen Y that attitude was strengthened by 9/11, the salient formative event of the Millennial childhood. For weeks after the event, people across the U.S. took steps they had delayed for years. People proposed marriage, decided to have children and reached out to estranged family members. There was a sense that time is short and not to be wasted. Gen Y absorbed that message at a visceral level.

In addition, Millennials are keenly aware of the stress and pace that Boomers and Xers endure in order to achieve success. Relative to Gen Y, Boomers considered time cheap when they entered the workforce. Along with Xers, who introduced the idea of life balance to the workplace, Ys beg to differ.

Popular blogger and author of **Brazen Careerist: the New Rules for Success**, Penelope Trunk summarizes Gen Y attitudes succinctly and, if you will, with 'tude:

*There are many reasons for high turnover, but the most fundamental one is that baby boomers have set up a work place that uses financial bribes to get people to give up their time . . . Generation Y will not have this. To hold out money as a carrot is insulting to a generation raised to think personal development is the holy grail of time spent well. . . . Topics like productivity are favorites among hipsters who know that "getting things done" (GTD in blog-speak) is the key to having a fulfilling life. And believe me, GTD doesn't take money, it takes massive respect for one's time. . . . The new American dream is about time. . . . Our dream is not about accumulating money to do what we love at the end. We are hell-bent on doing what we love the whole way.<sup>48</sup>*

41. John C. Beck and Mitchell Wade, *the kids are alright: How the Gamer Generation Is Changing the Workplace*, (Harvard Business School Press, 2006) pp. 123-126.

42. Eric Chester, *Getting Them to Give a Damn: How to Get your Front Line to Care About Your Bottom Line* (Kaplan, 2005) p. 184.

43. Randstad survey, 2006. Reported in #21709 *Workforce Management*, September, 11, 2006, p. 28.

44. "The Best Places to Launch a Career: the top 50 employers for new college grads" *BusinessWeek*, September 18, 2006, online at [http://www.businessweek.com/magazine/content/06\\_38/b4001601.htm](http://www.businessweek.com/magazine/content/06_38/b4001601.htm)

45. Rebecca Hastings, "Surveys Shed Light on Generation Y Career Goals," March 2007, *SHRM Workplace Diversity Library*, online at [www.shrm.org/diversity/library\\_published/nonIC/CMS\\_020839.asp](http://www.shrm.org/diversity/library_published/nonIC/CMS_020839.asp)

46. Penelope Trunk, "Generation Y: Our American Dream," June 1, 2007, online at [http://www.huffingtonpost.com/penelope-trunk/generation-y-our-america\\_b\\_50307.html](http://www.huffingtonpost.com/penelope-trunk/generation-y-our-america_b_50307.html)



The contrast is stark. Boomers and Matures grew up expecting their lives to get better as they grew older; but, partly because employer-employee ties have weakened, Millennials expect life quality to diminish. Paying one's dues is hardly worthwhile if there is no expected return on those dues. Figures 4 and 5 reflect these attitudes.

Figure 4: Concept from work of Jay Jamrog, "The Perfect Storm," and Institute for Corporate Productivity.

