



BENEFITS INSIGHTS

New Perspectives from Gen Z

**What the Youngest Employees Think
about Their Workplace Benefits**

Move Over Millennials, Gen Z Has Arrived

It's hard to remember a time when headlines didn't focus on Millennials—the sheer number of the cohort, their unique views about their relationship to work, their interest in flexibility and purpose, and their supposed [entitlement mentality](#).¹

Well, Millennials are no longer the new kids on the block; Gen Z has officially entered the workforce. And, while they are still just a sliver of the United States employee population, they are poised to have a significant impact over the coming years.

¹ Millennials aren't entitled. It's employers that need to change. Rachel Thompson, Mashable, June 2018.



Who is Gen Z?

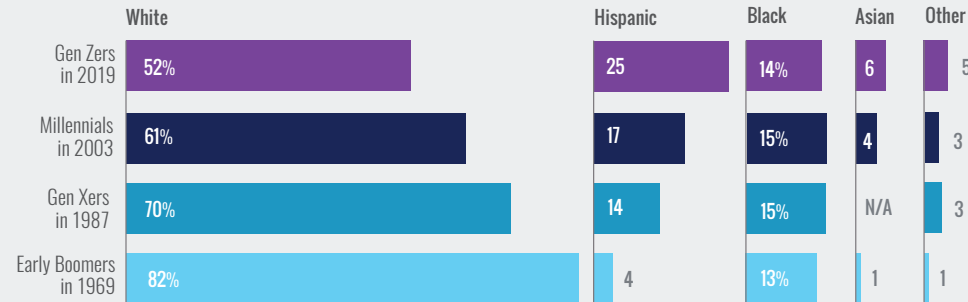
Anyone born after 1996 is considered Gen Z. That means the oldest members of this generation will be 23 in 2020, with **24 million turning 18**² before year-end.

Gen Z is the first generation in which everyone is a bona fide digital native who will grow up in the era of smart phones. From a demographic perspective, Gen Z is also more racially diverse than other generations and will likely be more educated.

Here's how Gen Z compares to their counterparts in other generations in the same age range.

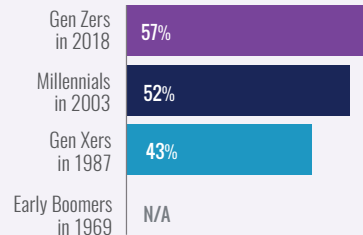
They are more diverse.

% of 7- to 22-year olds who were



They are more likely to attend college.

Among 18- to 21-year-olds no longer in high school, % enrolled in college

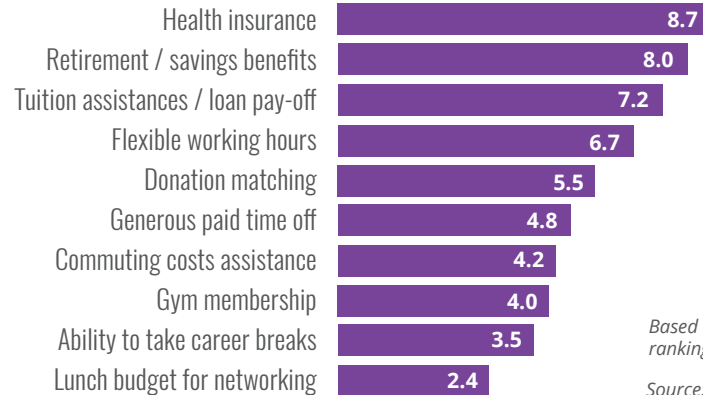


2 On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far. Kim Parker and Ruth Igielnik, Pew Research Center, May 2020.



New to the Job, Gen Z Is Already Keyed into Benefits

Gen Z has begun entering the workforce, and that means they are starting to have to understand and use benefits. According to a study by Girls With Impact, this generation, including those not yet in the workforce, definitely see the [importance of benefits](#).³ Gen Z most highly favors those benefits that protect their health and help them achieve financial security.



Based on respondent ranking of importance.

Source: Girls with Impact

These preferences fit squarely with Gen Z's focus on [financial preparedness and responsibility](#).⁴ This generation is actively seeking financial stability, shying away from the massive student loan debt that burdens Millennials and thinking about value and cost before making purchases.

