THE RISE *of the* MILLENNIAL EMPLOYEE:

A Paychex | IHS Markit Small Business Employment Watch

SPECIAL REPORT

MILLENNIALS ARE NOW THE LARGEST GENERATIONAL EMPLOYEE GROUP WORKING IN THE SMALL BUSINESS SECTOR.

Their wages, geographic distribution, and industry preferences are key indicators of the future of the American workforce.

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small BUSINESS Employment Watch

SINCE 2016

MILLENNIALS
HAVE CONSISTENTLY BEEN THE
LARGEST GROUP IN THE WORKFORCE

Where *they work,* **what** *they do,*
& **how much they make** *provide*
valuable insights *into current*
& *future employees in the USA*

GROWTH *of* MILLENNIALS *in the* SMALL BUSINESS WORKFORCE

- ■ Millennials (born 1981-1997)
- ■ Generation X (born 1965-1980)
- ■ Baby Boomers (born 1946-1964)
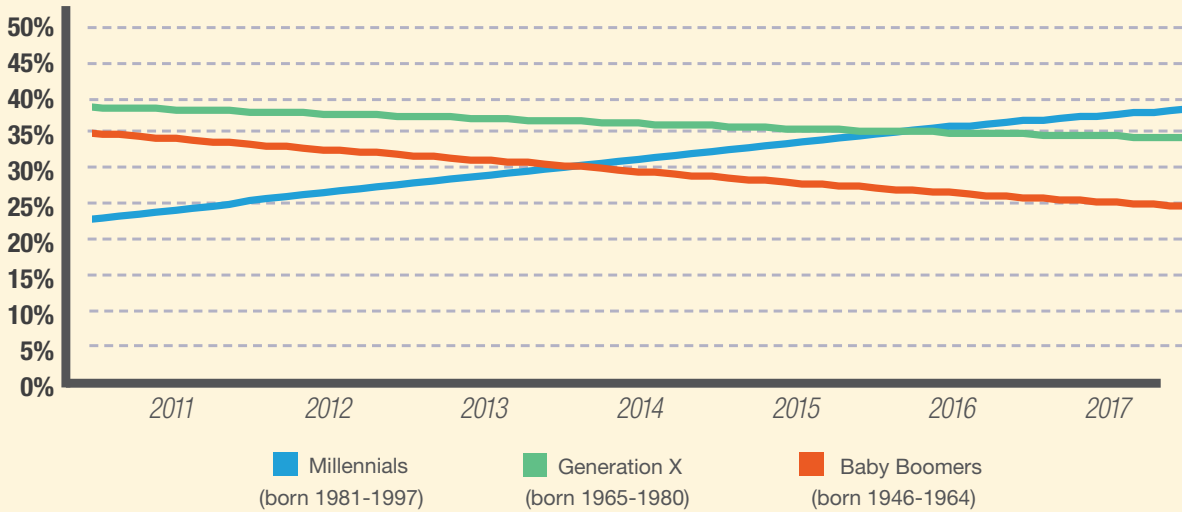
While Millennials have now surpassed other generations to become the workforce majority, notable differences can be seen when comparing the Millennial generation to the national average, especially when examining Millennial wages.

