

Gartner for HR

# **Total Rewards Preferences of Millennial Professionals**

Total Rewards Research Team

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Organizations face increased pressure to optimize their rewards plans to attract and retain talent. Total rewards leaders can use this benchmark to assess millennial preferences for rewards and optimize plan design.

## Overview

Millennials, who make up nearly half of the workforce (45%), have a 13% lower intent to stay compared to the average employee.<sup>1,2</sup> As such, the pressure to offer rewards millennials value, in order to attract and retain talent, is greater than ever.

This report leverages powerful conjoint analysis to detail the rewards that are most important to millennials when compared to the average employee. This data will help total rewards leaders optimize their rewards plan design to best meet the needs and preferences of this important and unique talent segment.

## Key Findings

- Compared to the global benchmark, millennials are more sensitive to promotion and recognition.
- Millennials in the U.S. are focused on keeping medical costs low. They are 6.4% more sensitive to event-driven medical benefits than the global benchmark.
- Many millennials are beginning families, taking care of aging parents or both. This drives their increased sensitivity to family benefits compared to the global benchmark.

## Recommendations

To attract and retain millennial talent, total rewards leaders should:

- Offer frequent promotion or recognition to deserving millennials to increase their intent to stay.
- Offer and communicate a high-quality, events-driven medical benefits plan for U.S.-based millennials. In particular, they should focus on keeping hospital out-of-pocket maximums low.
- Focus on increasing the quality of their family benefits plans. In particular, they should consider offering paid elder care.

Introduction

Millennials, who now comprise a plurality of the workforce, tend to be younger and earlier in their careers than the global benchmark, although their seniority varies. Millennials tend to be well-educated and are slightly less likely to be married than the global benchmark. Even so, millennials are the family generation: Many of them are simultaneously starting families while taking care of aging relatives. Because of this, millennials tend to place a high value on family benefits. Additionally, because of stagnant wage growth, millennials tend to place a premium on minimizing event-driven medical maximums, as well as rapid promotion and recognition as a means to boost compensation.

Guide to Understanding Employee Preferences

As the competition for top talent increases, total rewards leaders face increased pressure to optimize their reward plans to attract and retain talent. Our latest global conjoint survey assessed the preferences of more than 10,000 employees from over 20 countries for 12 distinct total rewards categories and over 70 attributes within those categories.

We used conjoint survey methodology to determine how employees value different components of the rewards package. Conjoint surveys require respondents to actively select the packages of greatest value to them from various packages with different designs, forcing respondents to make trade-offs between levels of attributes. This technique provides a more realistic assessment of individual preferences than traditional survey data.

There are three levels of data: rewards category, rewards attributes and levels of an attribute (see Figure 1). For these levels, there are two different types of conjoint score: sensitivity scores and utility scores.

Figure 1: Levels of Conjoint Data

Levels of Conjoint Data

Level	Example	Score
1. Rewards Category	Time off	<b>Sensitivity score:</b> Indicates how sensitive employees are to changes in a category or attribute; sensitivity scores are scaled so that 1.0 equals employee sensitivity to a change in base pay.
2. Rewards Attribute	Paid vacation days (attribute within time off)	
3. Levels of an Attribute	The number of paid vacation days offered (levels within paid vacation days)	<b>Utility score:</b> Indicates employees' preferred level of an attribute; a higher score indicates employees value that level over another in the attribute.

Source: Gartner  
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The data in this analysis is known as sensitivity scores. Sensitivity scores indicate how sensitive employees are to changes in rewards. They reflect how important a reward is to employees, or more simply, how much they care about that reward. Scores are scaled so that 1.0 equals employee sensitivity to a change in base pay. In all cases, millennials are compared with the global benchmark to identify the rewards offerings they are uniquely sensitive to, providing the greatest opportunity to be responsive with rewards plan design changes.

