

Harness the potential of Generation Y:

Their growing influence and unique group benefits needs



Another **Bright Paper** brought to you by Sun Life Financial – Group Benefits.

May 2011

Summary

When compared to generations that have gone before them, the profile picture of Generation Y employees – those born between 1982 and 1993 – is truly like no other.

This generation exudes confidence and feels entitled. They have high expectations and have been told (by their boomer parents no less) that they can do anything. They seek praise for the simplest of accomplishments: as you listen to their list of needs, you begin to ask yourself, “Is it ‘all about them?’”

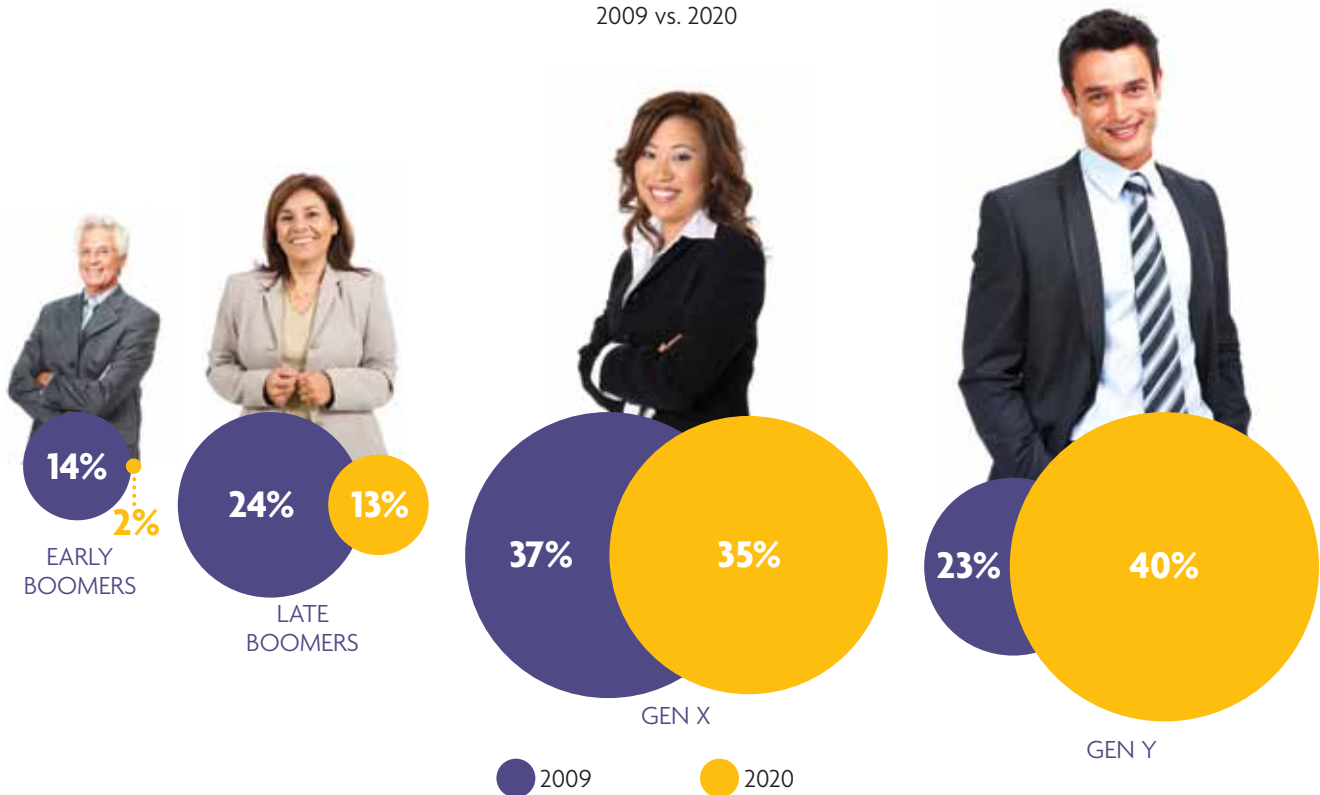
But make no mistake: Given the right employment situation, this is a smart, hard-working group that is eager to succeed and has a lot to contribute. But the most compelling reason to factor Generation Y into your benefits strategy is the growing influence that they will have in the workplace in coming years, owing to simple demographic forces.

