Hostile Takeover? The Anatomy of a Workplace Revolution

by Greg Ward | Financial Finesse

The New York Post headline says it all: “Gen Z, millennials want boomers gone so they can take over the workplace.” Make no mistake, the takeover has begun.

According to Gallup, workplace stress has steadily risen for over a decade, reaching its highest levels during the global pandemic. Ironically, so did job satisfaction. So why did 47.4 million workers quit their jobs in 2021, and why are so many more poised to follow? The answer lies within a deep generational divide that will change the employer-employee relationship for generations to come.

In what can only be described as a revolution, workers are quickly and increasingly demanding more well-being support, flexibility and balance from their employers, and they are willing to change jobs to get it. Already under tight financial constraints, businesses can ill afford the increased costs associated with employee turnover. Plus, job openings outnumber job seekers 2 to 1, making the current marketplace for talent favorable to employees. To compete for talent, employers must shift their approach to benefit design and corporate culture to accommodate this emboldened workforce.

An Impending Crisis

Millennial and Generation Z employees are taking over the workplace. By most estimates, these two generations will represent most of the workforce by 2025. However, these generations are coming of age at a most unusual time in history. Many Millennials have already lived and worked through several major economic downturns in the last 20 years, but that hardly prepared them for the last two. And the recent—and continuing—global pandemic has hit Gen Z the hardest.

The mental, physical and financial challenges experienced during the pandemic have contributed to increased levels of stress and decreased levels of job satisfaction, especially among younger workers. According to a 2021 Conference Board report, while overall job satisfaction in November 2020 reached 56.9%—its highest level since 1995—when separated by age, job satisfaction among employees under 35 fell six percentage points, from 59% to 53%.

AT A GLANCE

- Scores of U.S. workers have already switched jobs during the Great Resignation, and 76% of job seekers cite better pay and benefits as the reason they are looking for a new job.
- The new workforce seeks employers that will align with their personal values, exhibit a sense of care and belonging, and provide access to personalized benefits, communication and resources that promote mental, physical and financial well-being.
- To compete in the war for talent, employers should consider shifting their approach to financial well-being benefits to accommodate the new workforce in ways that are holistic, personalized and embedded in the company culture.
The net effect of increased stress and decreased job satisfaction has been a massive shift in the labor force. This is rather unusual since quit rates tend to stay low when the labor market is weak. But, then again, if recent events have taught us anything, it’s that normal isn’t normal anymore. A change is taking place right before our eyes.

**A Shift in Priorities**

The unusual behavior in the labor market may stem from a disconnect between employer and employee views on financial wellness. With respect to financial wellness, much of the focus over the last ten years has been on retirement preparedness. As recently as last year, retirement preparedness topped the list of issues faced by employees that employer financial wellness initiatives were designed to address. Yet a recent survey found that 84% of employees are more focused on becoming financially independent than on achieving a traditional retirement. In addition, we see less concern for retirement planning and lower percentages of employees reporting that they contribute to their employer’s retirement plan (Figure 1).

The shift in priorities should come as little surprise. Four in ten (40%) Millennial and Gen Z employees report being uncomfortable with their level of debt, and 81% are experiencing some level of financial stress (Figure 2). Even with recent wage growth, the effect of higher prices, rising interest rates and new COVID variants have kept financial stress levels high.

Rather than allowing themselves to be victims of circumstance, workers are taking charge of their financial futures. Millennial and Gen Z employees have consistently ranked cash flow and debt management as top financial priorities. A study of U.S. workers found that 77% consider taking control of their financial situation a top priority, and 83% are motivated to improve their financial situation. No wonder a 2022 survey found that Americans ranked paying off debt as a top goal.

Given the influence of financial stress on mental and physical health, the motivation to improve financial health seems apparent. This may be why views on financial wellness are shifting away from retirement and toward more immediate financial concerns.

**A “New” Workforce**

The generational transformation of the workforce, coupled with the continuing shift in financial priorities, is reshaping the relationship between employers and employees. Workers are expecting more from their employers, and they are willing to change jobs to get it. Seventy-six percent of job seekers cite better pay and benefits as the reason they are seeking a new job. Scores of U.S. workers have already switched jobs during the Great Resignation, and many who are currently experiencing workplace stress are poised to follow.

The new workforce seeks employers that will align with their personal values, exhibit a sense of care and belonging, and provide access to personalized benefits, communication and resources that promote mental, physical and financial well-being. Demand
for health and wellness programs that focus on the whole person has doubled, from 26% prior to the pandemic to 52% in 2022.\textsuperscript{13}

Eighty-four percent of employees believe that their employer is responsible for their financial well-being—and 98% of human resource (HR) leaders agree—but only 55% of employees feel their employer is concerned about it.\textsuperscript{14}

For this reason, employees are seeking financial well-being benefits that include access to financial professionals, planning tools and education.\textsuperscript{15}

The Employer Response

To compete in the war for talent, employers should consider shifting their approach to financial well-being benefits to accommodate the new workforce. To achieve the desired results, financial wellness should be holistic, personalized and embedded in the company culture. Following are six trends that reflect how employers are using financial wellness to attract and retain talent.