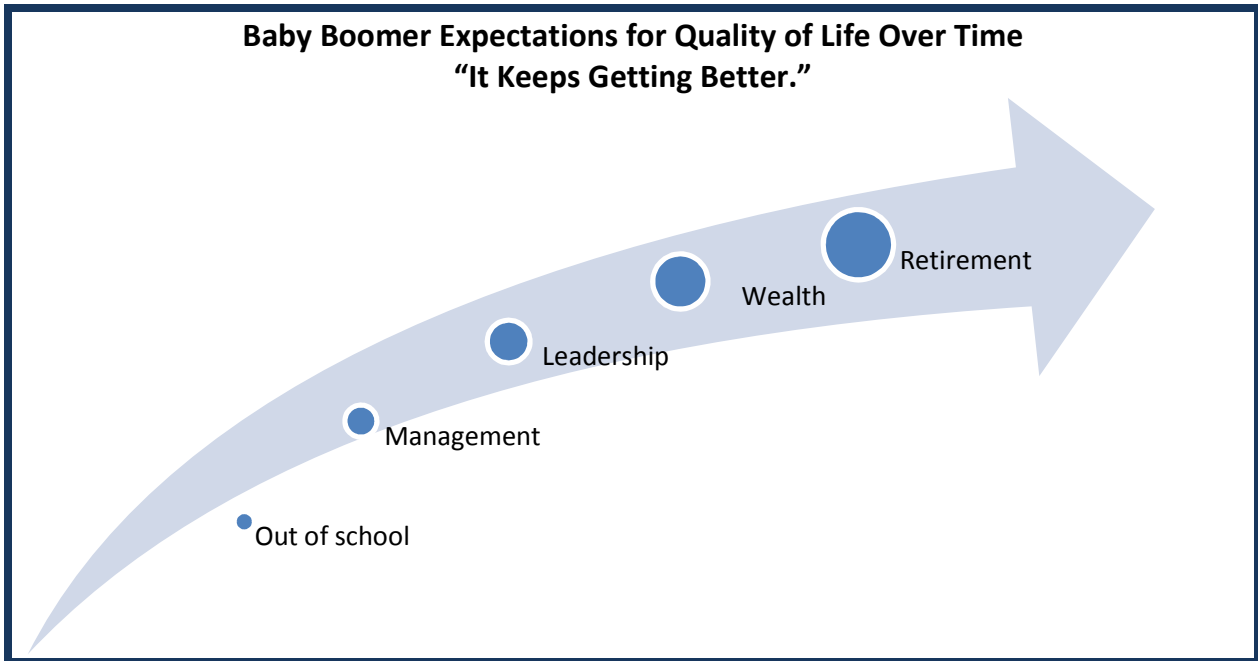
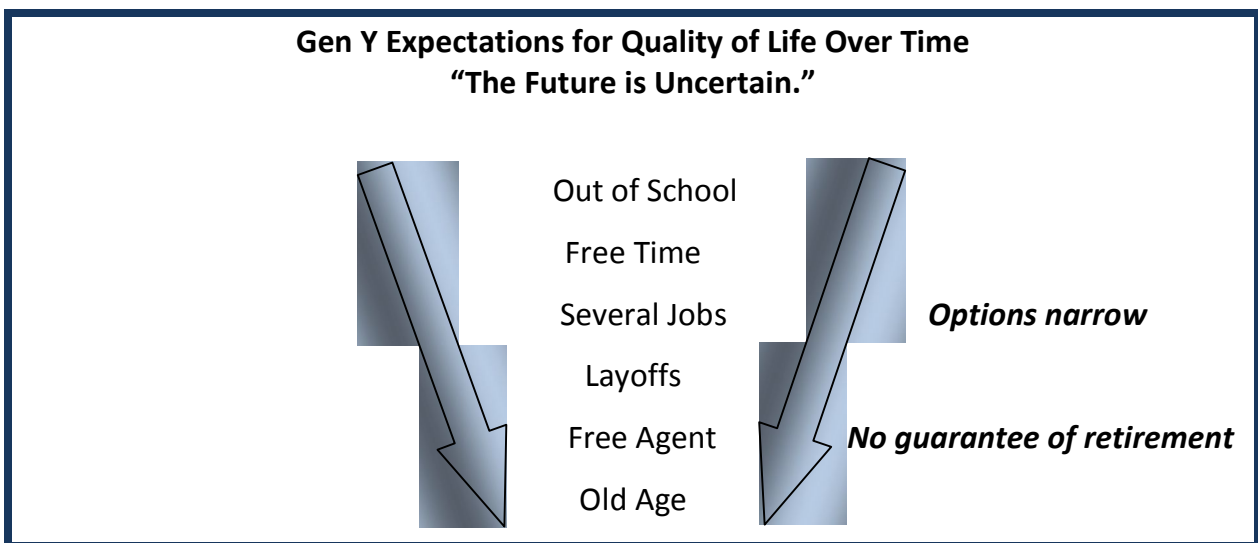


Figure 5: Concept from work of Jay Jamrog, "The Perfect Storm," and Institute for Corporate Productivity.



