

generations at work

new expectations & incentive requirements

By David Turetsky, Workscope

Most workplaces have a wide range of generational representation. With a constant influx of young people, employers can count on change. The maturing workforce has different needs than when it first set out on its career journey. Likewise, newcomers to the job market are bringing a different set of needs and expectations to the workplace. To effectively recruit and retain talent, employers need to implement compensation plans that appeal to their diverse populations and meet the individual needs of workers who are at

varying points in their professional and personal lives.

Generation Y, the newest generation entering the workforce, is bringing yet another set of expectations to the workplace that is different than their predecessors. Understanding what makes them tick is the key to driving higher performance from the fastest-growing segment of the workforce. Generation Y wants to be treated with respect and recognized for its contributions to an organization's success. However, unlike its baby boomer

QUICK LOOK

- ➔ Most workplaces have a wide range of generational representation, ranging from baby boomers to Generation Y.
- ➔ Incentive mechanisms vary among generations. Across the generations, the one thing everyone has in common is the understanding that companies pay for performance—either individual goal achievement or overall company achievements.
- ➔ With so many baby boomers remaining in the workforce, those in Generations X and Y realize they will either wait a long time for promotions or need to move on to get more experience and corporate responsibility.



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counterparts, it does not expect to have a “job for life” at any single organization. It’s more motivated by personal growth and the opportunity for developing skills it can take with them throughout their career.

For companies that want to thrive and survive in the new economy, a pay-for-performance compensation model resonates across all generations, ensuring top performers are being rewarded for a job well done. However, delivering the right incentives is what will strengthen retention, help recruit the best talent and drive organizational performance. Boomers are generally not motivated by the same incentives as those in Generation X or Y, and vice versa. Experiencing success across the generational divide comes down to having flexible compensation plans in place that resonate across a diverse population. Regardless of where employees fall on the generational line, the flexibility and complexity of various plans drive the need for better technology to support the corporation’s mission and to disseminate and manage information to the entire employee population.

Incentive Mechanisms Vary Among Generations

For the first time in the workplace, four generations are working side by side, each bringing a different set of expecta-

tions and experiences. For matures, those born before 1945, many were brought up during times of conflict and the Cold War and have a more constrained set of expectations. Saving was socially, politically and financially encouraged. A social conscience pervaded investment, expenditure and career decisions. The ’70s and ’80s brought high inflationary periods and double-digit cost-of-living increases, which are no longer applicable. Although many have left or are leaving the workforce, they have been able to save their money and see retirement and leisure time as rewards for their hard work.

Baby boomers, those born between 1946 and 1964, are the most influential generation in American history, characterized by idealism, self-improvement, high expectations and an intense self-centeredness. The original “me” generation, boomers in general have always wanted more than what their parents had and work hard and long hours to get there. They gave employers loyalty and dedication and were rewarded based on longevity with merit increases, 401(k) plans, bonuses and benefits. Joining the workforce during periods of escalating inflation, many boomers got used to high increases only to see them give way as inflation stabilized and employers moved to pay-for-performance compensation models.

Now senior members of the workforce, baby boomers are looking for rewards that will ensure financial independence, including comprehensive health care and pension plans that will pave the way to an enjoyable, hard-earned retirement—something many may fantasize about from their windowed corner office.

Working alongside boomers for the last decade is Generation X. Born between 1965 and 1978, Generation Xers grew up on television and computers, and are the first generation to enter the workforce with a completely different set of expectations than any generation before it. “When Gen X walked into the workplace, they knew from day one there is no such thing as job security,” said Carolyn Martin, Ph.D., a principal at Rainmaker Thinking, a research and consulting firm, and co-author of *Managing the Generation Mix: From Urgency to Opportunity*. “Boomers came into the workplace knowing they could ‘hitch their wagon’ to an organization and have their whole life planned out—including a shot at retirement. With Gen X, that whole experience dissolved and so they come into the workplace with a whole different set of expectations.”

For most of their working life, Generation Xers have had interesting compensation experiences. When they joined the workforce, stock options were a common currency, only to disappear as the market crashed. Merit increases were small and as such, many Generation Xers learned that financial advancement often came at the price of switching jobs or transferring to a new organization. Every generation is motivated by money. However, most important to Generation Xers is working with a company that will enable them to amass marketable skills and experience to prepare them for future endeavors.

Like their Generation X counterparts, Generation Y is similar in that they, too, are looking at building solid skills

and are loyal to their professions, but not necessarily their companies. People, relationships and lifestyle are key components to happiness and they are not willing to compromise that for their careers. The “education is cool” generation, they are interested in socially responsible organizations that foster a coaching environment where not only will they learn new marketable skills, but they will have the opportunity to teach others as well.

Today, all demographic groups have a very strong understanding that companies pay for performance—whether based on individual goal achievement or overall company achievements or a combination of both. For baby boomers, this lesson was learned as merit increases gave way to reward-based compensation programs. For Generations X and Y, they entered the workplace knowing and expecting performance-driven salary increases. Recognizing that aligning employee rewards to business outcomes encourages a higher-performing organization, establishing appropriate goals and incentives are key indicators for inspiring a productive workforce.

Boomers Are Aging But Remaining In the Workforce. Where to Go?