By leveraging the data in this report, you can:

- Assess which rewards categories millennial employees are most sensitive to compared to a change in base pay.
- Understand millennial employee preferences for the rewards attributes of various benefits compared to the global benchmark.

## Millennial Professionals Demographics

In general, millennials are well-educated, more junior and less likely to stay at their organizations than the global benchmark. Almost two-thirds of millennials have a university degree or above, compared to less than half of employees in the global benchmark (see Figure 2). Additionally, the average millennial professional is 30 years old — eight years younger than the global benchmark — and 13% less likely to stay at his or her organization.

Despite their younger average age, almost two-thirds of millennials are married and most have children. In fact, the family-centric nature of this workforce segment drives a subset of its preferences.

Figure 2: Millennial Professionals Demographics

Millennial Professionals Demographics  
Compared to the Benchmark

Characteristic	Benchmark	Millennial Professionals <sup>a</sup>
Average Age	38 years	▼ 30 years
Percentage Who Are Parents	57%	■ 58%
Percentage Who Are Married	67%	▼ 64%
Percentage With University Degree and Above	41%	▲ 65%
Intent to Stay		▼ 13% less likely to stay at their organization

n = 4,930  
Source: 2019 Gartner Total Rewards Employee Preferences Survey  
<sup>a</sup> Millennial Professionals: Born between 1981 and 1996 (ages 18-37 as of 2018).  
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Medical, Family and Promotions Matter

Compared to the global benchmark, three categories stand out as particularly important to millennials: event-driven medical, family benefits, and promotion and recognition.

Millennials are 5.0% more sensitive to a change in promotion and recognition than the global benchmark (see Figure 3). It is possible millennials desire more recognition than other talent segments and view promotion and recognition as an effective way to grow their pay.

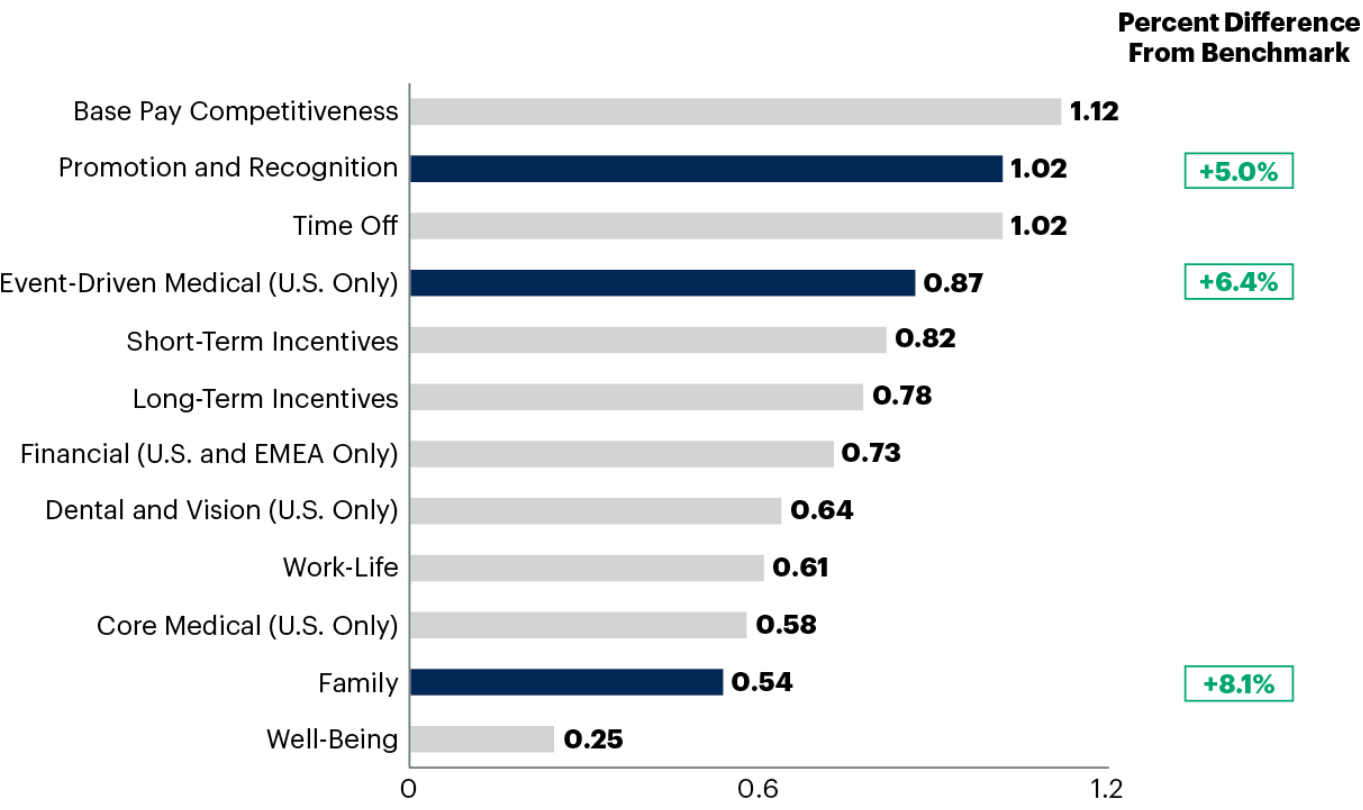
Millennials are 6.4% more sensitive to a change in event-driven medical than the global benchmark. This is likely due to high healthcare costs, something which may come as more of a shock to millennials, many of whom are paying their medical bills for the first time.

