HR innovation

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People, profitability, and pursuit—of happiness, engagement, and business results

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Wellness programs at a crossroads: Bridging the wellnessperformance chasm

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Millennials mean business—and personal: How a connected employee experience builds talent, trust, and tomorrow

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Fast-forward to financial wellness: Time to retire old ways of thinking





The importance of a highly

engaged workforce has never

been greater.





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Foreword

The importance of a highly engaged workforce has never been greater.

The Great Recession and the ensuing "Do more with less" business imperative have taken a toll on employee trust and morale, eroding employers' ability, in turn, to trust that they have the talent it will take to carry out their business aims going forward. Less than onethird of CEOs we surveyed for our 17th Annual Global CEO Survey said that employee trust improved in their industry over the last five years, even as the percentage of CEOs concerned about the availability of key skills is on the rise—an indication that employers have some work to do to keep the talent necessary to make the most of opportunities for growth, synergy, and sustainability.

> The challenge of turning the tide toward sustainable employee engagement and holistically healthy employees coincides with the coming-of-age of the Millennial generation, which increasingly makes its presence—and its preferences—felt. For this demographic, life balance and work-life balance are one in the same. While the generations that preceded them have generally valued autonomy

and achievement, Millennials crave all-encompassing connectivity, seamless work-life balance, and meaningful team cohesion.

This dynamic should promote strategic and philosophical review of traditional approaches to benefits and incentives. But for many employers, compensation, recognition, wealth accumulation, and other rewards are remnants of a legacy "paternalistic" employee value proposition.

Organizations that recognize and value talent as a means of differentiating their business, are striving for a more employee-centric model that suits the times and the trends of today. The good news for the workplace, the marketplace, employers, and employees is that the pursuit of happiness and the pursuit of profitability are not mutually exclusive, but rather are inextricably linked. This issue of HR Innovation looks at today's workforce, employee engagement, and the role and very definition of wellness, as employers and employees strive to find mutual benefit in a fast-changing world. Specifically, we'll explore engagement, well-being, and business and personal needs alignment in these articles:

- People, profitability, and pursuit of happiness, engagement, and business results
- Wellness programs at a crossroads: Bridging the wellness performance chasm
- Millennials mean business and personal
- Fast-forward to financial wellness: Time to retire old ways of thinking

We also propose what constitutes wellbeing based on today's knowledge and what that portends for your employees and your business; aspects of wellness that transcend physical well-being; and how employers can enrich their bottom line, talent pipeline, and their employees' lives—simultaneously.

As four generations share the workplace today and the economy continues its post-recession evolution, expectations, attitudes, and needs call out for new strategic paths. I hope you'll join us to explore some timely questions and find new answers, avenues, innovation, insight, and engagement in the pages that follow.

Scott Olsen US Leader, Human Resource Services



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People, profitability, and pursuit of happiness, engagement, and business results

By Michael Thompson and Patrick Whitaker

Talent remains a critical area of focus for business leaders,

70% of which in the United States are concerned about the availability of key skills. That concern is up significantly from 54% in 2013, according to PwC's *17th Annual Global CEO Survey*. Yet it remains questionable whether the employees in place feel that they're in the right place at the right time with the right incentives and buy-in. Disengaged workers cost US businesses hundreds of billions dollars every year. Are employers paying due attention to who today's talent and prospective talent are and what it takes to attract them and maintain their trust?

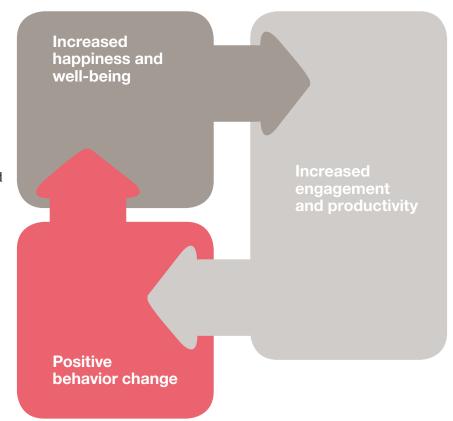
The inter-relationships between employee happiness, engagement, and business results are becoming increasingly clear and have been substantiated by recent psychological and related research. By now, we have enough evidence to confirm that happy employees make for more engaged and productive employees, boosting profitability, productivity, sales, and innovation while reducing turnover, sick leave, and burnout. Still, the adoption of policies and programs informed by these insights has lagged. Where's the follow through on this hard-earned understanding? What does wellness mean in today's environment? And how can it be rebooted in light of today's trends, awareness, and talent?

Rebooting wellness

The components of employee happiness and well-being extend well beyond physical health. To cultivate happiness and well-being, employers need to understand and support the needs of employees as whole people, taking into account overall well-being, including not only physical health, career, and finances, but also interpersonal and community roles, relationships, and needs.

These factors are interrelated. Compensation and all else held equal, an employee with high career wellbeing is more likely to be satisfied financially than one with low career well-being. Such an employee is also more likely to enjoy greater social

Talent continuous improvement



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well-being in the workplace and more energy to invest in friends, family, and community. Employers that understand the significance of these holistic needs will be better positioned to empower employees to attain higher degrees of happiness and well-being to the mutual benefit of the business and the talent it relies on.