$ **MILLENNIALS MAKE**
21.80/hour
$5.78/hr less than the national average

HOWEVER,
their annual hourly earnings
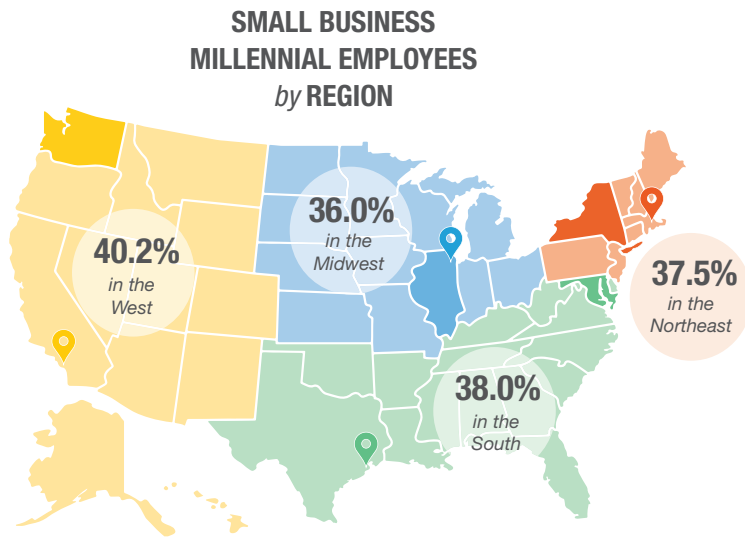**GROWTH RATE** *as of* **SEPTEMBER 2017**

is nearly **DOUBLE**
the national rate,
5.8% compared to 3.0%

Millennials work slightly fewer weekly hours than the national average, 38.6 hours, compared to 38.8 hours nationally. Millennial males work approximately two more hours per week than Millennial females, 39.6 and 37.5 hours, respectively.

Female employees make up 45.3% of the Millennial full-time employee population, compared to 54.7% for males. For all full-time employees, the gender gap is wider, as females make up 43.9%, compared to 56.1% for males.

WHERE IN THE U.S. ARE MILLENNIALS WORKING?

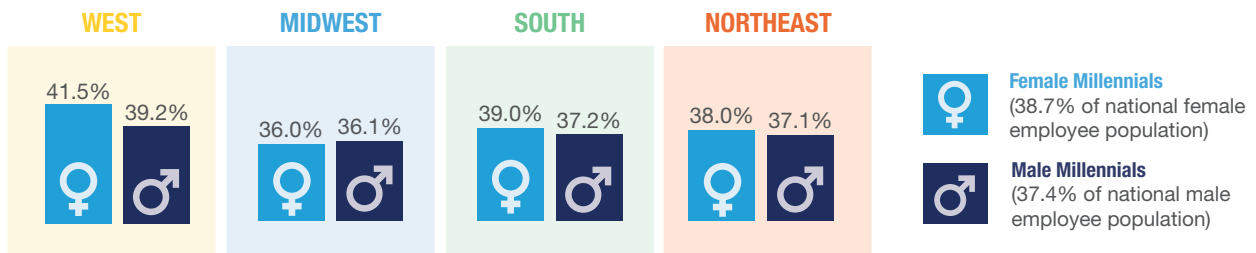*Proportion of Millennial employees in each region compared to the national average.*

SMALL BUSINESS MILLENNIAL EMPLOYEES *by* REGION

40.2% *in the West*

36.0% *in the Midwest*

37.5% *in the Northeast*

38.0% *in the South*

Nationally, Millennials are 38.0% of the employee population.

STATES *and* METRO AREAS *with the* HIGHEST PERCENTAGE *of* MILLENNIAL EMPLOYEES *per* REGION

Washington *(41.1%)*

Illinois *(38.1%)*

Maryland *(41.7%)*

New York *(39.5%)*

- Riverside, CA *(41.4%)*
- Chicago, IL *(38.5%)*
- Houston, TX *(39.8%)*
- Boston, MA *(39.6%)*

PROPORTION *of* SMALL BUSINESS MILLENNIAL EMPLOYEES *by* REGION *and* GENDER

WEST	MIDWEST	SOUTH	NORTHEAST
41.5% / 39.2%	36.0% / 36.1%	39.0% / 37.2%	38.0% / 37.1%

Female Millennials (38.7% of national female employee population)

Male Millennials (37.4% of national male employee population)

The proportion of Millennial employees in each region is within 2.2% of the national average, but there are still some areas of the country where the Millennial generation is more concentrated.

The West has the highest percentage of Millennial employees at 40.2%, while the Midwest has the lowest percentage of Millennial employees (36.0%).