Millennials diverge the most from the global benchmark on family benefits. Millennials are over 8% more sensitive to a change in family benefits than the global benchmark (8.1%). As millennials face the dual challenge of raising families while caring for aging parents, they are especially sensitive to changes in these offerings.

Figure 3: Millennial Professional Preferences for Rewards Categories

Millennial Professional Preferences for Rewards Categories

Sensitivity Score



n = 4,930  
Source: 2019 Gartner Total Rewards Employee Preferences Survey  
Note: 1.0 is equal to employee sensitivity to a change in base pay.  
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More Promotions and More Recognition

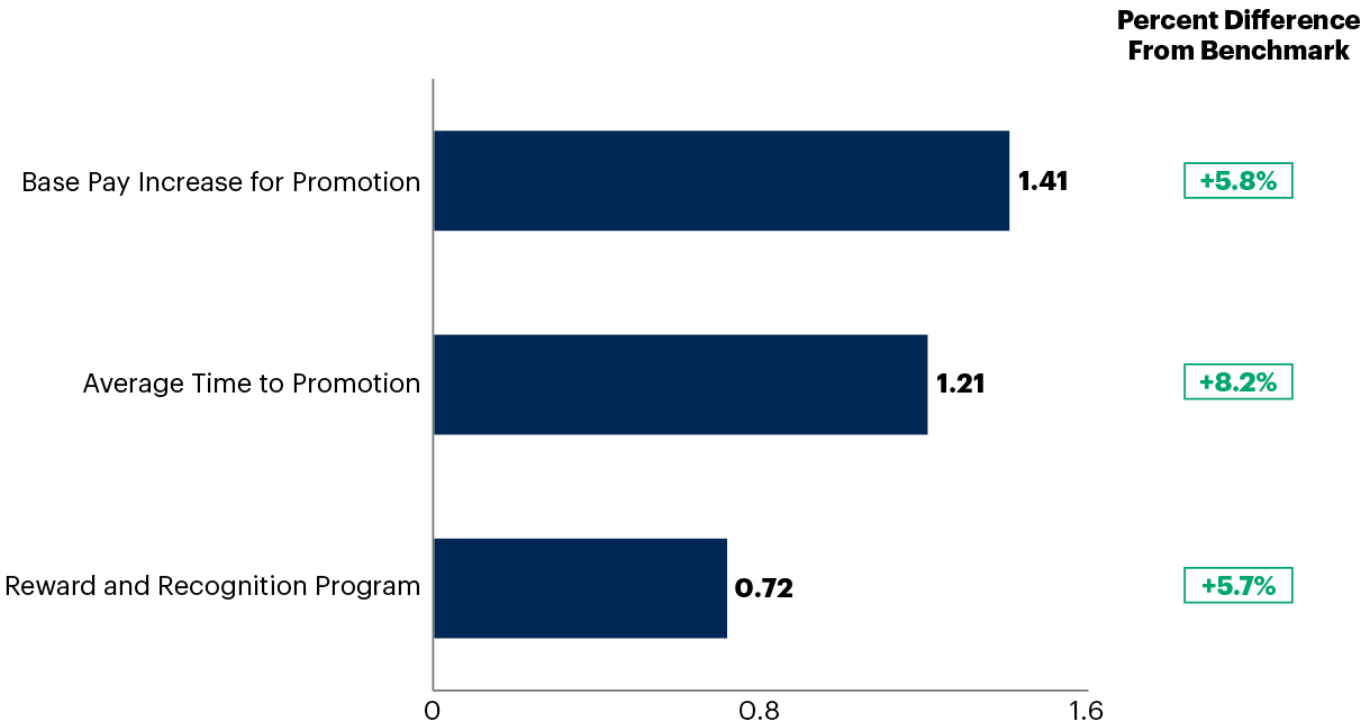
Millennials are 8.2% more sensitive to a change in the average time to promotion than the global benchmark (see Figure 4). Additionally, they are 5.8% more sensitive to an increase in base pay for performance than the global benchmark and 5.7% more sensitive to changes in rewards and recognition programs than the global benchmark.