The wellness industry has traditionally focused on improving health to reduce medical costs, increase productivity, and decrease absenteeism. The primary focus has been to reward employees to do what they "should" do (e.g., participate in clinical and biometric testing and health risk assessments).

A more holistic focus on well-being can embrace the goal of achieving happiness to enhance productivity, innovation, and engagement. This can help employees achieve their personal and professional goals by reaching beyond a traditional, narrower view of wellness to encourage and support positive behavior using emerging technology and behavioral science. Employee engagement and well-being have a strong correlation and alignment with the goals of employees and employers and look to be a key HR concern in the coming years.

More employees and employers say they are concerned with improving health and engagement than reducing medical costs:

- 96.3% of employees participate in wellness programs to improve their health, making improved health a bigger motivator than financial incentives¹
- Most employers are currently targeting the mental and physical dimensions of well-being traditionally pursued for medical cost savings, yet the interest lies in targeting financial, social, career, and emotional dimensions for more holistic well-being and engagement²

Wellness program features

	Currently targeting	Interested in targeting	
Incentives	81%	12%	7%
One-on-one coaching	63%	20%	17%
Competition/gamification	51%	35%	14%
Activity tracking devices	47%	40%	13%
Feedback loops	35%	42%	23%
Mobile apps or user interface	32%	52%	16%
Social sharing	25%	36%	39%
User profiling and/or personalization	24%	50%	26%

¹ Virgin Pulse, The Business of Healthy Employees: A Survey of Workplace Health Priorities (2014).

² PwC, Touchstone Survey (2014).

Emotional well-being

In noting the linkage between happiness, engagement, and profitability, it's important to take into account the role and relevance of emotional well-being. Chronic stress has long been recognized as having a major impact on healthcare, productivity, absenteeism, turnover, and the like. Over a decade ago, the Bureau of Labor Statistics estimated that the total cost of workplace stress to American corporations was approaching \$10,000 per employee per year. Given the environment of the past decade and the substantial increase in healthcare and labor costs in general, this cost would likely be substantially higher today.

According to the World Health Organization, workplace stress is the number one health problem in the United States. Increasing efforts are being made to emphasize the integration of emotional well-being into the broader context of a healthy, happy life and general health and productivity. Workplace and societal attitudes increasingly recognize the seamlessness of the human experience related to mental and physical health and overall well-being.

Evidence also suggests a connection between emotional well-being and physical well-being, supporting links between:

- Happiness and longevity
- Positive moods, increased immune function, and lower stress-related hormones
- A sense of enthusiasm, hopefulness, and engagement and reduced risk of coronary heart disease

Wellness program targeting dimensions

	Currently targeting	Interested in targeting	
Career	26%	26%	48%
Community	34%	23%	43%
Emotional	64%	26%	10%
Financial	55%	30%	15%
Mental	73%	21%	6%
Physical	93%	5%	2%
Social	38%	27%	35%
Spiritual	15%	20%	65%

To support emotional well-being, some companies are educating their employees on mindfulness. Mindfulness helps people become more aware of their thoughts, emotions, feelings, and behavior. This enables the individual to combat the ill effects of poor emotional health by mitigating an issue before it spins out of control. These programs are intended to help people manage stress by becoming more objective, responsive, and compassionate and to build trust with their colleagues and other stakeholders. Applying mindfulness in a business environment can support increased creativity, decrease burnout, and promote teamwork.

In addition, a number of leading companies are now taking proactive steps to directly address the stigma associated with mental health and emotional well-being. This stigma has been a barrier to employees selfidentifying for support, attaining treatment when needed and achieving successful recovery. Early results of these efforts are promising, showing improved engagement with EAPs, increased cultural awareness and more positive perceptions of emotional connections to these employers and their organizations.

Leveraging technology to activate the five pillars of change

Increasing well-being requires leveraging the principles of sustainable behavioral change. Based on decades of research in behavioral economics and psychology, we have identified five pillars that capture the best approaches to engaging people and empowering them to achieve sustainable behavior changes.

While these pillars represent familiar concepts, they have yet to be implemented in a consistent and scalable manner in support of employee engagement. Employers, long constrained by the cost of developing and maintaining high-touch programs

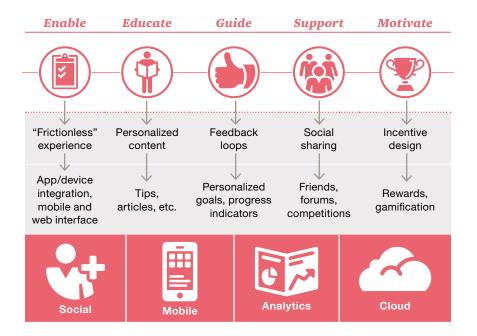
Pillars of change	Application to employee well-being
Enablement	Adapt program to employees' busy lifestyles.
Education	Provide digestible, impactful, personalized content.
Guidance	Provide personalized guidance and ongoing feed- back to celebrate success and recover from failure.
Support	Integrate social elements (e.g., ability to share goals and progress or compete with others). Social support increases motivation and is inherently rewarding.
Motivation	Improve incentive structures to align with the desired pattern of behavior and maximize impact.

that can apply these principles consistently, can look to emerging technologies that can create opportunities to promote behavioral change in support of personal health and well-being.

Social, mobile, analytics, and cloud (SMAC) technologies are giving rise to previously unattainable user experiences. Although other industries (e.g., banking, entertainment, and retail) have been leading the way, the application of these technologies to well-being strategies can provide the behavioral mechanisms that have long been lacking.

