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Know Your Millennials

By Michael A. Zaydon, CPA

Smartphone equipped with the latest social media and productivity apps

Reusable coffee cup to save money and the planet

Casual dress code

Strong work/life balance

Laptop case for telecommuting



The accounting industry is going through major changes, and one of the biggest involves staffing. To achieve constant growth, firms must adapt to certain realities to retain the best talent – and that means appealing to millennials.

Professional services firms, public accounting firms included, and their clients need to recognize that millennials are taking over the labor force. In 2015, millennials became the largest generation in the United States labor force.¹ According to PwC's *NextGen: A Global Generational Study*, almost 80 percent of its workforce is composed of millennials in 2016.

Many firms may be struggling to attract and retain millennials. This struggle will adversely affect the quality of work and the ability to form and grow meaningful client relationships – two essential factors for long-term sustainability and profitability, no matter the firm size.

As more baby boomers retire and millennials fill the empty seats, firms need to understand their changing workforce. “If businesses are not focused on millennials, they are at a competitive disadvantage,” according to Anne Donovan, human capital transformation leader at PwC. “There is a clear business case to have these discussions and to change the culture in the workplace to attract and retain millennial talent. Organizations that understand how much millennials matter are going to win.”

A new generation is driving the bottom line. Now is the time to get to know the millennial workforce – who they are, what they value, and how they can add value to your firm and clients.

Who Are the Millennials?

It is important to understand the framework by which the millennial generation is shaped and defined. The Pew Research Center identified three factors that affect the attitudes and viewpoints of separate generations: age cycle, period effects, and cohort effects.²

The millennial generation, born between 1980 and 1995, is currently between the ages of 20 and 35. At this stage in their age cycle, millennials are still early in their careers and adult personal lives.

The period effects – events, circumstances, and social forces impacting everyone in a population – that have influenced millennials are notable. Major period effects since 1980 include the rise of technology and the Internet, the Sept. 11, 2001, terrorist attacks, several U.S. wars in the Middle East, the financial markets crisis and resulting recession, and an ongoing threat to national and cyber security.

Period effects impact all generations, but the socioeconomic influences of the past 35 years on this generation have shaped its

values and attitudes in a unique way compared with baby boomers, for example, who were at a different stage in their age cycle during this period.

Cohort effects stem from period effects. Cohort effects influence an entire generation while it is at a certain point in its age cycle. According to the Pew Research Center, “Differences between generations can be the by-product of the unique historical circumstances that members of an age cohort experience, particularly when they are in the process of forming opinions.”³

Contrast in “Starting Points”

When baby boomers were first graduating from college, the typical view at the starting line of a career was likely very different from the millennial perspective. In general, a boomer's mentality toward life and career was a linear and sequential one: first a job, then a spouse, then a house, maybe children, a few cars in the garage, and a steady rise in savings until it was time for retirement. Each life event came in a logical progression from the previous one, and it was not the norm for this generation of professionals to veer from this path.

Compared with boomers, millennials begin making major financial decisions earlier in life. For example, at the age of 18 many are looking at the impact of financing college tuition. According to the U.S. Council of Economic Advisers, more millennials have at least a college degree than any other generation before them. Additionally, college enrollments have increased as higher education has become more accessible to lower-income and underrepresented minority students than ever before.⁴

Student loan debt, however, has hit unprecedented levels, surpassing \$1 trillion in 2014, making it the second-largest category of household debt in the United States.⁵

Facing this reality, millennials aim for jobs that offer a salary that will help pay off the debt they incurred over the previous few years as well as an opportunity for growth and unique experiences.

Differences with Other Generations

Understanding generational differences is the first step firms must take to adapt to the changing face of their workforce. Consider how some of the following trends might impact your firm and its future. Whereas the baby boom generation followed a steady career and life progression, millennials are more likely to follow a less linear path to success – one with fits, starts, and detours with numerous employers, and one where they are less likely to sacrifice personal relationships and life's opportunities for work.

Marriage – As millennials graduate from college with little or no savings, there is a notable trend in delaying marriage and having a family when compared to their baby boomer counterparts.⁶ This trend is indicative of a shift in the timing of life events for the entire millennial cohort.

