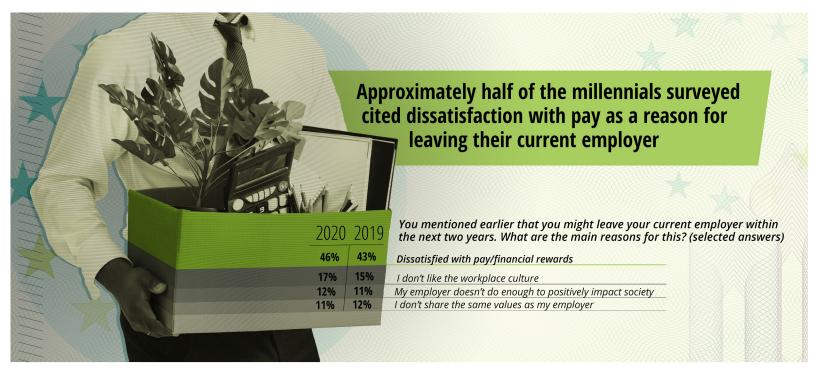
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Millennials and the "staying power" of pay Money matters more than you think

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HE ASSUMPTIONS THAT millennials are more motivated by purpose, as compared to older generations,¹ and that they wish to work for organizations that promote a clear set of social values and actions,² have been gaining popularity in recent years. For example, factors such as workplace diversity, leader transparency, and well-being are often highlighted as what this generation values most.³ Moreover, a recent article suggests that millennials may even be willing to take a pay cut of more than US\$7,000/year to work for an organization with a better cultural fit.⁴ However, can firms really hold back in what they pay these workers?

Our data suggests that this is not the case, especially when it comes to retention. Specifically, our Global Millennial Survey has consistently shown that the greatest source of dissatisfaction for millennials is pay, and that this issue has been brewing since even before the COVID-19 pandemic. Both in 2019⁵ and in 2020,⁶ nearly half of the respondents cited dissatisfaction with pay or financial rewards as the main reason why they'd consider leaving their current employers within the next two years. By comparison, the percentage of respondents citing dissatisfaction with organizational culture, lack of agreement with employers' values, or missed opportunities for social action was far smaller, as the figure below suggests.



Note: Numbers don't add up to 100%, as respondents could select multiple options and not all options have been included in this figure. Some of the other top reasons for quitting (20-40% agreement) include lack of advancement and development opportunities, not feeling appreciated/challenged at work, and poor work-life balance. Source: The Deloitte Global millennial survey, 2019–2020. Millennials and the "staying power" of pay

This by no means suggests that culture and social purpose are not important for millennials at work. However, it is important to acknowledge that attitudes towards work are not monolithic and attraction drivers may not be the same as retention drivers. What's more, even when organizations do live up to their promises of social action, these factors alone may not be enough to compensate for low pay. Rather, to both *attract and keep* millennials around, both intrinsic (e.g., the opportunity to make a positive difference) and extrinsic rewards (e.g., pay, benefits, and other financial rewards) are needed.

Given the timing of the data, it appears that pay dissatisfaction could have contributed, at least in part, to the Great Resignation, with people reassessing their options and, in some cases, making the transition to better—including better-paid—jobs.⁷ Indeed, the increased number of job openings is putting pressure on employers to raise wages,⁸ and millennials seem to be at a stage in their lives where they may really need this. For example, some millennials are thought to be financially "behind" their older counterparts, mostly because many of them were hit particularly hard by high unemployment rates during the Great Recession.⁹ In addition, many are facing a higher proportion of consumer credit debt compared to other generations,¹⁰ as well as difficulties in the housing market, including increased prices and lack of availability of starter homes.¹¹ While this may be true for the industry as a whole, it seems to affect millennials disproportionately as many have to pay off their student debt at the same time.¹² What's more, the uncertainty surrounding the COVID-19 pandemic only seems to have heightened these concerns, with 46% of millennials stating that their long-term financial futures contributed "a lot" to their feelings of anxiety or stress in 2021.¹³

Such findings, when viewed alongside the recent trends surrounding the Great Resignation, seem to suggest that it is becoming increasingly difficult for organizations to ignore these pressures to provide higher pay, and more generally, better rewards, particularly since millennials are now the largest generation in the US workforce.¹⁴ While investing in increased wages and benefits does have its challenges, research shows that reward satisfaction is indeed linked not just with a longer forecasted tenure, but with greater workplace contribution and productivity as well.¹⁵ In the long term, it may be the case that increased reward flexibility and choice become more important for organizations to consider as employees' circumstances change. For now, it seems that alongside culture, values and social impact, the value of the paycheck is not to be discounted.

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