Numerous startups and established players are developing mobile apps that track relevant behaviors, create feedback loops, deliver rewards, and

"SMAC" Technology can help to enable all five "Pillars of Change"



aim to guide users through the stages of change to the point where they have established positive habits that are sustained by intrinsic motivation.

Great progress is being made toward behaviorally and technologically sophisticated well-being solutions. To make the most of technology solutions, it's important to identify the vendors that best align with the company's specific workforce and culture. Successful programs need to be customized and configured in order to earn the trust of employees as personally relevant and appealing enough to secure sustained engagement. Given the right combination of holistic scope, behavioral effectiveness, and digital engagement, New value proposition: Achieving corporate *and* paersonal well-being

the state of employee well-being tomorrow will bear little resemblance to the wellness industry of the past.

The Power of "And"

A common misperception in successfully addressing employee well-being is the assumption that these efforts occur at the expense of work or as an expense to the organization. A sustainable focus on employee wellbeing can't come at the expense of business results. Consequently, any designs for employee well-being must consider the realities of business needs and integrate an approach to achieving both—corporate and personal well-being.

Furthermore, smart design of practices, rewards, and programs will recognize the tie-ins to leadership initiatives and will often integrate multiple dimensions of happiness and engagement, as well as existing business imperatives. These "twofers" exemplify the importance of striving for the "and" in the approach to well-being. Finally, employers' current benefits and reward spend is often misaligned with what truly makes a difference in attracting, engaging, and retaining employees. Reprioritizing what drives an environment of happiness can reprioritize resources and deliver a truer return on the investment in people. Moving from an "or" mentality to an "and" paradigm will help refocus efforts on what matters most.

By realigning strategy based on a unifying vision, employers can build a holistic approach to well-being and employees can act as partners in the goal of achieving both organizational and personal well-being. By assessing and improving results on multiple levels, businesses can contribute to a more connected employee experience, higher degrees of engagement and retention, and superior, sustainable business results.



Wellness programs at a crossroads: Bridging the wellnessperformance chasm

By Michael Thompson and Theresa Gee

Wellness programs are firmly entrenched in the benefits constellation. But are they delivering fully on their promise and potential?

More than four out of five large employers offer employee wellness programs,¹ but less than one in five believe these programs are very effective across the ambitious range of objectives they're intended to meet:

- Mitigate healthcare costs
- Improve performance
- Increase productivity
- Enhance employee engagement, attraction, and loyalty.

At the same time, the advent of the Affordable Care Act has employers doubling down on wellness—with nearly 90% likely to increase health and wellness related efforts, despite doubts about their effectiveness. It's time to connect the disconnect. Let's take a closer look at what's working and how that can evolve to boost program results, enabling them to better deliver on their potential.

Wellness today: A snapshot

Although employee wellness programs have proven popular among devotees, they have suffered from low levels of participation and engagement and have often failed to produce sustainable behavioral change. Perhaps that's because wellness programs generally remain limited in scope, focusing on programs employees can use to improve their health behaviors through such means as health risk assessments, bio-metric testing, and personalized support and incentives to encourage participation.

% Employers responding	(whether or not they	had a
wellness program)		

Most common wellness programs	2014
Employee assistance program	85%
Biometric screening	78%
Health risk questionnaire	76%
Tobacco cessation	63%
Physical activity program/fitness discounts	58%
Body mass index	56%
Health coach	53%
Weight management	53%
Nutrition	46%
Onsite fitness	42%
Stress management	41%
Ergonomics	30%
Executive health exam	24%
Onsite health exam	14%

Source: 2014 Touchstone Survey

87% of employers are likely to increase their efforts related to health and wellness.

-PwC 2014 Touchstone Survey



Focused on managing costs rather than inspiring better people and higher performance While these programs have been geared to "bend the healthcare cost curve," we see limited evidence that this has been the outcome. For example, many efforts target the so-called obesity epidemic—but there is little evidence that the epidemic has turned around, or even that doing so would save employers money or improve productivity in the short term.

Similarly, while more than half (52%) of employers consider biometric screening to be the most valuable wellness program, followed by the health-risk questionnaire, these programs typically have little to do with behavior modification; employees participate primarily because they are incented to do so.

Employers are not necessarily getting much bang for the buck. Only one in 10 employers attempt to measure wellness program ROI. Savings from medical costs for disease prevention through lifestyle modification may remain unrealized for many years, perhaps even decades, and often, by then, those costs would not likely not accrue to the employer. Because of the focus on managing costs, some leaders suggest that employers are "doing wellness to people rather than for people."

What's missing? We believe the real opportunity is to be able to inspire people to take care of their physical and mental well-being—to be the best they can be, to improve energy and resilience, and to manage the capacity to enjoy a rich, rewarding, and balanced life.

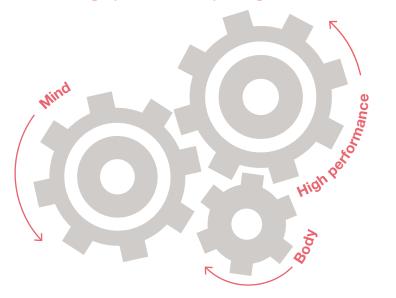
The interplay of physical health, mental health, and employee performance

While many have recognized the need to support physical and mental health, with seven out of 10 employers addressing both, there is a tendency to see these as two different areas of focus. However, the synergies between the two are significant:

Exercise, nutrition, and sleep are core elements of improving physical health—and equally critical to maintaining resilience and boosting energy and focus.