³ What's on the Minds of Gen Z? Girls with Impact, 2019.

⁴ Gen Z started building wealth earlier than millennials. Hillary Hoffower, Business Insider, Sept. 2019.



89%

of Gen Zers say **planning for their financial future** makes them feel empowered

Source: Girls with Impact



Gen Z Is Interested in Benefits that Align with Their Values

In our [State of Workplace Empathy Study](#), Businessolver focused on the importance employees place on programs that align with their personal and social values. Gen Z is no different.

Two areas where Gen Z would like employers to focus is on flexibility and volunteerism.



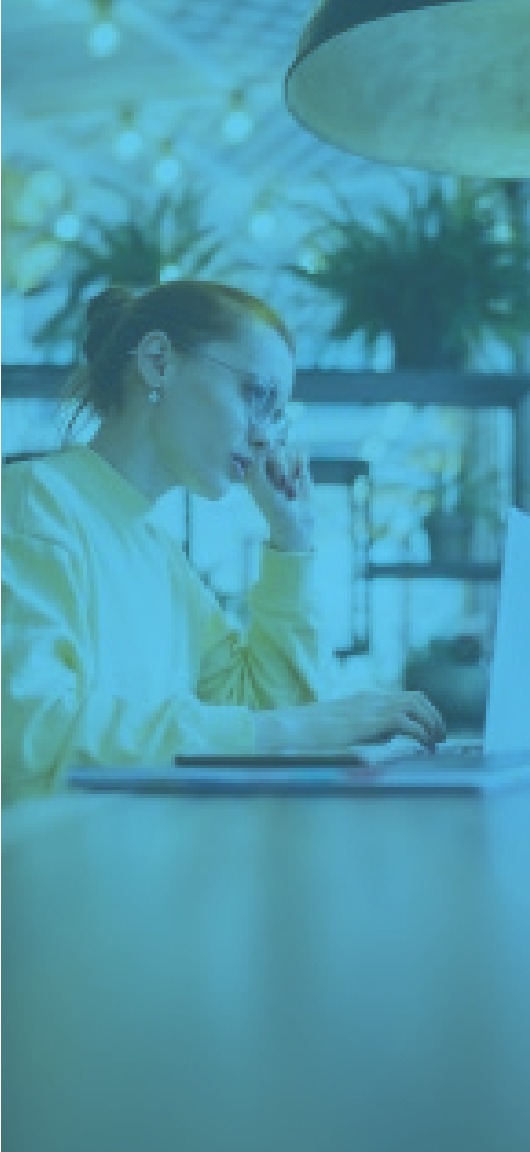
85%

of Gen Z believe workplace flexibility to care for loved ones should extend beyond children and parents



79%

of Gen Z want an employer to let them use company time to volunteer for a cause they or the employer chooses



What Factors Contribute to Gen Z's Benefits Decisions?

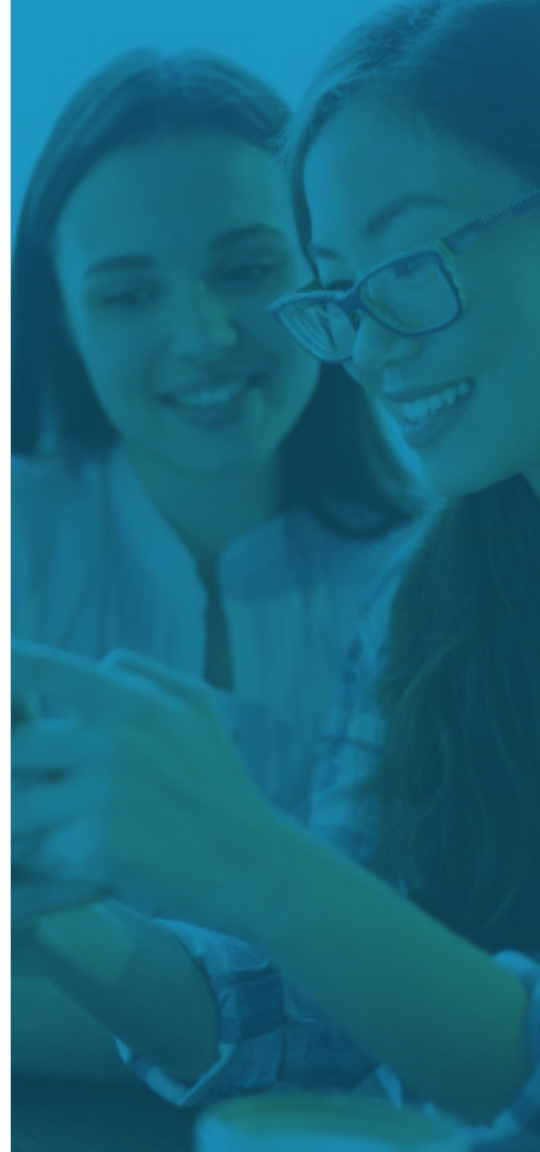
With Gen Z beginning to gain a foothold in the workforce, they are in a position to begin making their own benefits decisions.