## Making Time Count

As a manager aptly expressed in an interview: "Working with this generation has given me a new definition of a good day's work. For Gen Y the question is 'Did I grow any new brain cells today?' Today has to count."<sup>47</sup> Employers of choice for Generation Y make work interesting now.

Perhaps no one does this more successfully than Google and Disney. Known as fast-paced, innovative workplaces, both companies set the bar high. Watch video clips about working at Google at [http://www.youtube.com/view\\_play\\_list?p=547D2215A04A1231](http://www.youtube.com/view_play_list?p=547D2215A04A1231) to get the flavor of this. Note the challenge, the community, the pace and the ways people "grow new brain cells" every day.

But this kind of appeal need not be limited to high-tech firms. At 21<sup>st</sup> Mortgage based in Knoxville, Tennessee, Gen Ys service (counsel homeowners about) billions of dollars in mortgages. The hiring cycle is fast; interviews and vetting procedures happen within 72 hours of when candidates apply. Supervisor Gene Crabtree describes the demanding work to candidates as "not paying your dues, but building a skill set." He promises hires that, once they are eligible, they can move around the company until they find work they like doing, and he keeps that promise. During the first nine months of 2007, the company promoted 79 people. Ninety-two (92) others took lateral moves in order to learn something new.<sup>48</sup>

At 21<sup>st</sup> Mortgage, information is shared freely. Company and individual results are charted for everyone to see. "I say to someone, 'You kept 128 families in their houses this month. You kept a roof over their heads.' These young people need to know they aren't wasting their time," Crabtree says.

At 21<sup>st</sup> Mortgage, entry-point Ys are required to work 70 hours per pay period, but employees can work an extra seven hours of overtime each pay period, and they can work those hours on whatever schedule they choose. Weekend work is necessary in the mortgage business, but Crabtree actually *prohibits* hires from working more than two Saturdays per month, and then only 8 a.m. to noon. Finally, just to keep things interesting, he occasionally announces that anyone who has met his goals for the month can go home until next month. He summarizes company policies this way: "It's all about respect for employees' time."<sup>49</sup> The payoff is substantial. Turnover rates at 21<sup>st</sup> Mortgage are among the lowest in the industry.

Consulting giant Deloitte learned to make time count for young employees when, alarmed by high turnover among Millennials, the company asked consultant Stan Smith to find out more about what attracts Gen Ys to and keeps them at their jobs. His research revealed that job hopping is not an end in itself but something young workers do when they see no other choice for using their time in more meaningful ways.

"People would rather stay at one company and grow, but they don't think they can do that," Smith says. "Two-thirds of the people who left Deloitte left to do something they could have done with us, but we made it difficult for them to transition." Now, as Director of Next-Generation Initiatives for Deloitte, Smith creates programs that focus on helping people figure out their next career move. Every time a Millennial finds his next move inside the organization rather than somewhere else, the company saves the \$150,000 cost of losing an employee.<sup>50</sup>

47. Author interview with Samuel Bresler, SAIC, April 5, 2007.

48. Author interview with Gene Crabtree, Nashville, Tennessee, November 7, 2007.

49. Ibid.

50. Penelope Trunk, "What Gen Y Really Wants," *Time.com*, July 5, 2007, online at <http://www.time.com/time/magazine/article/0,9171,1640395,00.html>

## Flexibility

Along with ubiquitous laptops and cell phones, profound respect for personal time has led Ys to conclude that “work” means the results they produce rather than a place they go. Companies that understand this distinction benefit from enhanced Gen Y loyalty. One example is Ernst & Young (E&Y), where management has implemented flexibility programs aggressively, working to adjust its culture as much as possible to allow employees control over their time. E&Y saves \$10 million annually through the improved retention its flexibility programs create.<sup>51</sup>