While Generation Y employees currently make up about 23 per cent of the Canadian workforce¹, they will soon be the most dominant group, representing 40 per cent of all employees by 2020.² And with the overall workforce shrinking as baby boomers retire – and the fight for talent intensifying over the next decade – employers who ignore the needs of Generation Y will find themselves at a significant competitive disadvantage.

That’s why Sun Life Financial – in partnership with Ipsos Reid – has undertaken research on the group benefits requirements of this generation, with results that reveal needs and preferences that are *fundamentally different* from what traditional plans address.

GENERATIONS AS A PERCENTAGE OF THE WORKFORCE

2009 vs. 2020



Totals do not add to 100 per cent due to Canadians present in workforce born before 1945 or after 1993.

The plan sponsor challenge

– four generations at work

To put Generation Y into perspective, they represent one of four distinct generations in the workplace – with Generation X (1965-1981), Late Boomers (1955-1964) and Early Boomers (1945-1954) all playing a role.

This is the first time that four distinct generational profiles have co-existed in the workplace at the same time – and represents a significant challenge for group benefits plan sponsors. Not only do sponsors have to deal with the inevitable differences in what employees at different life stages want from their benefits, they must deal with the distinct “values” that each generation brings to the table in terms of life goals and the employment relationship.

THEY HAVE A STRONG WORK ETHIC
WHEN THE JOB IS RIGHT AND AN ABILITY
TO LEARN RAPIDLY AND ADAPT – MAKING
GENERATION Y EMPLOYEES HIGHLY
VALUABLE ASSETS.

Before we look at Generation Y in more detail, here’s a recap of some of the key characteristics of the other three generations at work.

Early Boomers (1945-1954)

Having come of age in the 1960s, the early boomers have always seen the world as their oyster, with an idealism and ambition that has challenged – and successfully changed – the status quo. At work, they are career-focused, hard working and very loyal. While salary and status are important, they believe in the corporate hierarchy, and that people have to “pay their dues” before moving up the ladder.

Late Boomers (1955-1964)

The younger group of boomers balances idealism and realism. They tend to be image-conscious and materialistic, with a competitive “keep up with the Joneses” nature. At work, they are ambitious, workaholic and loyal. Salary and status are very important, and, while they have respect for hierarchy, they take a less formal approach to career advancement than the Early Boomers.

Generation X (1965-1981)

While this group has some cynicism not found in the older groups, they are cautiously optimistic about their lives. They are self-reliant and independent, but are careful to look before they leap. Technology has grown to be a highly valued tool in their lives. On the job, they exhibit a solid work ethic but also seek more of a work/life balance than previous generations. While they are wary to trust, they want to be loyal to their employer and are willing to wait their turn to move up the ranks.

This leads us to Generation Y (1982-1993) – a group like no other.

As the product of boomer parents, they have been protected and indulged – a factor that contributes to their “all about me” mentality. This is also the first generation to grow up with the Internet and the rapid changes to society, work and everyday life its proliferation has brought. So, while they are comfortable with frequent change and are very adaptable, they demand the convenience, personalization and instant gratification that technology has made possible.

Even world events during Generation Y’s formative years have played a role in their profile development. The hysteria about Y2K, the bursting of the dotcom bubble, and the horrors of the 9/11 attacks have all played a role



in Generation Y's "live for today" pursuit of personal fulfillment and overall life balance.