During annual enrollment for 2020, almost 20,000 Gen Z employees used Businessolver's integrated decision guidance tool—the MyChoice™ Recommendation Engine—as they made their benefits elections [in the Benefitsolver platform](#).

The [Recommendation Engine](#) helps guide people to the most appropriate benefits choices based on their state of mind and their financial situation. Users enter personal information based on a series of specially designed questions that address factors like risk aversion, overall health and level of benefits knowledge to create a personalized set of recommendations from available options.

In the aggregate, user responses offer a snapshot of what employees are thinking and how their state of mind differs from generation to generation.

Let's take a look at some of the factors that led to Gen Z's benefits decisions based on their responses in the MyChoice Recommendation Engine.



Gen Z is Slightly More Likely to Take Risks

When asked about their level of risk tolerance, the youngest employees are more adventuresome than their oldest counterparts. Twice as many Gen Zers identified their risk tolerance level as “rock climber” compared to Boomers. However, the overall percentage in this highest risk group was still very low. Gen Z is just as likely to consider themselves a low-risk “lounger” as an employee in any other generation.

Describe your risk tendencies



Rock Climber



Golfer



Lounger

	Rock Climber	Golfer	Lounger
Gen Z	4%	34%	29%
Millennial	3%	37%	25%
Gen X	2%	39%	25%
Baby Boomer	2%	43%	27%



Gen Z Values Benefits, but They Don't Understand Them

A majority of Gen Z employees are confused about their benefits, more than their colleagues in other generations. However, that's probably to be expected and should hopefully improve over time. After all, Gen Z has the least experience with benefits and many may still be on their parents' healthcare coverage, which means they haven't needed to learn the ins and outs of medical coverage or how to use it.

On average, 86% of employees are confused about benefits, does this describe you?

Gen Z	54%
Millennial	35%
Gen X	27%
Baby Boomer	25%



Gen Z Has Dollars and Sense

Gen Z is typically in their first job, so they tend to [earn less](#)⁵ than employees who have been in the workforce longer. However, they are already able to save on par with their Millennial and Gen X counterparts.

Only Boomers are able to save consistently to a higher degree than other generations. This may be because Boomers are past their family-raising years and aren't spending on big ticket items like college costs (although many Boomers outlay resources to help their [children](#)⁶ and grandkids.)

Gen Z is actually slightly better at saving consistently than Gen X, perhaps due to Gen X being the current “sandwich” generation, raising kids while also offering [financial support](#)⁷ to parents or in-laws.

I spend less than I earn and regularly make deposits into savings accounts for emergencies (not including retirement accounts).

	Always	Sometimes	Never
Gen Z	28%	58%	14%
Millennial	29%	56%	14%
Gen X	29%	55%	16%
Baby Boomer	36%	52%	11%

5 The Average Salary by Age in the U.S. Amelia Josephson, SmartAsset, July 2020.

6 PwC's 9th Annual Employee Financial Wellness Survey, 2020.

7 Ibid.



But Gen Z Isn't Prepared for Large Healthcare Costs

Gen Z is the generation least likely to be able to cover a large ER bill. When responding to the question: Would your rainy day fund cover a large Emergency Room bill, a meager 4% have full protection. Fifty-seven percent would get soaked.