With talent at a premium, an increasing number of companies are experimenting with nontraditional work arrangements. According to the New York-based Families and Work Institute, more than half of U.S. employees now have flextime in which they select their own starting and quitting times around a core of regular working hours. Nine percent (9%) of employees work at least part of the time at home.<sup>52</sup>

In 2002, Best Buy launched its Results-Only Work Environment (ROWE) program in which employees decide how, when and where they get their jobs done. Whether they choose to work in the office or out, salaried employees are required to put in only as much time as it actually takes to do their work. Physical attendance at meetings is often optional. The sole yardstick for evaluating employees is whether they meet goals for productivity.

By all accounts, ROWE delivers something Gen Y wants — life balance — and something employers want — enhanced returns on human capital investment. At Best Buy headquarters, per-employee cost of turnover averages \$102,000. So far, ROWE teams have 3.2 % less voluntary turnover than non-ROWE teams. Once Best Buy's 4,000-person headquarters is completely converted to ROWE, the company stands to save \$13 million a year in replacement costs. Then there's productivity. When workers switch to ROWE, their productivity jumps by an astounding 35%.<sup>53</sup>

Sabbaticals, too, have been shown to enhance returns. At Falon Worldwide, leadership realized that that burnout too often diminished the productivity of and loyalty of its most promising young people. The response was Dreamcatchers, a program that provides time and funding to staff members who wish to take six months off. Available to employees who have been on board for three years, Dreamcatchers revitalizes employees and improves retention rates, all at a cost of less than 1% of payroll.<sup>54</sup>

## Training

For a generation accustomed to perpetual change, training is more than a productivity tool. It is a prerequisite for retention. Research bears out that as many as 90% of Ys who receive regular training from their company are motivated to stay with that employer.<sup>55</sup>

In 2006, 21 of the 25 top places for college students to launch a career were distinguished by extensive training programs. Enterprise-rent-a-car teaches entry level employees to manage a segment of the business as their own. The Enterprise site sums it up as “like getting a MBA without the IOU.”<sup>56</sup>

51. Eric McNulty, “Can You Manage Different Generations?” *Harvard Management Update*, Vol. 11, No. 2, February 2006.

52. Patrick Kiger, “Throwing Out the Rules of Work,” *Workforce Management*, online at <http://www.workforce.com/section/09/feature/24/54/28/>

53. Ibid.

54. Eric Chester, *Getting Them to Give a Damn: How to Get your Front Line to Care about Your Bottom Line* (Kaplan, 2005), p. 9.

55. Ross Jones, “Bridging the Generation Gap: Using Technology to Maximize People Performance,” *HCI White Paper*, Human Capital Institute, September 10, 2007.

56. “The Best Places to Launch a Career: the top 50 employers for new college grads” *BusinessWeek*, September 18, 2006, online at [http://www.businessweek.com/magazine/content/06\\_38/b4001601.htm](http://www.businessweek.com/magazine/content/06_38/b4001601.htm)

Constant training enhances Gen Y retention at all skill levels. The restaurant business is known for nearly 100% turnover, but Cracker Barrel Restaurants experience only 24% rates, and one reason is the company's *PAR* training program. *PAR* requires that employees learn and practice a set of skills all the way from cooking and serving to leadership and conflict resolution. Hires take written tests and must earn increasingly higher grades to progress through program. By the time an employee passes *PAR IV*, he or she is on a management track.<sup>57</sup>

Job rotation programs (a source of variety and training in new skill and content areas) can provide high return on investment by reducing attrition among Y employees. A good example is The U.S. Census Bureau's Career Enrichment Program (CEP). After two years with the bureau, employees are eligible for CEP placement in another department for a specific time period (usually four to six months) to complete a particular project. At the end of that time, employees return to their original positions, though sometimes a permanent job change is negotiated. Both the "sending" manager and "receiving" manager benefit from employee cross-training, as well as from the engagement Ys bring to their work when they are learning. Program director Adrienne Oneto already credits the CEP program with increased job satisfaction, and she expects to document increased retention soon. "The first people in CEP positions were Xers, but now that Ys are eligible, they're rapidly closing the gap," she says.<sup>58</sup>

Renowned for its appeal to Millennials, Starbucks offers not only part-time careers that include benefits, but the *Learning to Lead* program, teaching skills from basic store operation to effective management and problem-solving. Likewise, Wells Fargo in Orange County, California, offers *Learn and Earn*, allowing part-timers to complete training modules and become more valuable to the bank at every level.