And this all translates into a different type of employee. They have a strong work ethic when the job is right and an ability to learn rapidly and adapt – making Generation Y

NOT ONLY DO SPONSORS HAVE TO DEAL WITH THE INEVITABLE DIFFERENCES IN WHAT EMPLOYEES AT DIFFERENT LIFE STAGES WANT FROM THEIR BENEFITS, THEY MUST DEAL WITH THE DISTINCT "VALUES" THAT EACH GENERATION BRINGS TO THE TABLE IN TERMS OF LIFE GOALS AND THE EMPLOYMENT RELATIONSHIP.

employees highly valuable assets. But the "right" job has some Generation Y-specific parameters. It should be both interesting and fun, provide flexible hours and location to allow for the blending of work, socializing and recreation, and involve opportunity for praise and validation.

Generation Y employees can also be ambitious and are anxious to move up the corporate ladder quickly, but they are less willing to "pay their dues" than other generations.

This is a generation that can be loyal and give a lot back to their employers, but it is perhaps also one that expects more from them than previous generations. It is clear that employers have to pay attention to Generation Y's unique needs if they are to attract, retain and motivate the best and brightest. As employers are beginning to notice, Generation Ys have far less hesitation over "job hopping" to find a better fit and better opportunities compared to other generations, even when they were the same age.

Case Study:

The Generation Y workplace

What one Canadian high-tech firm is offering to attract and retain Generation Ys:

- Employee lounge with free, healthy snacks every day
- Casual dress daily
- Re-imbusement for home Internet connectivity
- Clean commuting incentive (\$500 a year for not driving to work)
- Frequent social events, including canoe trips, golf tournaments, sporting events, BBQs
- Subsidized employee sports teams and leagues
- Group benefits premiums that are 100 per cent paid for by the employer
- A comprehensive wellness program, including health assessments, workplace health challenges, health lunch n' learns, on-site massage clinics and subsidized gym memberships
- 360° competency and performance reviews every six months
- Employee recognition programs, including recognizing "superstars" every quarter – awards include experiences like skydiving and white water rafting weekends

Generation summary table



Generation Y 1982-1993

Defining traits:

- Feel entitled
- Confident, individual
- Multi-task, learn quickly, easily bored
- Seek instant gratification
- Technology is extension of the self

At work:

- Strong work ethic when job is “right”
- Job must be interesting and FUN!
- Low loyalty – “job hop”
- Eager to move up the ladder – won’t wait to “pay their dues”
- Expect more from their employers than previous generations – “Show me why I should work for you!”



Generation X 1965-1981

Defining traits:

- A little cynical, but cautiously optimistic
- Self-reliant, independent
- “Look before they leap”
- Technology is a highly valued tool

At work:

- Solid work ethic
- Seek work/life balance
- Want to be loyal, but wary to trust, a little cynical
- Waiting for their “turn” to move up the ranks



Late Boomers 1955-1964

Defining traits:

- Tempered optimism
- Balance of idealism and realism
- Competitive – “keep up with the Joneses”
- Image conscious, materialistic

At work:

- Hard-driving, workaholics
- Loyal
- Salary and status is very important
- Respect hierarchy, but less formal



Early Boomers 1945-1954

Defining traits:

- See world as their oyster
- Idealists – “flower power”
- Challenge the status quo
- Ambitious – “we will change the world”

At work:

- Career-focused, hard-working
- Very loyal
- Salary and status is important
- Hierarchical – value “paying your dues”

Research results:

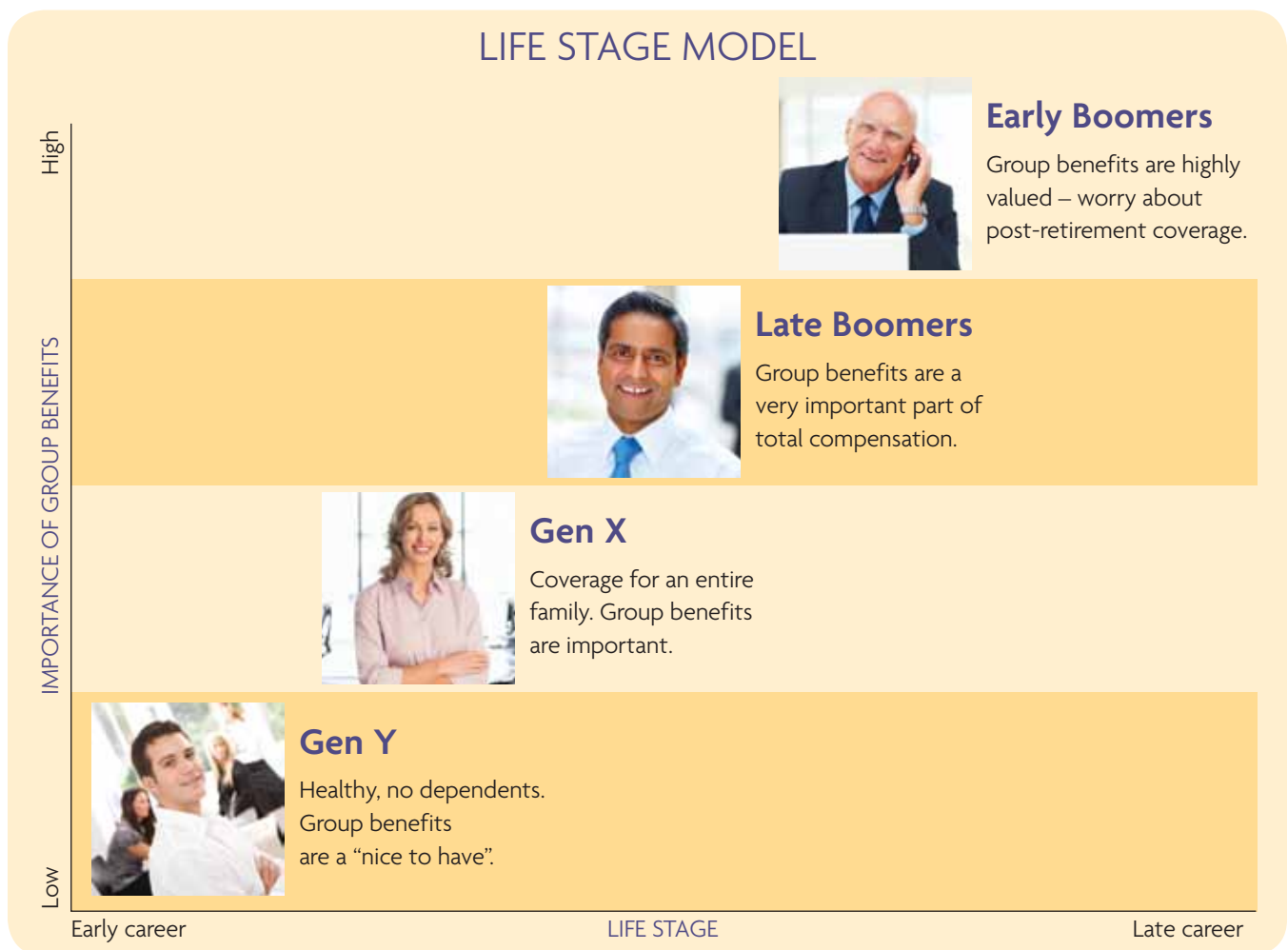
Inside the minds of Generation Y

While there has been considerable research done on the Generation Y characteristics that we've just discussed, there is very little understanding about their needs and preferences in relation to group benefits.

So, in partnership with Ipsos Reid, Sun Life undertook focus group research during the summer of 2010 that sought to capture the differences in how the generations that make up the workforce value their group benefits.

The eight focus group sessions covered all four generations of workers, including three focus groups dedicated to Generation Y employees.

Across all generations, the value of group benefits based on life stage was much as expected. Younger workers have always valued benefits less than older workers, who depend on the coverage much more. In this way, Generation Y is no different than previous generations.