While not fully prepared for a large out-of-pocket cost, Gen Z is still partially prepared on par with other generations.

Would your rainy day fund cover a large Emergency Room bill?

	A light sprinkle	I'd get soaked	I've got an umbrella
Gen Z	30%	57%	4%
Millennial	31%		
Gen X	33%		
Baby Boomer	34%		

Note: As a result of rounding, the numbers in some charts may not add to 100%.



Many Are Focused on Creating an Emergency Fund

While Gen Z is most likely not to have a plan for an unexpected expense (27%), more than half do have a safety net of cash on hand (56%). This is less than other generations, but still sizeable. Compared to Millennials and Gen Xers, this generation is on par with saving for the unexpected. Considering Gen Z has been working and earning for less time than older employees this seems like a definite step in the right direction.

If you had an unexpected large expense, how would you pay for it?

	Don't Know	Cash	Debt
Gen Z	27%	56%	17%
Millennial	17%	61%	20%
Gen X	17%	63%	18%
Baby Boomer	11%	71%	15%

Gen Z is also less likely than either Millennials or Gen Xers to go into debt to cover an unexpected cost. This generation is wary of debt and is definitely looking to avoid it.

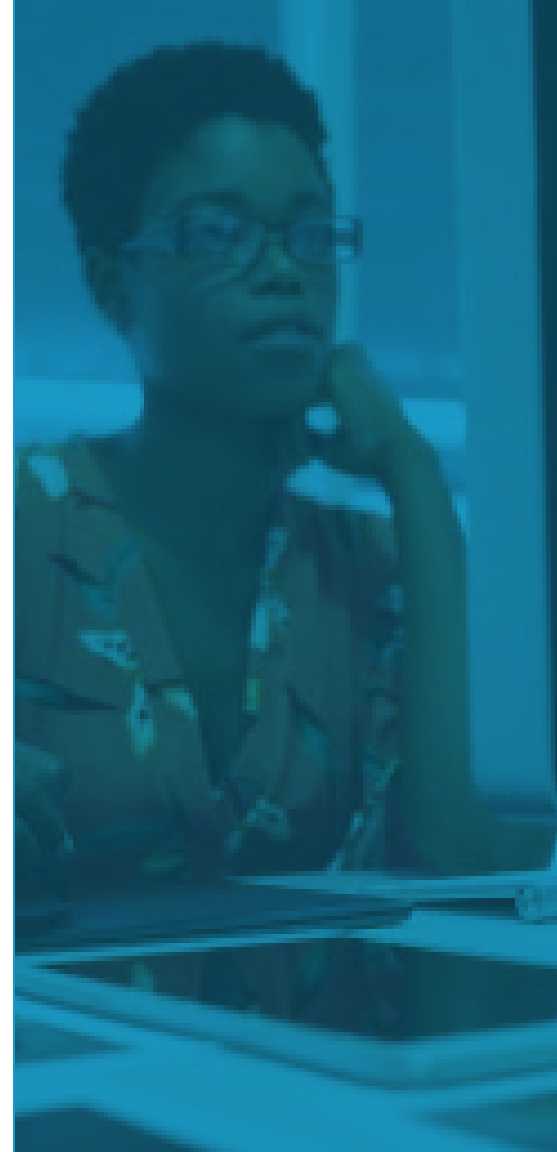


Taking Care of Gen Z

With Gen Z beginning to make its impact on the workforce felt, employers should take note about the needs of their newest employees. Laying the groundwork over the next few years will help Gen Z better engage and increase success on the job.

Gen Z is already on board with the value of benefits, but they need some education and resources. To appeal to this generation, focus on programs that encourage financial stability and preparedness and help them meet their short- and long-term goals.