Home – A highly correlated result of the millennial cohort entering adulthood during the throes of the “Great Recession” is that they are less likely to become homeowners as young adults than any other preceding generation. Millennials are more financially dependent on their parents than ever before. They do not have the financial means to make an investment in a home until later in their lives than historically observed. Furthermore, the continued influx of millennials into urban areas to start their professional careers will likely contribute to the trend of millennials being renters as opposed to homeowners for years to come.⁷ ▶

Technology – Another key differentiator between millennials and generations before them is the pervasive use of technology in their lives. Millennials are the first generation to grow up with technology as an integral part of their lives from early childhood. Familiarity with technology facilitates efficiencies and lends itself to opportunities for flexibility.

Successful firms will learn how to leverage technology not only to provide the best service they can to their clients, but also to allow their own people the flexibility they want.

Pay Attention to Millennials

A major cohort effect for millennials has been the near-constant economic uncertainty, including at least two major periods of recession in their lives. The actual, or perceived, lack of financial security that results from such periods has had a major effect on the earning, saving, and spending habits of millennials.

One result of the economic uncertainty millennials faced during the financial crisis in 2008 was the rapid expansion of the “sharing economy,” where consumers forego or minimize ownership of things and instead rent or borrow from their peers.

Millennials are on the leading edge of both sides of this economic phenomenon – either finding cheap alternatives to traditional consumerism or opportunities to make a few extra dollars “renting” out a spare room in their apartments, or using their personal car to pick up passengers one evening a week.

The appeal of cheap and convenient access to specific products and services driven by mobile technology has also resulted in another effect: the growth of exciting and entrepreneurial jobs in the tech-driven start-up space. Professional services firms must be cognizant of the opportunities and threats from the growth of these companies and their appeal to millennials.

As millennials continue to be attracted by the lifestyle and perks that come with securing a job in the tech space or at a start-up across the industry spectrum, professional services firms may be at a higher risk of experiencing low recruitment numbers and/or high turnover.

However, professional services firms that can stay ahead of this trend, adapt to the needs of their clients, and offer millennials the purpose, lifestyle, and incentives that they want will be better positioned for a sustainable future. Firms that fall behind will likely find it difficult to recruit and retain the much-needed talent to fill the gap of retiring baby boomers, putting their long-term viability at risk.

Stay Ahead of the Trend

The changing face of professional services, specifically public accounting, has many at their firms realizing the same thing: the old model – hiring a large number of recent graduates to see most of them leave the firm and only a few remain to eventually get promoted to partner – cannot be the acceptable norm if a firm is to sustain itself through the ongoing baby boomer retirements.

Baby boomers, who have been more likely to show loyalty to the same firm and are more likely to make work lives a priority, are retiring out of the industry. The millennials who start their careers in the industry today have a very different outlook on what they expect to put in and get out of their jobs.

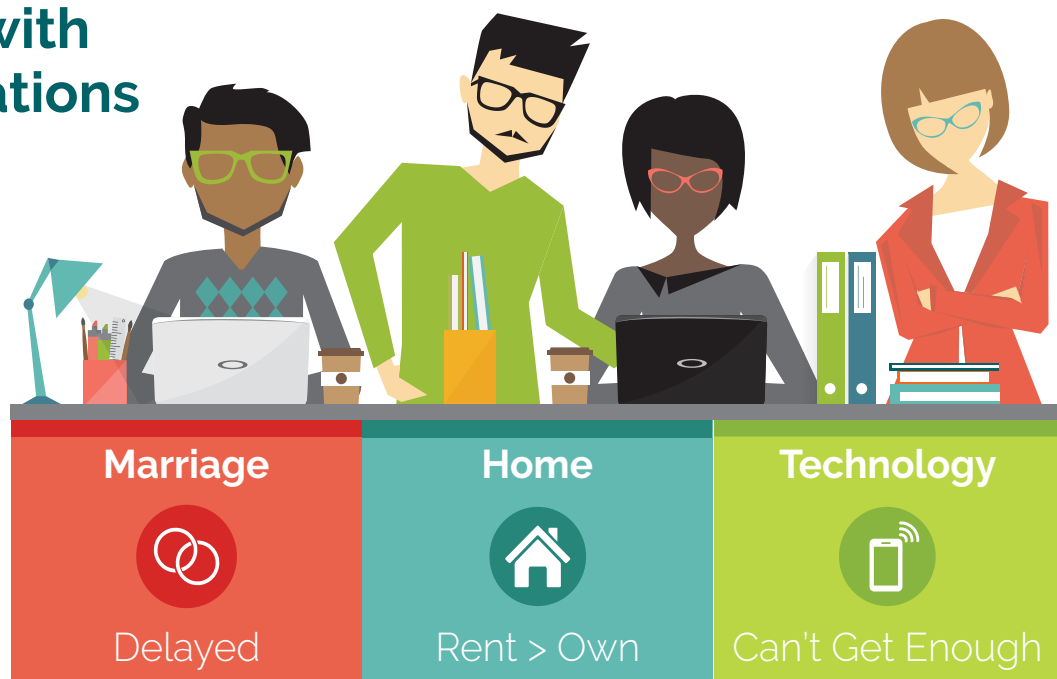
In 2013, PwC, the University of Southern California, and the London Business School conducted the largest global generational study, *NextGen: A Global Generational Study*, to understand just how much the firm and its people’s priorities have changed. The study identified the attributes that make millennials a unique, yet sometimes similar, generation compared with those who came before them.