- Chronic stress, clinical depression, and anxiety are a significant drain on productivity and lost time, and they contribute significantly to healthcare and workers compensation costs.
- The existence of co-morbidities between mental health and physical health have an exponential impact on the burden of illness, both in terms of healthcare costs and lost time.
- The environmental drivers of employee engagement, which leads to higher levels of discretionary efforts, loyalty, and the quality of performance, are highly correlated with the environmental drivers of chronic stress.
- Strategies such as "mindfulness," intended to manage stress and workplace performance, can be equally effective when applied to behavioral change strategies.
- Addictions to fast foods and an ever-faster lifestyle and the stigmas associated with mental illness, burnout, and downtime tend to cause unsustainable behaviors and do not permit a healthy balance of high performance and timely recovery.

The interplay of mind, body, and performance



• When we experience the psychological sense of "flow," we are able to perform with fully energized focus and complete absorption the ultimate in high performance; this has reciprocal benefits on health and well-being. The bottom line: Physical and mental well-being need not be goals unto themselves. Rather, they are core requirements for supporting performance and sustaining a highperforming workforce and a balanced and successful life. In fact, the interplay between these elements provides a more promising and more immediate ROI from a business perspective, as well as a more engaging and inspirational motivation for employees.



Two factors render this approach even more aligned and mission-critical:

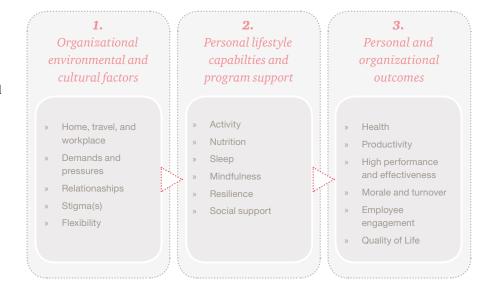
- The Millennials tend to seek an environment that supports this rich and rewarding context for employment and life.
- When the focus is on bettering performance and experience rather than managing healthcare costs, the opportunities, focus, and returns are global in nature.

This is not a benefits sidelight but rather a business and people imperative.

Rethinking the approach

Many wellness programs are in serious need of revision. While existing wellness and employee engagement efforts may provide a foundation, we see significant value in moving away from the strictly medical model of wellness and shifting to a more aspirational model of human performance. This means not only retooling the messaging, but also rethinking the approach to assessing the environment, helping employees build and sustain life skills, and assessing the wellness impact through a new lens.

The holistic view of sustainable personal and organizational wellness



Some key principles:

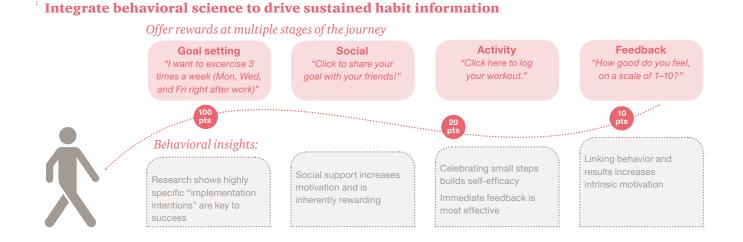
- Integrate the people and health agenda. By taking a more integrated view of employee engagement and physical and mental well-being, employers can identify a more holistic approach to intervention and outcomes.
- Refocus the conversation. Develop messages that inspire and align naturally with the people focus of the business and employees' personal aspirations. Highperforming people contribute to high-performing organizations.
- Take a fresh look at the environment. Go beyond the cafeteria and the vending machines to evaluate the healthiness of the environment. Ask: Do the work environment and culture support high levels of engagement and employees' physical and mental well-being?
- Reenergize and reward positive steps. Enable, reward, and empower people to build healthy habits and manage their lives with support as they seek it. As

importantly, ask for their support in helping their co-workers to do the same by breaking from traditions and stigmas to establish a new, more sustainable norm for the organization.

 Analyze, assess, and reward the interplay. Break down silos between wellness programs, employee engagement, and productivity. Recognize synergies and reward the impact of a new, more progressive environment.

A healthier approach

As organizations double down on their commitment to physical and mental wellness, they need to realize results for the business and the people who make it work. By re-examining overlooked synergies and integrating the approach and perspective on wellness and its potential, organizations can better align wellness to their overarching vision and values and develop an employee experience that suits the times with a sustainable culture of health, wellbeing, and high performance.



Millennials mean business and personal

By Antonia Cusumano

How a connected employee experience builds talent, trust, and tomorrow

The workforce is changing in dramatic ways, in large part, but not exclusively because of the wave of Millennials, who bring significant potential while challenging workplace norms. The evolution of this group, which could comprise up to 80% of your workforce by 2016,¹ signals profound implications for talent and engagement strategies. The behaviors of this generation are colored by their perceptions and experiences with both domestic and global economies and they place deep emphasis on their personal needs over those of the organizations for which they work. An astonishing 82% do not plan to stay with their current employer for the long term.²

Although Millennials differ in significant ways from other workforce groups, employers should remain mindful that there are also widespread similarities between these employees and their non-Millennial counterparts:

 71% of Millennials and 63% of non-Millennials say that work demands interfere with their personal life.³

- Millennials are not alone in wanting greater flexibility at work: equal numbers of non-Millennials want flexibility-enabling programs such as the opportunity to work from home, reduced work schedules, and non-traditional work hours.
- 96% of Millennials and 95% of non-Millennials prefer to communicate about career plans and progress face-to-face.⁴

When dealing with four generations of workers, who harbor some similar and some varying preferences, attitudes, and aspirations, how can employers create an environment in which each demographic group can do its best work?