THE % *of* MILLENNIAL *female employees is* **HIGHER** *than the male percentage in each region* (except the Midwest)

THE WEST *has the highest % of* MILLENNIAL FEMALE *employees* (41.5%)

IN WHICH INDUSTRIES ARE MILLENNIALS WORKING?

Proportion of Millennial employees in each industry compared to the national average.

## SMALL BUSINESS MILLENNIAL EMPLOYEES *by* INDUSTRY

INDUSTRY	Overall (38.0% of national employee population)	Female (38.7% of national female employee population)	Male (37.4% of national male employee population)
Construction	37.3%	30.0%	38.8%
Education and Health Services	38.7%	40.4%	32.5%
Financial Activities	32.6%	32.4%	32.9%
Leisure and Hospitality	49.9%	49.7%	50.1%
Manufacturing	31.8%	31.1%	32.0%
Other Services (except Public Administration)	37.9%	38.0%	37.9%
Professional and Business Services	39.1%	39.7%	38.6%
Trade, Transportation, and Utilities	36.3%	37.3%	35.8%

Due to major technological innovations, job roles in every industry look very different today than they did when previous generations entered the workforce. Today, Leisure and Hospitality has the highest percentage of Millennial employees (49.9%), while Manufacturing has the lowest percentage of Millennial employees (31.8%).
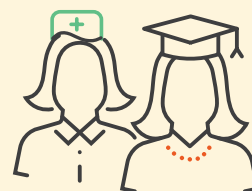
the largest **GAPS** between the **%** of male and female **MILLENNIAL EMPLOYEES** can be found in **EDUCATION** ♀♂ & *HEALTH SERVICES* and *CONSTRUCTION*
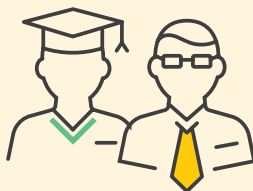
THE CONSTRUCTION INDUSTRY has *6.2x* more males than females

&

THE EDUCATION AND HEALTH SERVICES INDUSTRY has *4.4x* more females than males

ARE MILLENNIALS HELPING TO CLOSE THE GENDER PAY GAP?

HOURLY EARNINGS *of* FEMALES VERSUS MALES *in* SMALL BUSINESS
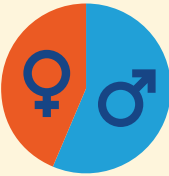
GENERATION	OVERALL		FEMALE		MALE	
	$/Hr.	Annual Growth Rate	$/Hr.	Annual Growth Rate	$/Hr.	Annual Growth Rate
Overall	$27.58	3.0%	$23.95	3.3%	$30.59	2.9%
Millennials	$21.80	5.8%	$20.44	5.3%	$23.03	6.2%

Millennials earn less than the national average, likely due to Millennial employees being in the early stages of their careers.

What's particularly noteworthy when looking at Millennial pay compared to the national average is the generation's impact on the gender pay gap.

FULL-TIME *female* Millennial employees earn **$20.44** *per hour* compared to **$23.03** per hour for male MILLENNIAL EMPLOYEES That's a **$2.59** difference compared to **$6.64** NATIONALLY

The gender gap is narrower among Millennials than employees of all generations, but the gap could widen again as Millennials climb the workforce ladder.
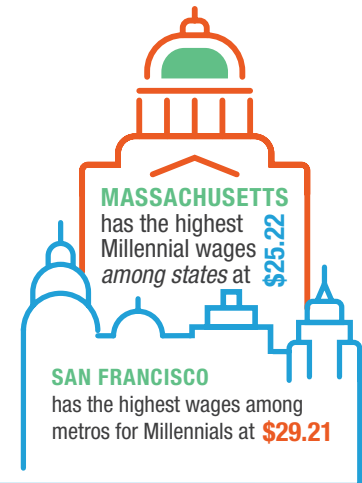
THE ANNUAL *wage growth rate for* **male** MILLENNIALS IS FASTER *than that of Millennial* FEMALES **6.2** VS. **5.3** **%** *(respectively)*

WHERE ARE FULL-TIME MILLENNIAL EMPLOYEES EARNING THE MOST?