Here are a few highlights of the study, some of the strategies PwC has taken to address issues identified, and how these same issues can be addressed by other organizations:

- 71 percent of PwC millennials say that their work demands interfere with their personal lives, while 63 percent of nonmillennial employees had the same response.⁸

Millennials do not want to sacrifice their personal lives for excessive work demands, even if they can reasonably expect

Differences with Other Generations



substantial compensation later in their careers. The majority of respondents shares the same sentiment regarding this topic. Increasingly, the work/life balance is a key measure of job satisfaction.

- *More than 60 percent of millennials would like to occasionally work from home and shift their work hours.*⁹

Technology's role in this data point is undeniable. With some of the most advanced technological resources at their disposal, millennials are equally as concerned that the work gets done, however they want more flexibility when it comes to where and when they do their work.

- *41 percent of millennials prefer to be rewarded or recognized for their work at least monthly, whereas only 30 percent of nonmillennials would prefer the same level of frequency.*¹⁰

Millennials thrive on teams where they feel a sense of purpose and community. This feeling comes from openness with peers and transparency from their superiors. As millennials are part of the instant gratification age, they want and need real-time feedback to facilitate their own growth. PwC has shifted its annual review process from performance feedback forms to real-time "snapshots" of performance based on a specific framework for the skills and behaviors each staff level needs to display to be performing within expectations. This new model opens the door for constant face-to-face coaching, feedback, and development.¹¹

- *96 percent of millennials want to talk face-to-face about their career plans and progression, which is nearly identical to the 95 percent of nonmillennials.*¹²


Contrary to an often-held misconception, millennials actually want to look up from their phones and get out from behind their laptops when it comes to talking about their careers.

- *All generations say compensation is an important driver for retention, but millennials place a higher relative value on being supported and appreciated for their contributions than their nonmillennial counterparts.*¹³

This dichotomy illustrates that millennials simply are not content with just having a high-paying job. Millennials want to see purpose in what they do, and know that their efforts

are adding value to their personal lives just as much as to their clients and employers.

Understand and Grow

As more data becomes available about the millennial generation, organizations will need to adapt to changing trends. One unavoidable trend is that millennials will be stepping into positions of management and influence that baby boomers once occupied. When firms understand their people, they are in a better position to develop and grow talent. Growth is the key to profitability and innovation, both of which are the fuel to the accounting industry's sustainable future – a future that will be driven by the millennial generation. 

¹ Pew Research Center, "Millennials Surpass Gen Xers as the Largest Generation in U.S. Labor Force," May 11, 2015, page 1.

² Pew Research Center, "Whys and Hows of Generations Research," Sept. 3, 2015, page 3.

³ *Ibid.*, page 4.

⁴ Council of Economic Advisers, 15 Economic Facts about Millennials, Oct. 2014, pages 12 and 16.

⁵ *Ibid.*

⁶ PwC, NextGen: A Global Generational Study, 2013, page 6.

⁷ 15 Economic Facts about Millennials, page 37–41.

⁸ NextGen: A Global Generational Study, page 8.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ PwC, Engaging and Empowering Millennials, 2014, page 4.

¹² NextGen: A Global Generational Study, page 9.

¹³ *Ibid.*

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<p>Nonmillennial (born before 1980) Transactional needs are more dominant.</p> <ul style="list-style-type: none"> • Control over work • Development opportunities • Pay satisfaction 	<p>Millennial (born 1980-1995) Social needs are more dominant.</p> <ul style="list-style-type: none"> • Team cohesion • Supervisor support & appreciation • Flexibility <p style="text-align: right; font-size: small;">Source: PwC</p>
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