1. \textbf{Increasing Awareness of Employee Concerns}

Five years ago, employees ranked low pay and company culture as primary reasons for stress at work, whereas employers ranked both as low concerns.\textsuperscript{16} Culture, pay and benefits are today among the top reasons workers seek a new job. Companies are responding by paying higher wages,\textsuperscript{17} increasing benefit offerings\textsuperscript{18} and promoting company culture to attract and retain employees.\textsuperscript{19}

2. \textbf{Adopting Financial Wellness as a Corporate Responsibility}

Employers feel a sense of obligation to help promote employee financial well-being. More than half (56\%) of employers believe the importance of financial well-being programs has increased in the last two years, and 85\% have developed, or are in the process of developing, a financial well-being strategy.\textsuperscript{20}

3. \textbf{Intersecting Financial, Mental and Physical Health}

The body of evidence supporting the relationship between mental, physical and financial health is overwhelming. Sixty-five percent of employees with debt stress report that it has an impact on their physical health,\textsuperscript{21} and financial concerns is the top reason cited by employees with low mental health status.\textsuperscript{22} Historically, employers have treated each separately, but employer mental and physical health programs are increasingly incorporating financial wellness initiatives as part of a larger holistic wellness strategy.

4. \textbf{Promoting DEI Through Financial Wellness Initiatives}

Until recently, employee resource groups (ERGs) had to proactively ask HR departments for resources to address member financial concerns. Within the last few years, HR professionals have made a concerted effort to actively promote the availability of resources as part of larger diversity, equity and inclusion (DEI) initiatives. Similarly, there has been increased demand for Americans with Disabilities Act (ADA) compliant resources, content translated into Spanish and content for the LGBTQ+ community.

\begin{figure}[h]
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\includegraphics[width=\textwidth]{figure2.png}
\caption{Debt Contributes to Higher Levels of Financial Stress Among Younger Workers}
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\textsuperscript{Sources: 2021 Financial Wellness Year in Review. Financial Finesse.}
5. Personalizing the Employee Experience

Given the diversity and complexity of today’s workforce, a one-size-fits-all approach is ineffective and outdated. A recent survey found that 55% of respondents would prefer that their employer use all information available to personalize benefits as much as possible. Employers are using technology to customize the way benefit information and education are delivered.

6. Holding Financial Wellness Providers Accountable

The Department of Labor’s fiduciary rule may have stalled, but employer concern for making sure employees receive financial guidance that puts their interests first is very much alive. That’s why employers are asking financial wellness providers to maintain a fiduciary standard when providing financial guidance and advice to employees.

The Path Forward

With these trends in mind, employers can take the following five steps right away to prepare for the Millennial and Gen Z workforce takeover.

1. Review and Refine the Benefit Strategy

It’s not a matter of how many benefits are offered but which ones. Employers should survey employees to find out what causes them stress and offer benefits that address the root causes.

2. Up the Communication Game

How benefits are communicated is key to employee retention. When employees understand their benefits, they are:

- 80% more likely to be satisfied with their current job
- 94% more likely to feel valued and appreciated
- 60% more likely to remain with their current employer.

When employees are satisfied with their benefits, they are:

- Two times more likely to be satisfied with their jobs
- 70% more likely to be loyal to their employer.

3. Develop a Culture of Holistic Wellness

When it comes to employee wellness, the whole is greater than the sum of its parts. Employers should look for opportunities to bring emotional, physical and financial wellness benefits into alignment. For example, they can offer financial incentives when employees complete mental and physical wellness objectives. The more an employer communicates the intersection of these wellness elements, the more an employee will feel cared for as a whole person.

FIGURE 3

Employees Who Engaged With a Financial Coach Experienced Greater Improvement in Financial Health and Resilience

4. Measure Quality More Than Quantity
Program success is often measured by participation rates, but that’s not necessarily true when it comes to financial wellness. From a bottom-line perspective, improving the financial health of the most financially vulnerable will have a greater net effect than improving the health of everyone else. Ideally, the best program will have quality and quantity when it comes to engagement.

5. Provide an Omnichanneled Financial Wellness Program
Employees who engaged online in group education sessions and one-on-ones with a financial coach exhibited the greatest improvements in financial health and resilience (Figure 3).26

Conclusion
The next wave of young employees is planning to take over the workplace, and employers should take time now to prepare by reviewing and refining the way benefits are designed. Now is the time to adjust corporate culture to accommodate this new, emboldened workforce.

Endnotes
1. “Gen Z, millennials want boomers gone so they can take over workplace.” https://nypost.com/2022/07/20/gen-z-millennials-want-boomers-gone-so-they-can-take-over-workplace.

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12. Ibid.
15. See note 7.
22. See note 13.
23. See note 7.