### **Compensation: Results Trump Time**

Being paid a flat hourly rate, the same this week as last, has little appeal for fast-paced Millennials who value teamwork, variety, challenge and opportunities to drive their own careers. Best practice compensation structures for Gen Y are dynamic and tied to results. When Ys know that when the company does well, they do well too, they feel a vested interest in the bottom line, and they engage.

This is especially important in industries with little room for flexibility around hours — for example, manufacturing. Manufacturers that successfully employ Ys compensate Millennials who exceed quotas with higher wages, reduced hours or additional training. And because Ys with longevity bring more value to the production floor, the ideal compensation program combines productivity with length of service.<sup>59</sup>

In retail, some shifts are slow while others require working at top speed. Some employers compensate results by adding a 10% wage increase during hours when an employee keys in more than a certain amount or serves more than a predetermined number of customers. In Whole Foods groceries, store teams share bi-weekly profits based on team productivity and store success. In Eddie Bauer's 400 stores, 62,000 front-line employees get an increase in base pay each time a store meets its goals and additional percentages when goals are exceeded.<sup>60</sup> This emphasis on results over time, with its high Gen Y appeal, has helped Bauer build a strong employer brand among this age group.

57. Eric Chester, *Getting Them to Give a Damn: How to Get your Front Line to Care about Your Bottom Line* (Kaplan, 2005), p. 102.

58. Author interview with Adrienne C. Oneto, Assistant Division Chief, U.S. Census Bureau, April 14, 2008.

59. From the work of Eric Chester, *Getting Them to Give a Damn: How to Get your Front Line to Care about Your Bottom Line* (Kaplan, 2005).

60. *Ibid*, pp. 68-73.

### **Hello. Goodbye. Hello again.**

For employers, the best of all possible options is that an employee stays at least three years, becoming skilled, efficient and valuable—and giving the employer time to reap a return on investment in the employee. But Ys tend to remain at jobs for shorter time periods than do older workers (1.6 years, on average, for a Y's first full-time job, as opposed to 3.5 years for older workers).

Therefore, employers do well to create Plan B, a fallback option that allows them to continue to profit on an employee's work even if he leaves. That fallback position is rehiring.

Studies show that job and residential movements spike among Ys at age 18, peak at age 25 and then decline.<sup>61</sup> It stands to reason, then, that turnover will remain higher among Gen Ys before the age of 26 and slow down afterward. Typically the Millennial who joins a firm immediately after graduation changes jobs at least twice before turning 26. In other words, the odds are very good that he or she will leave the first firm he joins for (what are at least perceived to be) greener pastures.

He will leave, but will remain on the move for a few years more, meaning that he could come back. And if he does, his first employer will spend less to on-board him that would have been spent on an employee new to the organization. A returning employee comes up to speed faster and contributes more sooner.

For his part, the young person who returns to an employer he left for another returns with fresh insight about the value of his first employer. As one canny manager in the financial industry told the author, "I always try to be a Millennial's second or third boss, not his first. That way, I look good." When employers position themselves to rehire former employees, in effect to become those employees' "second or third boss," everybody benefits. Informed by experience and maturity, returning Gen Y employees tend to be more satisfied with and effective in their jobs; and employers know the abilities of returning employees up front.