To attract and retain millennials, rewards leaders should consider the importance of career growth to this talent segment and strive to recognize contributions both monetarily and otherwise.

Figure 4: Millennial Professional Preferences for Promotion and Recognition Attributes

Millennial Professional Preferences for Promotion and Recognition Attributes

Sensitivity Score



n = 1,110  
Source: 2019 Gartner Total Rewards Employee Preferences Survey  
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Event-Driven Medical Important

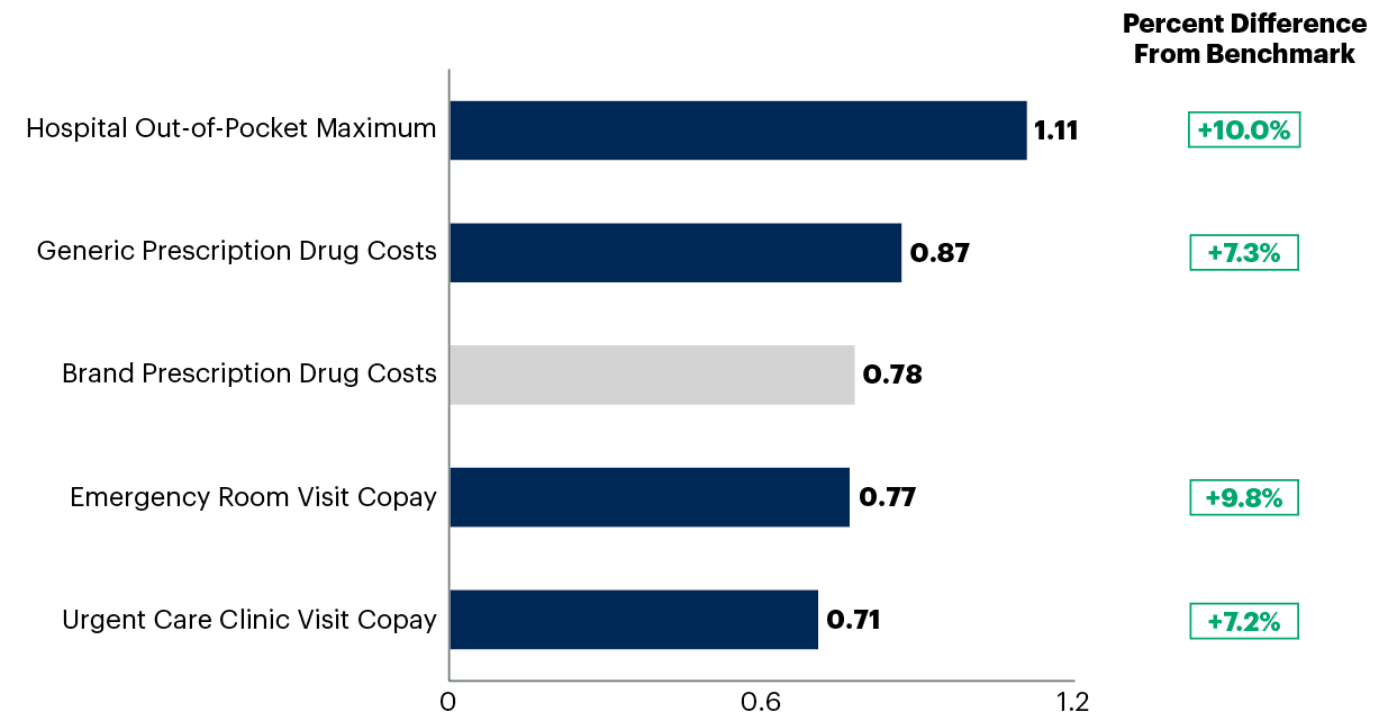
Millennials are 10% more sensitive to a change in hospital out-of-pocket maximums than the global benchmark (see Figure 5). Importantly, their sensitivity score for this category is greater than 1, indicating millennials are more sensitive to a change in hospital out-of-pocket maximums than they are to a change in base pay. In other words, millennials prefer minimizing the financial risk posed by high-cost, event-based medical maximums over a change in base pay.

Millennials are also more sensitive to changes in generic prescription drug costs (7.3%), emergency room visit copay (9.8%) and urgent care clinic visit copay (7.2%) than the global benchmark. When selecting a health plan, organizations should consider the importance millennials place on minimizing event-driven medical maximums and having access to affordable generic prescription drugs.

Figure 5: Millennial Professional Preferences for Event-Driven Medical Attributes

### Millennial Professional Preferences for Event-Driven Medical Attributes

Sensitivity Score



n = 252 (U.S. Only)

Source: 2019 Gartner Total Rewards Employee Preferences Survey

Note: 1.0 is equal to employee sensitivity to a change in base pay.

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## Millennials Are the Family Generation