Group benefits are important to Generation Y, but because they are young, healthy and typically single, they are not critical.

So, when evaluating an employer or a potential job opportunity, Generation Y may factor in group benefits, but they take a back seat to other considerations, most notably how interesting the job is and how well it pays.

While the importance of core medical and dental benefits are acknowledged, Generation Y's focus is more on the perks and lifestyle augmentation of paramedical benefits, like massage therapy, which many group benefits plans include. Furthermore, Generation Ys report a greater attitude of “entitlement” than older generations toward their benefits, with many reporting that they make an effort to “max-out” their discretionary paramedical coverage.

What Generation Y wants

from a group benefits plan

The most important finding of the Ipsos Reid research was the understanding of what Generation Y employees were looking for in a group benefits plan. This is information that goes beyond a life stage analysis to highlight what Generation Y would permanently change in a group benefits plan offering. It was clear that Generation Ys have significant needs and preferences that are not being addressed by traditional benefits plans.

"Group benefits were designed for my parents' generation!"

Four key areas for change stood out in the research:

1. More flexibility and control
2. Greater convenience in making claims
3. Clearer, plain language communication
4. More wellness, health and lifestyle benefits options

Here's an overview of each of these desired changes – and what plan sponsors can do to make them happen.



1. More flexibility and control

"We are all unique! Why shouldn't benefits be customizable? They are for ME after all!"

Generation Y employees are quick to express that they are a diverse group in many ways (such as cultural, values and life experiences) and because of this, their needs and preferences vary. This is a key reason why they are frustrated by status quo "one-size-fits-all" plans that provide coverage for things that are not relevant to them – while not providing enough coverage for the things that are.

Simply put, they expect benefits solutions that reflect their diversity and acknowledge their individualism. They've grown up with technology that allows this level of personalization and expect it as part of their benefits plan.

In terms of a solution, Generation Y employees clearly say that flexible group benefits plans are a step in the right direction to meeting their needs – providing them with some ability to pick and choose from a wider selection of benefits. However, flex plans may not offer the degree of control this generation demands. Plan "add-on" solutions such as Health Spending Accounts (HSAs) and Personal Spending Accounts (PSAs) – where employers allot extra money to employees to spend on medical and wellness-related expenses at their own discretion – are one way employers can give Generation Y additional control. Offering a wider range of voluntary benefits to employees is also another option employers can consider.

"If I don't need vision care benefits, I should be able to opt out and move it over to dental or prescriptions... why be covered for something that doesn't affect me?"

The ultimate plan design for the future may be a *Defined Contribution* (DC) benefits plan model. While DC plans are common for Group Pensions, this model could also offer the choice that's needed on the Group Benefits side. For example, a DC benefits plan might see employers offering a level of catastrophic coverage to employees, while also matching contributions made by employees to a spending account – which an employee could in turn use to buy additional coverage or spend on medical and wellness-related expenses at their own discretion.

2. Greater convenience in making claims

"It's so frustrating, why can't I just go online like anything else...fill out a claim form, scan my receipt and send it off?"

Filling out paper claims forms and putting them in the mail is seen as an absurd inconvenience by Generation Y employees. They cannot understand why paper claims still exist, given their inefficiency for both the claimant and the insurance provider. And some suspect that insurance providers still use paper claims to discourage people from claiming.

Online claiming was seen as the minimum level of convenience – Generation Ys think everything else is done online, so why not group benefits claims?

They also don't like paying up front – then waiting to get a cheque in the mail. With modest incomes and a lack of budget discipline, Generation Y employees find upfront payments to be an unwelcome challenge.

In terms of solutions for employers to consider, it's no surprise that the idea of submitting claims and managing benefits on a smartphone was received with great enthusiasm by Generation Ys. And many mobile application possibilities exist beyond claims submission – such as being able to check your coverage eligibility on your phone while sitting in the dentist's chair when you learn you may need a filling. This is the type of convenience that Generation Y wants and has come to expect.