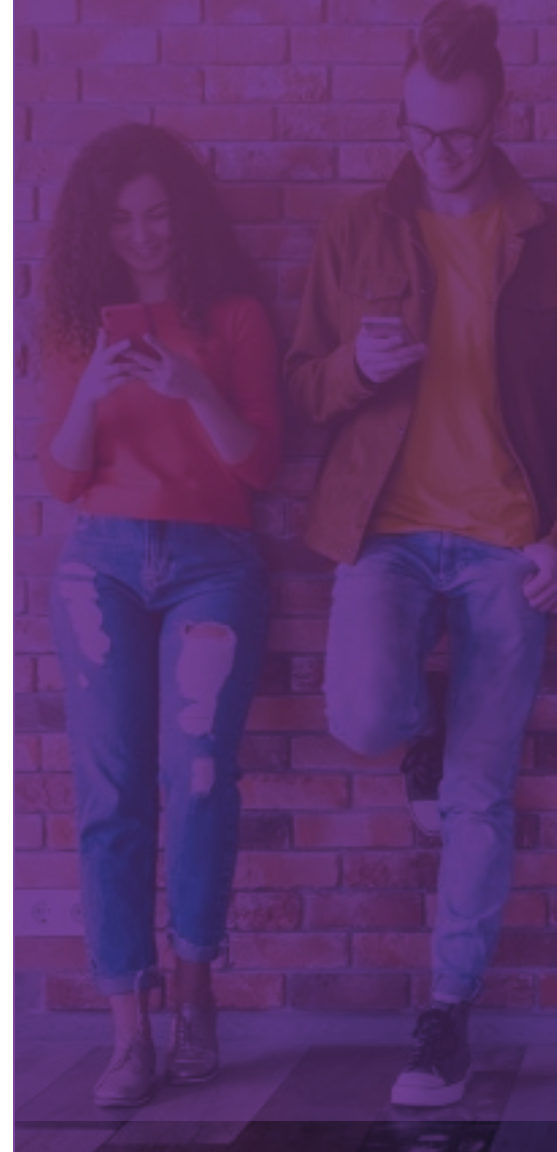
Here are three areas for employers to focus on.



1

Benefits delivery and accessibility.

Remember, Gen Z is 100% digital native and they engage with data and information on their smart phones. This generation isn't going to respond as well to paper-based benefits materials or enrollment. They expect an integrated, easy-to-use and intuitive way to select and act on benefits. They also prefer to research before making any decisions, so comparison and decision-guidance tools are critical.

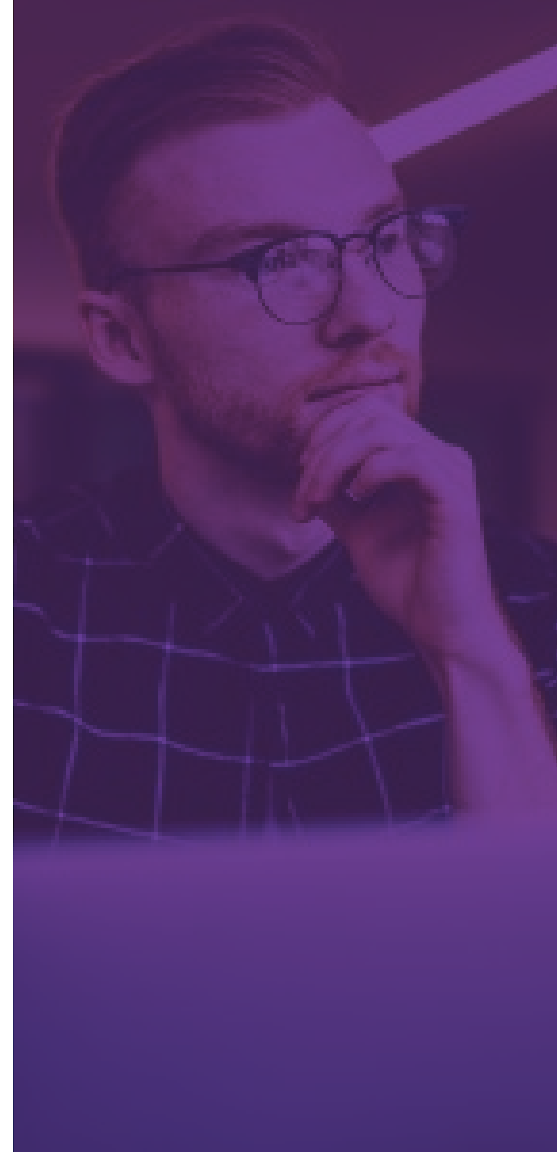


2 Benefits education.

Gen Z values benefits, but they are still new at using them. If you are onboarding employees into first jobs, consider integrating benefits knowledge into orientation or first-year training. You can even create and deliver benefits 101 tips specifically to these new employees.