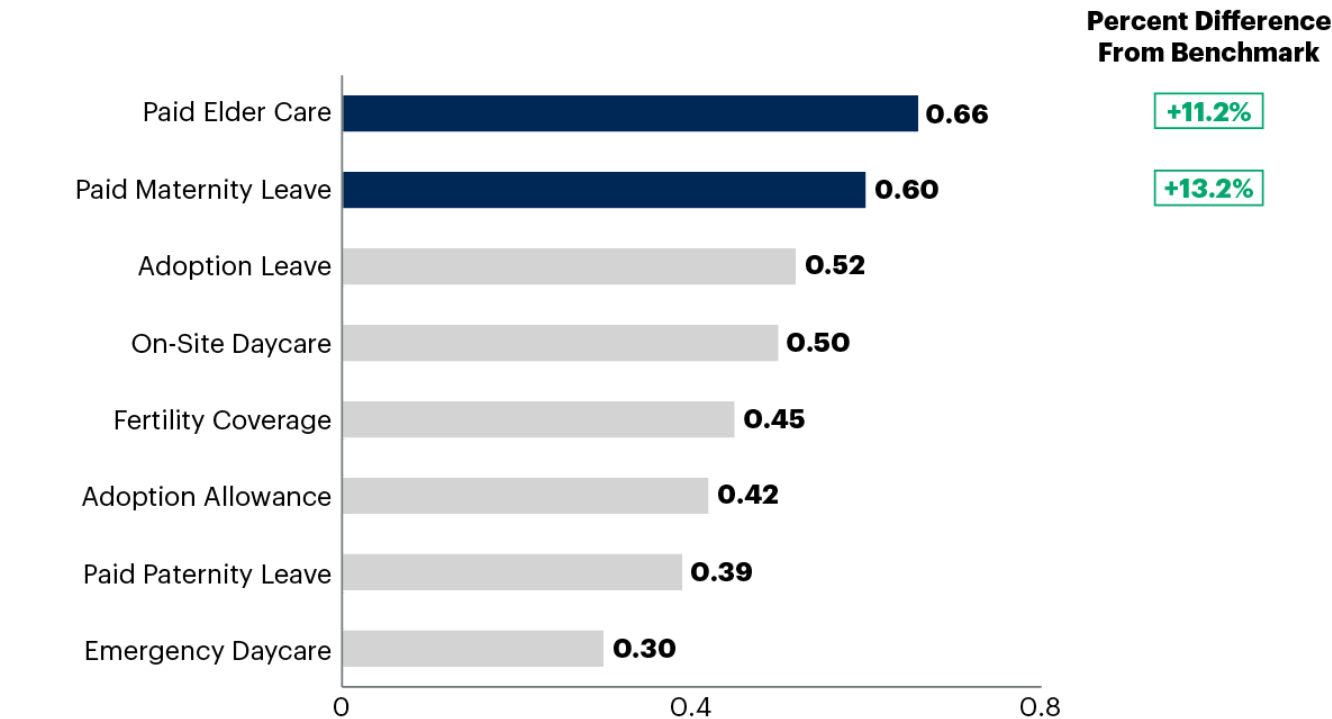
Millennials are disproportionately more sensitive to changes in family benefits compared to the global benchmark. They are 11.2% more sensitive to a change in paid elder care, and 13.2% more sensitive to a change in paid maternity leave (see Figure 6). Given that the average millennial professional is 30 years old, the sensitivity to changes in these offerings makes sense: Millennials are currently starting families as well as taking care of their aging parents.

Rewards leaders can drive value for millennials by offering a comprehensive family benefits package. In particular, they should focus on offering paid elder care, which only one-third of organizations currently offer (34%).<sup>3</sup>



Figure 6: Millennial Professional Preferences for Family Benefits Attributes

Millennial Professional Preferences for Family Benefits Attributes  
Sensitivity Score



n = 1,092  
Source: 2019 Gartner Total Rewards Employee Preferences Survey  
Note: 1.0 is equal to employee sensitivity to a change in base pay.  
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Conclusion

Millennials, now the largest segment of the workforce, are less likely to stay at one organization than the global benchmark. However, rewards leaders who understand their preferences can design rewards that better retain this critical talent segment.

Millennials value frequent promotion and recognition. This is indicative of their underlying preference to work on interesting tasks and increase their salaries, both of which are linked to promotion. Additionally, given the stagnant wage growth of the past decade, millennials are focused on minimizing their exposure to high-cost event-driven medical expenses, which can pose a severe financial burden. Lastly, as many millennials are starting families as well as taking care of aging parents, they place more importance on family benefits than the global benchmark.

## About This Research

This research is based on a conjoint survey of over 10,000 employees from across 22 countries and over 20 industries to assess employee preferences for rewards across the entire portfolio.

Unique employee segments were identified through a thorough analysis of the data to identify the segments that diverged the most from the global benchmark as well as being informed by interviews with over 40 rewards leaders.

## Endnotes

<sup>1</sup> 2018 Gartner Benefits Communication Employee Survey

<sup>2</sup> 2019 Gartner Total Rewards Employee Preferences Survey

<sup>3</sup> 2018 Gartner Benefits Communication Employee Survey

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