"I would love to be able to just type in the details in my phone, hit Send and know I would get paid the next day."

The ultimate claims solution expressed by Generation Y was a "magic card" which could be presented at any health care provider. This "magic card" would allow the patient's claim to be filed by the health care provider – and processed and paid instantly – similar to the prescription drug cards already provided by some insurers or the automatic claims systems used by many dentists.

3. Clearer, plain language communication

Generation Y employees have no tolerance for complex communication, and most described their current group benefits communications as difficult to understand and full of industry jargon. They expressed that this was a major point of frustration and dissatisfaction, as well as a major obstacle to understanding and ultimately valuing their plan.

Simply put, Generation Y demands simple, concise, plain-language communication that is free of "industry-speak." Continuing to present them with content that falls short of this means employers leave a great deal of Generation Y satisfaction and appreciation of their benefits plan on the table.

"I'm busy. I don't have time to sit around and decipher all of this..."

Delivering plain-language content in an engaging way is a sponsor's silver bullet for reaching Generation Y.

Interactive, dynamic micro-sites that use video and incorporate real employee stories/testimonials are proving to be very effective at increasing plan member engagement. Plain language content is a key tenet of these sites. Meanwhile, their ability to offer plan members a customizable experience increases the relevance of the message, gives

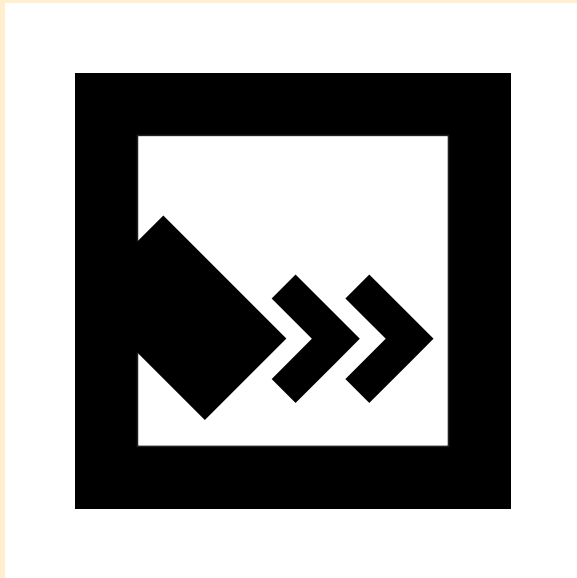
"Trying to learn about my dental coverage was worse than going to the dentist!"

the content more impact and makes it more memorable. Straightforward, customizable and entertaining – a well designed micro-site can provide the type of communication experience Generation Ys are demanding.

Looking ahead, emerging technology tools such as "Augmented Reality" present new, exciting opportunities to offer a compelling communication experience. Augmented Reality is an interactive, online 3D video technology, evoked and controlled by the user through a webcam, and is showing great potential to deliver crisp,

Check out our

Augmented Reality video



By simply holding up this marker to your webcam, you will see a 3D video about online benefits unfold on your computer. To experience Augmented Reality:

1. Go to: www.sunlife.ca/ar
2. Make sure your computer's sound and webcam are working.
3. Hold this page so it faces your computer's webcam.
4. Enjoy the experience!

dynamic communication and benefits education messages in a format that speaks to Generation Y – a format that will grab their attention from the start.

4. More wellness, health and lifestyle benefits options

"Living a healthy life is something that I am already trying to do, but a program at work would give me that much more encouragement to do it."

Even at this early stage in their lives, Generation Y employees understand the value of core benefits that cover medical, dental, vision and prescriptions and they place a priority on full coverage in the core areas that are relevant to them.

However, as rates of obesity and preventable illnesses rise, Generation Y employees show a surprising level of sophistication in expressing a desire for benefits that prevent illness rather than treat it.