Companies need powerful solutions to boost employee engagement and job satisfaction—and to foster among employees a sustainable commitment to the organization and its business performance over the long term.

The connected employee experience

The goal is to create an employee experience that attracts and motivates the workforce to give its best and take real ownership of your mission and your brand. Our research has shown that the connected employee experience arises from the interactions that occur within an ecosystem of internal and external employee relationships.

The sum of these relationships, actions, perceptions, and emotions nurtures employee effectiveness and in turn, enhances career and social well-being. Specifically:

• Social well-being: Based on the strengths of relationships with family, friends, colleagues, and acquaintances. While it's possible to cultivate social well-being in the workplace through cultures that are conducive to building strong relationships between coworkers, that's not enough.

Employees need the flexibility to spend time with friends and family and balance work in their own ways; this is particularly relevant as the Millennial generation continues to emerge and take hold.

Career well-being: Broadly defined as liking what we do every day. Not to be confused with liking each and every task, happiness with respect to career well-being generally requires some underlying meaning, opportunities that suit our strengths and interests, and enough autonomy and leadership to inspire success. Since our careers often lay the first claim to our limited time and energy, efforts to improve well-being will be fruitless for employees who return home feeling over-worked and worked over from the workday.

- 3 PwC's NextGen: A global generational study. PwC, 2012.
- 4 Ibid.

¹ PwC's NextGen: A global generational study. PwC, 2012.

² *Millennials at work: Reshaping the workplace.* PwC, 2011.

The connected employee experience: Four dimensions⁵

The connected employee experience based upon how the employee value proposition ties to your company's vision, business, and talent strategy, is distinctive to each organization. If you can design a connected employee experience tailored to your business priorities, then you can harness the power of your employees' connections, boost motivation and engagement, increase retention, and achieve common business goals.

The connected employee experience



⁵ The connected employee experience. *PwC Research*, 2013.

Dimension 1: Leadership

This requires focused thought and energy that inspires and directs and is cascaded through the organization. Leaders need to "walk the talk" and do so with authenticity and transparency: You're only leading when followers can see you and believe you. This requires vision, strategy, and management.

Vision and strategy: Happiness in career well-being generally requires some underlying meaning. Leadership's commitment and communication about the company's vision and strategy enhances an employee's career well-being. Millennials in particular want their work to have purpose and to believe that they are making a larger contribution to the world.

Reputation matters. Employees value traits in their employers similar to those they demand in consumer brands, including an emotional connection. 70% of US-based Millennials and 60% of global Millennials state that they have or will deliberately seek out employers whose corporate responsibility behavior reflects their own values.⁶ And one in five Millennial job seekers in the United States said that "corporate values that match [my] own values" makes an organization an attractive employer.⁷

To build and foster career happiness, leaders need to articulate their vision and its connection to the overall "big picture" and then be agile to align with environmental and social changes.

When it comes to corporate social responsibility programs, it's good practice to ask employees to contribute ideas. Employees want to understand the impact they are making and the success of which they are a part. Harnessing the shared values of all employees, coupled with the values contained in the company's culture and mission, can lead not only to greater business success, but also to inspired, productive, and highly impactful people.



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⁶ Millennials at work: Reshaping the workplace. PwC, 2011.



Learning and development lights a candle for happiness The incoming workforce is committed to its personal learning and development and this remains their first choice benefit from employers, followed by flexible working hours and cash bonuses. Management: It's critical that managers lead, motivate, and develop talent while listening clearly to their feedback and "going to bat" to senior leadership on behalf of their teams. Our research shows that when employees see positive, ongoing management of employee engagement, they are 20% more engaged than those who lack focus.⁸

Chiefly important is communication and feedback. The companies that are most successful at managing Millennials are those that understand the importance of setting clear targets and providing regular feedback. Telling the story about how each individual matters and the collective force of the program is a key component of any successful program that inspires the passions of its people.

Dimension 2: Development

Thirty-eight percent of Millennials who are currently working said they were actively looking for a different role and 43% said they were open to new offers. Only 18% expect to stay with their current employer for the long term.⁹

How can you retain a workforce that seems so transient? Employee engagement will be enhanced if talent recognizes their role and linkage to the company's success. Engaged employees are less likely to come home from the workplace disinterested and drained. Learning and development can play an important role.

Learning and development: A commitment here helps employees feel well prepared and trained for the work they do and illuminates available career paths. Most employees know their skills likely have a shelflife in this economy, as do their employers. It's important that businesses take a fresh look at developing existing talent, as non-Millennials are likely to leave due to a perceived lack of development opportunities.

⁸ The keys to corporate responsibility employee engagement. PwC, 2014.

⁹ Millennials at work: Reshaping the workplace. PwC, 2011.