And where are their wages growing fastest?

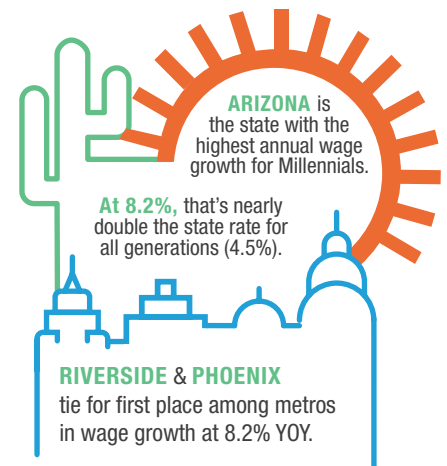## MILLENNIAL HOURLY EARNINGS *by* REGION

REGION	Overall ($21.80)	Female ($20.44)	Male ($23.03)
South	$20.99	$19.43	$22.39
West	$22.96	$21.69	$24.02
Northeast	$22.44	$21.35	$23.31
Midwest	$20.60	$18.79	$22.28

MASSACHUSETTS has the highest Millennial wages *among states* at **$25.22**

SAN FRANCISCO has the highest wages among metros for Millennials at **$29.21**

MILLENNIAL ANNUAL WAGE GROWTH *by* REGION

REGION	Overall (5.8 %)	Female (5.3 %)	Male (6.2 %)
South	5.9%	5.2%	6.5%
West	6.5%	6.4%	6.1%
Northeast	5.7%	5.2%	6.1%
Midwest	5.7%	5.1%	6.1%

ARIZONA is the state with the highest annual wage growth for Millennials.

At 8.2%, that's nearly double the state rate for all generations (4.5%).

RIVERSIDE & **PHOENIX** tie for first place among metros in wage growth at 8.2% YOY.

Compared to all-generation wages, Millennials earn between 78 cents and 80 cents on the dollar across all regions, but there are some differences across regions when it comes to hourly earnings and yearly growth rates.

The Midwest has the lowest hourly rate and growth rate for Millennials ($20.60 and 5.7%); the West has the highest ($22.96 and 6.5%).

The Midwest and South are the lowest-paying regions and also have the largest gender pay gaps, 84 cents and 87 cents on the dollar, respectively, among Millennials.

THE WEST *is the only region* **WHERE FEMALE MILLENNIALS** *have a faster year-over-year* **GROWTH RATE** **IN WAGES** *than their male* **COUNTERPARTS**

It's also the region with the highest percentage of female Millennial employees (41.5%)

IN WHICH INDUSTRIES ARE FULL-TIME MILLENNIAL EMPLOYEES EARNING THE MOST?

And in which industries are their wages growing fastest?

MILLENNIAL HOURLY EARNINGS *by* INDUSTRY

INDUSTRY	Overall ($21.80)	Female ($20.44)	Male ($23.03)
Construction	$22.02	$20.52	$22.27
Education and Health Services	$21.06	$19.81	$27.32
Financial Activities	$25.12	$21.88	$29.13
Leisure and Hospitality	$15.51	$15.23	$15.89
Manufacturing	$20.32	$19.42	$20.74
Other Services (except Public Administration)	$20.36	$19.27	$21.27
Professional and Business Services	$26.05	$24.02	$27.93
Trade, Transportation, and Utilities	$19.64	$18.48	$20.35

MILLENNIAL ANNUAL WAGE GROWTH *by* INDUSTRY

INDUSTRY	Overall (5.8%)	Female (5.3%)	Male (6.2%)
Construction	5.7%	5.7%	5.8%
Education and Health Services	6.2%	5.5%	8.7%
Financial Activities	5.3%	5.2%	5.7%
Leisure and Hospitality	5.7%	5.7%	5.9%
Manufacturing	5.6%	5.4%	5.8%
Other Services (except Public Administration)	7.4%	7.2%	7.8%
Professional and Business Services	5.3%	5.1%	5.3%
Trade, Transportation, and Utilities	6.7%	5.9%	7.2%

Millennials in Professional and Business Services earn the most at $26.05/hour, but have the lowest growth rate at 5.3%.