While some benefits desires seemed more self-indulgent than preventative (massage was often cited as a necessity by this group), there were a number of others that were clearly progressive in terms of furthering overall wellness. A clear theme was the aspiration to live a healthy, active,





lifestyle. The following wellness-related benefits were frequently cited by Generation Y:

- **Healthy food.** Generation Y employees expressed a strong desire for a benefits plan that encouraged the eating of healthy food, whether at the work-site or through a reimbursement system for purchases they make for home.
- **Fitness.** The group cited subsidized gym memberships, fitness activities and exercise equipment as top choices for benefits plan features. Likewise, worksite fitness facilities and resources were also very popular.
- **Education.** Reimbursement toward the cost of education or self-development courses (whether professional, personal, or spiritual) were also highly rated benefits not currently being offered.

Workplace wellness programs give sponsors structured and proven ways to deliver what Generation Y is looking for. In addition to the types of benefits described above, other features that could deliver results include:

- employee supports, such as wellness assessment clinics to provide employees with their health baseline; and
- coaching and education to help them make a plan to achieve and maintain their lifestyle goals

Workplace health challenges where employees compete on teams to achieve a health-related goal, as well as onsite activities such as running or walking groups and intramural sports, are great ideas for Generation Y employees, as they also cater to their desire for a fun, socially active and engaging workplace.

"I want help in dealing with stress...I want my company to support things like time for meditation and well-being."

Generation Y participants stated emphatically that if a company were to offer wellness-related benefits, this would significantly improve their perception of their employer – and have a positive effect on morale and loyalty. Recent research published by leading workforce management consultancy Right Management found that employees who believe their organization actively promotes health and well-being are eight times more likely to indicate that they were engaged in their job and four times less likely to indicate that they planned to leave within the next year.³

The hard numbers to support ROI are also in. For example, Harvard University research published in 2010 found that for every \$1.00 spent on wellness programs, employer medical costs fall by \$3.27 and absenteeism costs decrease by \$2.73.⁴ Even a focus on smoking cessation alone could provide significant benefits. According to the Conference Board of Canada, plan members who quit smoking can save their employer about \$3,396 each year.⁵