Enter training and retraining programs. As technological advances continue to transform the workplace, learning and development becomes even more significant to bridging the gap between old and new business models. Note that 70% of Millennials say that technology makes them more effective at work.¹⁰

Some workers may need in-depth learning on new technology tools, or extensive re-training to acquire more diverse skills. Some leading companies are also stepping up learning programs through such means as partnering with universities, offering on-site higher education courses, and the like.

One key way to keep development high and employees happy is through international assignment programs. The younger generation is particularly attuned to the world around them and many want the chance to explore overseas positions. Seventy-one percent of the Millennial workforce expects to work outside of their home country as part of their career progression.¹¹ Providing a global mobility program, with either short- or long-term assignments offered outside of the employee's home country, adds to the development of the individual working abroad and helps to create a cadre of future leaders with a global mindset.

Dimension 3: Recognition

Both Millennials and non-Millennials alike desire recognition and achievement: 41% of Millennials prefer to be rewarded or recognized for their work at least monthly, with 30% of the non-Millennial workforce saying the same.¹²

Part and parcel to recognition is the opportunity for progression. And once again, the ambition of the incoming workforce is evident: the biggest draw for them is the opportunity for progression, with 52% of Millennials saying that this makes an employer an attractive prospect. Benefits and compensation also come into play here and should be taken into account. The younger generation is particularly attuned to the world around them and many want the chance to explore overseas positions. Seventy-one percent of the Millennial workforce expects to work outside of their home country as part of their career progression.

Benefits: It's important to recognize that these are just one element of recognition. With 71% of Millennials stating that their work interferes with their personal lives¹³ and many unconvinced that work is worth such sacrifice, flexible work cultures are a must.

Healthy living incentives and health and wellness programs are significant forms of benefits that contribute to social well-being. 68% of companies surveyed by PwC offer wellness programs, with 85% of large employers offering such programs. Other work-life programs that may serve as "recognition" to the employee base include:¹⁴

- 43% of employers offer telecommuting programs
- 23% offer reduced hours
- 36% flexible schedules
- 19% community service programs

- 11 PwC's NextGen: A global generational study. PwC, 2012.
- 12 Ibid.
- 13 Ibid.
- 14 Health and well-being touchstone survey results. PwC, 2013.

¹⁰ Millennials at work Reshaping the workplace.

Millennials by the numbers



Non-Millennial (before 1980) Transactional needs are more domi

- Control over work
- Development opportunities
- Pay satisfaction

Millennial (1980-1995) Social needs are more dominant

- Team cohesion
- Supervisor support & appreciation
- Flexibility

71%

Millennial employees that say that their work demands interfere with their personal lives

37%

60%+

Want the option of

working more flexibly

96%

Want to talk face-to-face

about their career plans

Millennials would like to take advantage of career opportunities overseas

20%

20% of females and 15% of males would accept 20% less pay – and a slower promotion schedule – in order to work a 40-hour week

38% Millennials do not expect to work at one place for 9 years or more (vs. 30% of non-Millennials who have same expectation)

41%

Millennials prefer to be recognized at least monthly for their work (vs. 30% non-Millennials) **Compensation:** Although pay for performance is the traditional, underlying principle for compensation, increased attention should be put on compensating via social status or intellectual rewards. Part of social well-being is the cultivation of interrelationships, but that is not all. Recognition among peers can lead to an employee's sense of social belonging and thus to increased satisfaction and engagement.

Of course, financial incentives still appeal across generations. Non-Millennials are often more influenced by financial incentives and thus more likely to leave if they feel they are not being paid competitively.

Dimension 4: Culture

An organization's culture drives how people interact and get work done. This is a chief element of social wellbeing, where the employee enjoys strength of relationships. This culture needs not only to be consistent, but also to be a culture that the employee values being a part of. Millennials say that creating a strong, cohesive, team-oriented culture at work that emphasizes a sense of community is critical to their workplace happiness. Environment, flexibility, and diversity are central to achieving this.

Environment: The workspace and the environment within the virtual or physical walls of the organization play a role in enhancing the company's culture. Social media tools can expand and enhance the workforce's ability to form relationships with people and groups at any time across organizational lines. This also enables employees to promote an additional element of their personality and identity.

Flexibility and diversity:

Millennials value diversity and tend to seek out employers with a strong record on equality and diversity. But their expectations are not always met: 55% of surveyed Millennials agreed that, "organizations talk about diversity but I don't feel opportunities are really equal for all."¹⁵ Many leading companies are addressing individual differences through customized, non-traditional work arrangements such as telecommuting, video meetings, and compressed work weeks. Truly celebrating individual differences means building a corporate culture that encourages employees to bring their

authentic selves to work in a professional manner.

Today's workforce is also diverse in that it encompasses four generations of workers, together, side-by-side. Bringing this multigenerational workforce together should be a priority task for HR. Managing a multi-generational workforce demands strong leadership, recognition that different generations may need different management styles, and new ways of thinking.

Baby Boomers and those that have been at an organization possess rich institutional knowledge, but may lack confidence in the newest technologies, a situation that puts them at risk for disengagement (and affects their social and career well-being). At the same time, the digital native generation lacks institutional knowledge, creating a skills gap. HR can build engagement while preserving and nurturing both kinds of knowledge through cross-generational coaching. HR can spearhead these efforts by using HR analytics to assess individual experiences and competencies and matching coaching expertise based on skill gaps.