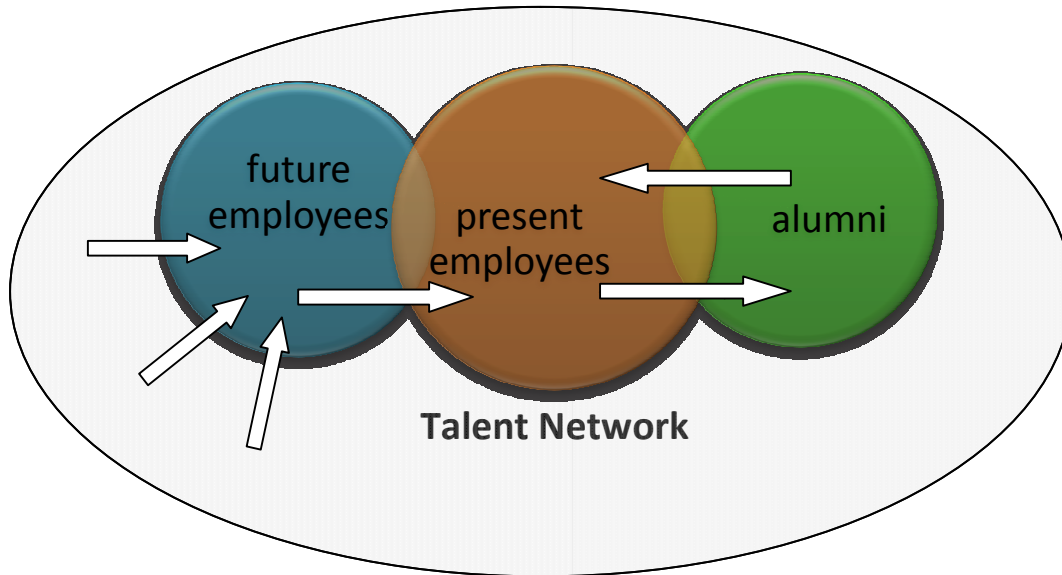
Deloitte has mastered this 21<sup>st</sup> Century dance between Y and employer. One in three of the experienced people the company hires has worked there before. At 21<sup>st</sup> Mortgage, and at many other employers of choice for Gen Y, the door is left open to Millennials who leave voluntarily and want to return. These employers don't burn bridges with young employees who job hop. They leave those bridges standing and cross them regularly with greetings, email, news, invitations, job announcements and special offers.

Because Millennial workers view companies as temporary places to work for a while— gigs, if you will— companies that mirror that point of view may benefit most in the long run. By providing easy off ramps and on ramps, employers allow Gen Y workers to drive their own careers, yet reap the rewards of having skilled and maturing workers return to them.

As a result, one of the most useful ways of viewing Gen Y talent for a particular company is as three flexible, intersecting pools. Figure 6 illustrates this view of a talent network.

61. Jeffrey Jensen Arnett, *Emerging Adulthood: The Winding Road from the Late Teens Through the 20s*, (Oxford University Press, 2004).

Figure 6: Best Configuration, Millennial Talent Network for a given employer



In this model, employers and individual managers constantly cultivate a pool of potential employees, drawing them from online sources, schools and other employers. Those future employees are treated as “one of us” with invitations to events, special offers, career tips, industry news and job announcements.

Meanwhile, current employees are retained for as long as possible, but leave with the best wishes of their managers. As alumni, former employees are contacted regularly by specific people (supervisors and/ or colleagues) with news about the company, former co-workers and events. And every six months alumni who left voluntarily get invitations to come back. As we all know, lots can happen in six months’ time, especially to someone in his or her 20s.

Lots can happen in a company, too. Employers willing to recognize and explore the Gen Y need for variety and learning benefit most as they create easy onramps for Millennials who leave and return.

## Sample Scenarios

The following scenarios are based on the research within this document as well as the author's experience with clients. These scenarios are not intended to represent actual companies, but rather to illustrate potential ROI from applying best practice to hiring and managing Generation Y.

### Sample Hospital

#### Assumptions:

A suburban 800-bed hospital employs 200 Gen Y nurses.

Turnover among those nurses is 40% (80 employees) annually.