Shift your thinking

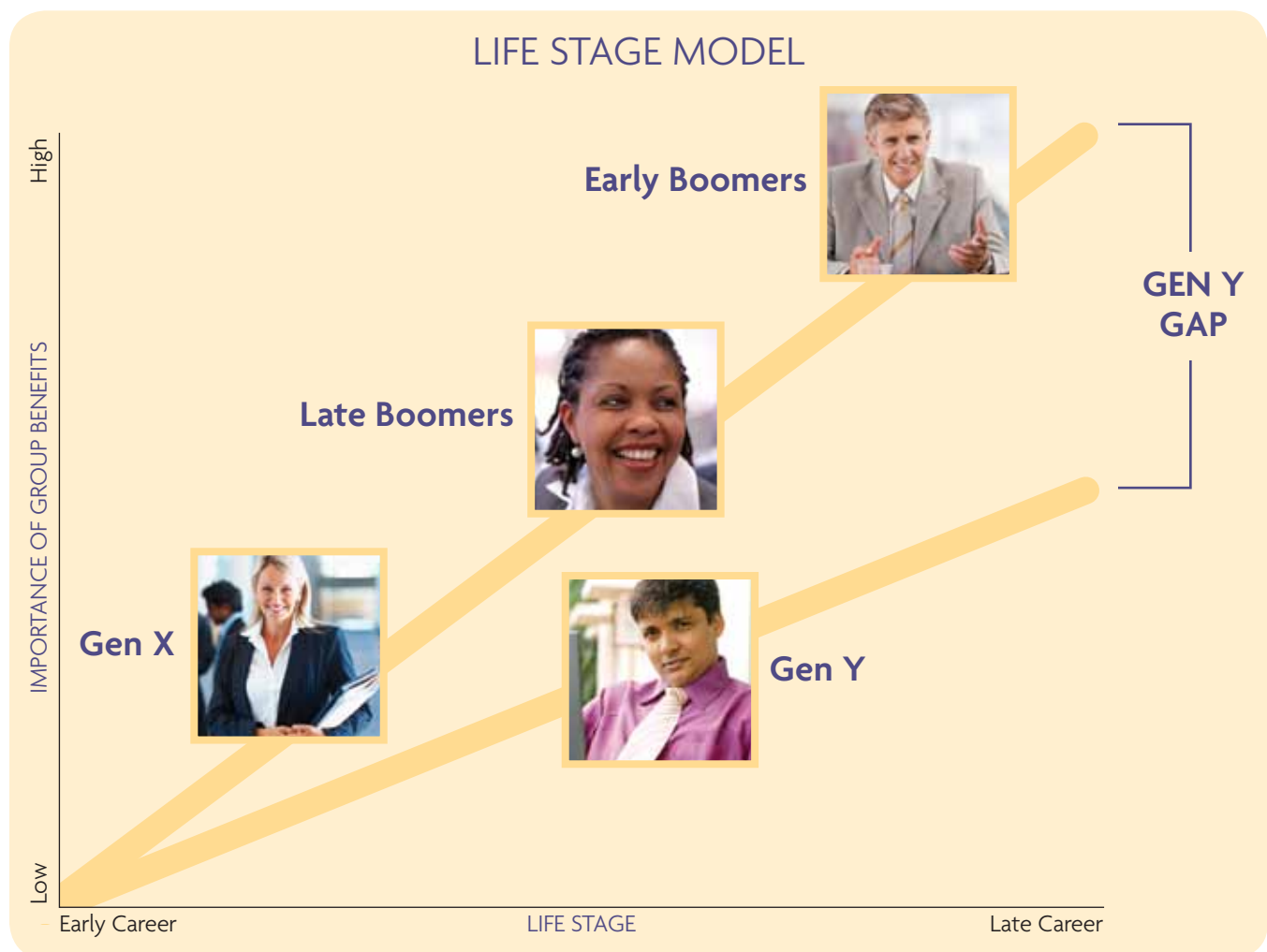
about Generation Y

Group benefits are a key part of the compensation package you provide your employees – and the cost to your organization is considerable. In an age of increasing competition for talent, it's critical that the plan you offer remains highly valued by employees.

And with Generation Y set to dominate the workforce within the next 10 years, this is a group that should receive increasing focus as you consider plan design changes.

The danger in ignoring the needs of Generation Y is a value gap that could emerge over time. Traditional benefits will always be more highly valued at older life stages. But failing to account for the more progressive needs of Generation Y could lead to a significant “gap” in the perceived value of your plan over time. And this could put your organization at a competitive disadvantage.

There are solutions at hand that can address many of the needs of Generation Y. By beginning now to evolve your plan to meet these needs, your organization can avoid the value gap and position itself to attract and retain Generation Y and harness this generation's great potential.





About Sun Life

A market leader in group benefits, Sun Life Financial serves more than 1 in 6 Canadians, in over 12,000 corporate, association, affinity and creditor groups across Canada.

Our core values – integrity, service excellence, customer focus and building value – are at the heart of who we are and how we do business.

Sun Life Financial and its partners have operations in 22 key markets worldwide including Canada, the United States, the United Kingdom, Hong Kong, the Philippines, Japan, Indonesia, India, China and Bermuda.

1 Derived from the June 2010 Statistics Canada Labour Force Survey

2 The Public Service Commission of Canada, "Emerging Trends Affecting the Public Service Commission and the Public Service Employment Act", September 2009

3 Right Management, "Working Well, A Priority for Engaging Employees and Managing productivity", 2010

4 Harvard University: Health Affairs, "Workplace Wellness Programs Can Generate Savings", February 2010

5 Conference Board of Canada, "The Conference Board of Canada, "Smoking and the Bottomline: Updating the Costs of Smoking in the Workplace", 2006

LIFE'S BRIGHTER *under the sun*

Group Benefits are offered by Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies.

GRP1692-E 05-11 cw-mp