Making it match

Each dimension of the connected employee experience should align with and reflect the company's own vision and purpose to cultivate truly engaged, motivated, and happy employees. These questions can provide meaningful insight:

- » What dimensions of the connected employee experience resonate the most with our company? How should we prioritize them?
- » What is the journey our employees take from hire to separation? Where do social and career well-being intersect the most on this journey?
- » How can we use technology and collaboration tools to more effectively engage employees?
- » How will we create conditions that enable everyone, regardless of diverse work experiences and backgrounds, to enhance their own, individual connected employee experience?
- » How will we measure the impact of the connected employee experience elements? How will we determine the impact on employee engagement and productivity?

Employers can gain a lot of ground by assessing their employee population and understanding its underlying characteristics and motivations. The Millennials, while sharing certain values with the generations that preceded them into the workforce, also possess distinctive tastes and triggers that will challenge employers to think differently about sustainable ways to provide incentives and encouragement in ways that will help employees find their way and help the business to remain both profitable and appealing to top talent.

15 Millennials at work: reshaping the workplace. PwC, 2011.



Fast-forward to financial wellness: Time to retire old ways of thinking

By Kent E. Allison, Emily P. Serna, and Cornell Staeger

Financial wellness is a hot topic in HR circles, with the vast majority of employers increasing their focus on employee financial wellbeing.

This is a dramatic shift from several years ago when PwC first suggested the merits of extending health and wellness programs to include financial wellness. At the time, the term "financial wellness" was alien to most organizations, which were more familiar with the terms "financial literacy" or "financial education." Fast-forward to 2014: Today, it's difficult to attend an HR conference or read a trade publication without finding a focus on financial wellness.

What is financial wellness and why is it gaining so much traction?

Perhaps it would be best to start with explaining what financial wellness is not. It's not about improving financial literacy: a person's knowledge of financial matters. Most larger organizations already have some form of employee financial literacy or financial education program in place, ranging from simple print communications or informational websites to more extensive offerings that include workshops, a helpline, and web tools.

Rather, financial wellness is about changing employee attitudes and behaviors by creating a culture that promotes financial security and helps people achieve financial independence. Integral to this approach is the acknowledgment of the many factors that influence financial decision-making.

What influences financial behaviors?

Because achieving financial wellbeing is about changing behaviors, efforts to improve financial wellbeing must be deeply rooted in behavioral science, much like programs designed to improve physical well-being. To change attitudes and behaviors in a financial wellness program, the same approach must be employed involving the key pillars of change: enablement, education, guidance, support, and motivation.



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Financial wellness is about changing employee attitudes and behaviors by creating a culture that promotes financial security and helps people achieve financial independence.

Why the change?

Given the shift away from defined benefit/pension plans to defined contribution (401(k)/403(b)) plans, ever-increasing onus is being placed on individual employees to fund their own retirement.

Financial literacy programs, even when done well, serve only to increase people's knowledge of what they "should" be doing. Unfortunately, this knowledge only infrequently translates into action, so employers who implemented these programs developed better educated employees—who still weren't taking action to improve their financial situation.

Financial literacy programs weren't going to resolve the immediate or long-term financial issues employees were facing. Something needed to change. We realized several years ago that it makes sense to move away from a financial literacy-based model to one that focuses instead on financial wellness, based on several key factors:

- The changes over the last decade or so, whereby most companies were moving away from providing a defined benefit plan/pension to their employees, leaving the 401(k) and a shaky Social Security as employees' main sources of retirement income
- 2. The negative impact the Great Recession had on employee finances, including, for many, the loss of equity in their home
- Numerous recent studies showing a growing retirement savings deficiency, exacerbated by longer life expectancies, rising healthcare costs, and competing financial priorities
- 4. The adoption by most companies of a wellness approach to physical well-being.

As time passed, a growing number of organizations began to understand the challenge: Traditional financial literacy programs, many of which were free services provided by retirement plan administrators and heavily focused on saving and investing for retirement, were not going to be sufficient to reverse the trend or to help employees deal with the underlying financial issues restricting their ability to fund a secure retirement. This is particularly true for the many who face competing priorities such as dealing with debt, sending kids to college, and caring for aging, often ailing, parents.

Financial wellness: The foundation

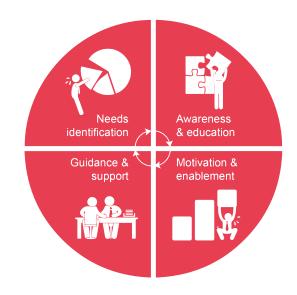
Merely educating employees about why and how they should be saving and investing for retirement was not producing the level of savings needed to replace the income previously provided by defined benefit plans. As companies and their retirement plan providers began to realize this, their initial reaction was to introduce automatic enrollment and then autoescalation features into their defined contribution plans.

While this certainly provided an initial boost to participation and savings rates, most companies did not anticipate the unwelcome side effect of higher leakage from the plans via loans and withdrawals. As a result, most companies are now realizing that they cannot resolve the entire problem by simply redesigning the features of their retirement plans or by educating employees about why they need to save more for retirement. With many employees living paycheck-to-paycheck and dealing with a substantial amount of debt, companies are coming to realize that they need to be more holistic in their approach to helping employees address their personal finances. They must recognize and address the obstacles that may be preventing employees from exhibiting the behaviors desired to improve their financial well-being and retirement readiness.