Turnover cost per Gen Y nurse (3 months wages and benefits, plus recruitment, on-boarding, efficiencies lost and supervisory hours) totals \$48,500.

Baseline annual turnover cost for Gen Y nurses totals \$3,880,000.

#### Year One: Hospital invests in reducing Gen Y turnover

- Training for supervisors totals \$90,000.
- Systems for managing flexible work schedules total \$20,000
- Employer branding efforts total \$80,000.
- Enhanced support for charities and causes total \$50,000.
- Redesign of training curriculum totals \$200,000.
- Career enhancement rotation program totals \$60,000.
- Creating, supporting internal interest/networking groups totals \$30,000.

Total investment in Gen Y attraction and retention: \$530,000.

#### Results: *(Assuming 6-month lag between implementation and results)*

- Year-end turnover drops from 40% to 30% (from 80 to 60 employees).
- Annual turnover cost among Gen Y nurses drops from \$3,880,000 to \$2,910,000.
- First Year savings total \$970,000.
- Primary ROI equals 183%.
- First Year increased revenue (due to enhanced productivity and better hospital-patient family relationships) totals 2.5% or \$8,000,000.

#### Year Two

- Continued training for supervisors totals \$20,000.
- Continued employer branding efforts total \$60,000.
- Ongoing support for charities, causes and networking groups totals \$60,000.
- Hospital creates shuttle service for Gen Y nurses living in urban center 30 miles away at a cost of \$100,000.

#### Results:

- Turnover rates drops from 30% to 20% (from 60 to 40 employees).
- Annual turnover cost among Gen Y nurses drops from \$3,880,000 to \$1,940,000.
- Second Year savings total \$1,940,000 (compared to the baseline cost).
- Primary ROI equals 746%.
- Second Year increased revenue (due to enhanced productivity and improved hospital-patient family relationships) totals 4% or \$12,800,000.

## Sample Accounting Firm

### Assumptions:

A twelve-state, accounting firm employing 200 people

Fifteen percent (15%) of employees are Gen Y.

Turnover among the Gen Y employees is 50% (15 employees) annually.

Turnover cost per Gen Y accountant (3 months wages and benefits, plus recruitment costs, onboarding, efficiencies lost and supervisory hours) totals \$70,800.

Baseline annual turnover cost among Gen Y accountants totals \$1,062,000.

### Year One: The firm invests in reducing Gen Y turnover:

- Enhanced internship program (including supervisory time) totals \$40,000.
- Training for leaders (including new management styles, intergenerational communication, and creating/maintaining personal talent networks) totals \$45,000.
- New systems for managing flexible work schedules total \$20,000.
- Employer branding efforts total \$60,000.
- Enhanced support for social causes and charities total \$50,000.
- Complete redesign of training curriculum (including leadership and decision-making components) costs \$100,000.
- Creating and supporting internal interest and networking groups totals \$15,000.
- Mentoring program (based on 48 non-billable mentor hours annually per each of 20 Gen Y employees) totals \$65,000.

Total investment in Gen Y attraction and retention equals \$395,000.

### Results: *(Assuming 6-month lag between implementation and results)*

- Year-end turnover rate drops from 50% to 30% (from 15 to 9 employees).
- Annual turnover cost for Gen Y accountants drops from \$1,062,000 to \$637,000.
- First Year savings total \$425,000.
- Primary ROI equals 108%.
- First Year increased revenue (due to additional billable hours) is 3%.

### Year Two

- Continued Training for supervisors and leaders totals \$10,000
- Continued Employer Branding efforts total \$50,000
- Ongoing support for causes, social ventures, and charities totals \$50,000

### Results:

- Turnover drops from 30% to 20% (from 9 to 6 employees).
- Annual turnover cost among Gen Y accountants drops from \$1,062,000 to \$425,000.
- Second Year savings total \$637,000 (compared to the baseline cost).
- Primary ROI equals 580%.
- Second Year increased revenue (due to enhanced productivity and additional billable hours) is 4%.