With the exception of Other Services, Trade, Transportation, and Utilities has the highest Millennial wage growth rate (6.7%).

Millennials in Leisure and Hospitality make the least at $15.51/hour, but that's only $2.28 less than the national average of $17.79/hour.

at **87¢** *to the dollar, the* **MILLENNIAL** *to national hourly* **EARNINGS RATIO**

in Leisure and Hospitality is the **CLOSEST** *among industries*

as **MINIMUM WAGE INCREASES** *are likely impacting* **the pay scale**

Though the Millennial gender pay gap is smaller in every industry compared to the all-generation gaps, in no industry do female Millennials outpace males in wage growth.

WHAT DOES THIS MEAN?

Now that you have a snapshot of the geographic and industry concentration of Millennial employees, along with their wages, here are a few actionable tips for HR leaders on engaging Millennial talent in the workforce throughout their employment journey, provided by the HR experts at Paychex:

ATTRACTING MILLENNIAL TALENT

- Listen to what Millennials are looking for in a workplace. Be transparent and clear in your expectations, too. When that communication starts from the beginning of the employment relationship, there are no surprises from either side later on.

- Be willing to offer flexible work hours, work from home/telecommuting options, casual dress days, etc. Not only will it show Millennial employees you're listening to their needs, but also that you value their thoughts and ideas.

- Don't rush, but move quickly in the recruitment process. Millennials don't like to drag out their job decisions. Be proactive and effective in your recruitment effort.

ENGAGING MILLENNIAL TALENT

- Millennials appreciate goal-oriented feedback that is effective and personalized with a focus on results. In a generation that values being part of a company culture and working toward organizational goals, you can build excitement by tying those to performance expectations.

- Offer meaningful work opportunities. Millennials seek to be effective and impactful in their roles. As the job allows, let them work on projects that they are passionate about that also impact results.

- Foster connections. Whether through a mentor, their colleagues, or the company as a whole, Millennials want to feel connected to their organization. Feeling like they have a stake in the game and that their voice is heard can help keep them engaged.

GROWING MILLENNIAL TALENT

- Provide Millennials with opportunities for development, whether a special project, exposure to other departments, or classes/training outside of the workplace. Provide tangible opportunities that will naturally elevate them to the next level.

- Give Millennials the confidence needed to advance their performance and careers. By blending their passions with the company's goals, you can mold them to fit well within the organization without taking away their identity.

- Ask them early on about their career aspirations, develop a plan to help them get there, and regularly monitor progress toward those milestones.

About the Paychex | IHS Markit Small Business Employment Watch Special Report

The data presented in this report is as of September 2017 and reflects an analysis of hourly earnings rates among full-time Millennial employees versus the full-time national average. The data is taken from the Paychex | IHS Markit Small Business Employment Watch.

The Paychex | IHS Markit Small Business Employment Watch is released each month by Paychex, Inc., a leading provider of payroll, human resource, insurance, and benefits outsourcing solutions for small- to medium-sized businesses, and IHS Markit, a world leader in critical information, analytics, and expertise.

Focused exclusively on small business, the monthly report offers analysis of national employment and wage trends, as well as examines regional, state, metro, and industry sector activity. Drawing from the payroll data of approximately 350,000 Paychex clients, this powerful tool delivers real-time insights into the small business trends driving the U.S. economy.

For more information on the Paychex | IHS Markit Small Business Employment Watch, including a detailed methodology, visit www.paychex.com/employment-watch.

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