While financial education is not the primary component of a financial wellness program, we do not suggest a complete abandonment of financial education. Financial education still plays an important role in a financial wellness program in terms of helping employees understand the need to change their behaviors. However, to truly drive sustainable behavioral change and create a culture of wellness, employers first must identify the behaviors being exhibited, as compared to the behaviors that are desired. Needs identification can be achieved through various means, including assessments, examining HR data, personal financial management, software, and the like.

Being more proactive about changing financial behaviors often starts with increasing employee awareness of the need to change and then helping to remove obstacles that stand in their way. To achieve sustainable behavioral change, one must keep employees engaged and motivated, and that is where gamification and reward come in. Lastly, the development of a true financial wellness culture requires elements of support, such as having a financial coach or creating a sense of community via social networking.

PwC Financial Wellness Model based on key pillars of change



How financial wellness benefits the organization

Many studies have noted the negative impact that stress has on employees' physical well-being. With financial concerns being at the top of the list when it comes to causes of stress, there is a direct correlation between financial well-being and physical well-being. In addition, studies have shown that financial distractions at work lead to higher absenteeism and lower productivity and morale.

Unhappy employees who are facing financial challenges are also more likely to leave a company solely for the purpose of attaining higher compensation. Therefore, improving employee financial well-being can have a direct impact on a company's bottom line.

In addition to the financial benefits resulting from lower healthcare costs, improved productivity, and lower turnover, a financial wellness program can also help a company improve employees' understanding, appreciation, and effective use of the company's benefit plans. A holistic financial wellness program touches upon all of the areas of an individual's personal finances.

A key component of any financial wellness program is the identification of the financial behaviors and needs of an employee and the provision of guidance as to potential ways to improve that behavior or solve that need. Given the breadth of most large employers' benefit plans, a solution often resides with the employer. For example, employees who need to create a will or other estate planning documents can be referred to the legal services plan and those who are underinsured can be referred to group insurance offerings.

Employees struggling with debt who are considering a retirement plan loan can be referred to the financial wellness program for one-on-one coaching to help them develop a plan for managing their debt. Because it creates a connection between the employee's personal needs and a company-provided solution, this is

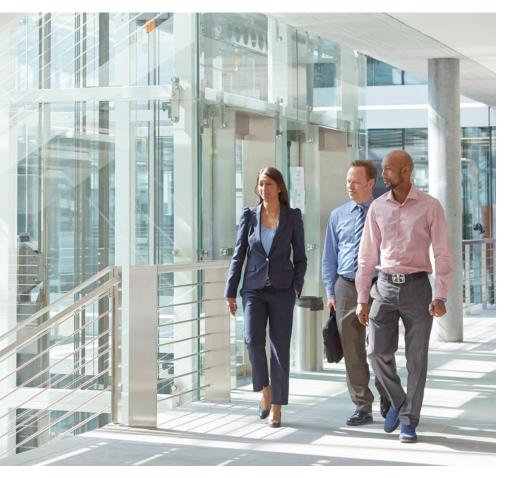


more effective than the traditional methods of communicating the value of employee benefits.

A financial wellness program can support and enhance broader compensation and benefit initiatives to meet business objectives. For example, with health and welfare design changes, many organizations have introduced and tried to entice employees to switch to more costeffective high-deductible healthcare and a general switch to consumerism in benefit plan delivery.

A financial wellness program can be used to help employees understand plan options and how they affect the employee on a holistic level, from cash-flow considerations to benchmarking benefits costs to supporting the desired change in behavior. The program can also educate employees about how to take advantage of the potential tax benefits of using health savings accounts for healthcare expenses and how to appropriately invest funds. We have seen some organizations use financial wellness programs to address some of the fundamental HR challenges facing members of an aging workforce who may be unable to retire successfully. The financial wellness program can help employees prepare for retirement earlier and understand what their needs are and how to plan for them.

These programs are most successful when viewed as a holistic coach who helps support employees in understanding and managing "what is going on at home" and addressing the fundamental need that may not be known in the typical HR data sense. A retirement-readiness component that helps employees with an individual roadmap can help talent prepare and simultaneously relieve the HR generalist of some of the burden and responsibility. The financial wellness program can help employees prepare for retirement earlier and understand what their needs are and how to plan for them.



Financial wellness takes its seat at the table

With more and more companies considering the implementation of a financial wellness program, it's important to recognize the key components of what constitutes a true financial wellness program. Many service providers are merely tweaking their financial education programs by including a financial assessment and/or more targeted communications and calling it a financial wellness program. While this certainly is an improvement over current financial literacy-based programs, it will get you only so far. A true financial wellness program must include and embrace the range of appropriate components to drive sustainable behavioral change and deliver personal, professional, and institutional advantages over the long term, both for employees and employers. Financial well-being is a critical component of well-being overall. The concept of financial wellness is still developing and programs will almost certainly need to change as the workforce, business needs, and the economy continue to evolve. But at last, financial wellness is notably and appropriately taking its place among the key components of overall employee wellness.

A true financial wellness program must include and embrace the range of appropriate components to drive sustainable behavioral change and deliver personal, professional, and institutional advantages over the long term, both for employees and employers.



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To discuss how we can help you address your critical HR issues, please contact us.

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