Another similarity across generations is an expectation to remain healthy and stay in the workforce. According to a recent study from the AARP, 80 percent of baby boomers expect to work during their retirement, but one out of three say that income is not the main reason. Loyalty to their organization, a continuance of having something to do and compelling incentive mechanisms are some of the motivators keeping boomers working hard and producing on behalf of their organizations. They understand if they perform better, they will be paid better or given other incentives.

But with so many baby boomers remaining in the workforce, those in Generations X and Y realize they will either wait a long time for promotions or need to move on to get more experience and corporate responsibility. “We call Gen Xers the first wave of free agents,” Martin said. “They understand that if things do not work out with their current employer, they can leverage their skills and talents to the best buyer.”

Generation Xers watched the market crash twice in their decade in the

Because baby boomers are remaining in position longer and organizations operate lean and mean, fewer promotion opportunities are available for Generations X and Y. The bad news is this talent pool will walk if it feels discouraged and without potential for advancement in the organization. The good news is titles and hierarchy are still meaningful to them, and employers can take advantage of other mechanisms for incentives to motivate younger workers.

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workforce and believe in the good old-fashioned American value of self-reliance. They understand their companies will reward them based on performance and goal achievement, but they also do not expect their companies to take care of them for life. They realize they are in control of their own destiny. Many can count the number of jobs they’ve held on both hands by their 32nd birthday and know if they do not get what they are looking for, they can move to another organization. Generation Y especially believes in the concept of free agent and, like Generation X, will move to another company anywhere in the world if it does not feel its rapidly amassing skills and experience for advancement.

Individual Commitment To A Group Effort

Working as a member of a team, every individual has an opportunity to teach and be taught, helping employees develop new skills and strengths. Through teamwork, Generations X and Y also satisfy the need for relationships and socialization they crave.

Like boomers, young people in the workplace are also interested in having their career path laid out for them. Unlike boomers, they do not expect the path to be for the length of their career, but only for the company for which they are working for the short term, perhaps only five years. Without adding layers



and levels to the organization, companies need to reward high performers with recognition, such as President's Bravo Awards or more senior titles; financial compensation, such as salary increases; and a line of sight into increased responsibilities within the organization. Transforming performance management from an isolated event to an ongoing process helps employees understand the goals they need to achieve. If they perform well, they will make progress and move through the organization faster.

Recognition and increased responsibility are two motivators that resound with Generation Y. For them, everything is a celebration, from their lavish sweet 16 parties to celebrity-studded graduation ceremonies, and they expect the workplace to have the same heightened level of recognition. What separates them from the boomers is that they want praise for everything they do. Positive or negative feedback is comfortable and familiar to them and they appreciate straight talk. They want clarity when setting goals, and expect their employers to measure their success and reward them appropriately.

Feedback comes in the form of straightforward talk, occurring often to enable rapid-course corrections. Also, Generation Y is used to "no-holds-barred" or "in-your-face" discussions. It's been exposed to positive and negative feedback since infancy. Yers are "reality TV" junkies who understand what it is like to be given constant feedback without taking it personally. So, pay for performance aligns well in this culture. How? Tell them what you expect from them and what they will receive, and then follow through on your promises.

Additional responsibilities are also welcomed as they are seen as an opportunity to aggregate new skills. With the expectation of not staying in any particular job longer than five years, employers

need to create an internal environment that motivates younger workers through knowledge-building opportunities and other monetary incentives. By fostering a learning environment with a clearly defined path of growth, organizations will retain their supply of talent.

Turn Off Your iPod and Talk to Me

Performance-related interactions are expected and welcomed by Generation X and Y employees who want to know if they did a good job and what they need to do to improve and subsequently earn rewards. Having technology in place to manage the performance and compensation process introduces best practices, better communication between managers and employees and objective-based decisions that make generational issues less difficult with which to deal.


Automating the pay-for-performance process provides the framework and tools for implementing sound performance-management practices: helping employees set goals up front and align their individual goals with organizational objectives; monitoring employee progress; providing ongoing coaching and development; and crafting relevant performance appraisals that help employees understand why their work matters and provide management with a process to guide the workforce toward success.

Speak To Employee Needs, Improve Workforce Performance

Implementing a pay-for-performance solution promotes productive dialogue between employees and managers year round. For the first true information generation, a group collectively raised on televisions and computers, the comfort with technology encourages widespread acceptance and adoption. However, technology is not a substitute for and cannot replace quality exchange between two people. Instead, it should

be used to facilitate good conversations that drive higher employee performance.

It is a whole new world for companies today as Generation X and Y further populate the workplace. Corporations want to attract and retain the best talent that enables them to establish market leadership, high profits and the groundwork for future successes. Employees want a high-quality experience, flexible hours, coaching and mentoring across every touch point in the organization and vast opportunities to learn and grow. A pay-for-performance compensation model talks to their need for feedback and clearly defines goals as well as rewards for high achievement.

As the workforce is graying, Generation Yers are entering it in greater numbers, and companies that want to attract and retain talent need to speak to their needs. Through an ongoing pay-for-performance process, incentives that resonate with employees can be uncovered and implemented to ensure a highly motivated workforce. By paying for performance, employees understand the progress they are making in their careers and how their contributions are valuable in reaching corporate goals. 

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