These communications should be digital—think text or email—and be quick and easy to digest. Gen Z reads a lot, but content is often in small bits so follow suit to make sure you can gain and keep their attention. Short informational videos can help round out your strategy and help address the needs of visual learners.



3

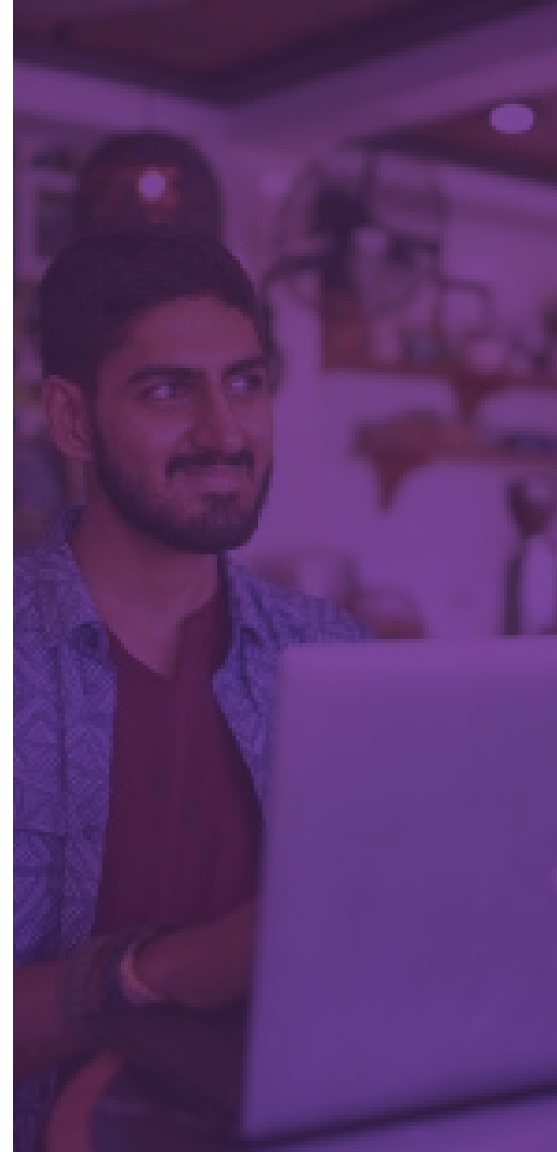
Address financial objectives...including retirement.



It may seem counterintuitive to stress an event 40+ years from now, but Gen Z is already thinking about their golden years. With their eyes on the future, Gen Z can take advantage of a long investment horizon by starting to participate in retirement saving now. Messaging about your savings plan and early investing should resonate with these employees.

Gen Z is likely dealing with student loan debt and also craves near-term financial stability, so in addition to programs that help with paying off college debt make sure you promote the value of any consumer accounts in your benefits line-up including pre-tax FSA, HSA and commuter and post-tax saving accounts. While they may be in the minority, some Gen Z may have current childcare or eldercare needs, so don't forget dependent care accounts.

To further safeguard their finances and manage their lives, Gen Z is likely to mimic Millennials in their desire for choices related to non-traditional benefits options like pet insurance, identity theft coverage and device protection.



Gen Z are the newest employees on the block, and as a generation they have some unique characteristics that impact what benefits they value and how they make their benefits decisions. Gen Z employees gave us some insights into what they were thinking when they made their 2020 benefits decisions, and employers can use these insights to continue to cultivate benefits knowledge and appreciation among these up-and-coming employees.

Want to learn more about how Gen Z—and their colleagues in other generations—make decisions about benefits? Check out our [2020 MyChoice Recommendation Engine Benefits Insights Report](#).





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