Ditch the Generational
Despite concern about how to bring cohesion to a multi-generational workforce, are total rewards professionals overthinking the differences? Much of the human resources and compensation literature today appears preoccupied with age in the workplace. It follows the now standard storyline about the unique

Focus on the individual, not the generation.

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work attitudes, preferences and habits of Millennials, particularly in comparison to their older Generation X and Baby Boomer colleagues and managers. The generalizations often ring true, but are the different generations dissimilar to the extent that compensation plans should account for date of birth? This article examines the issue of how much is too much when it comes to rewards customization by generation.

The Generational Differences
It’s easy to see why there is a focus on age breakdowns. According to the August issue of The Economist, Millennials now comprise the largest group of the workforce at 37 percent, eclipsing Baby Boomers at 34 percent, and the perceived differences between the groups seem to be pronounced. Smart organizations realize this younger generation plays a critical role in current staff and future leadership, as well as in corporate culture. Therefore, many companies likely are spending a considerable amount of time thinking about how age affects the way they approach incentives and talent management.

But, with any good theory comes a counterpoint. This new school of thought explores whether many of the ideas about working with Millennials are more myth than reality. A recent article in The Economist sheds some light on this point of view, asserting companies must acknowledge that “individual differences are greater than generational differences … every age group contains introverts and extroverts, high-flyers and low-riders. This call to action is an assessment of individual needs and an understanding of commonalities (every generation has high achievers and low achievers) rather than following the old stereotypes of young workers who are tech savvy and older workers who aren’t. It’s time to dispel generalities that can be misleading.”

Examine the Real Differences
Consider current research on savings and 401(k) contributions. Contrary to common beliefs on the savings habits of younger workers (and in contrast to prior generations), a June 2015 “Retirement Saving and Spending Study” by T. Rowe Price shows that Millennials are more likely than Baby Boomers to keep track of their expenses (75 percent vs. 64 percent) and maintain a budget (67 percent vs. 55 percent). The study also revealed that Millennials can be more forward looking than older generations — twice as many Millennials are saving more of their income in 401(k) contributions than Baby Boomers (40 percent vs. 21 percent). These savers also had five years on the job as an average.

It’s possible total rewards professionals focus on differences between generations because they offer a sense of simplicity. It’s natural to look for efficiencies — possibly even shortcuts — in understanding, motivating and retaining highly complex workforces. It’s second nature to look at market prevalence, emerging
trends and best practices as a means to frame thought processes, including opinions, on generational issues. But these concepts should be thought of as informational points only, to be considered within the greater context of the unique organization.

Of course it is a stretch to assume no differences whatsoever exist between generations. Certainly, the influence of new technology, instant access to information, and stage of life — typically associated with generations in the workforce — are powerful factors. However, these occur pervasively and can affect individuals of all ages in different ways. In broad numbers, it should be noted that there are differences between the behaviors of younger and older employees, but at an individual level, it’s a different story.

The best way to meet individual employee needs is to gauge and respond to individual preferences. While that may not be practical across the company, the only real way to do this is to understand the company’s workforce. Look within and diagnose the unique cultural and leadership attributes of the organization. Consider dimensions such as core corporate values and beliefs, views on autonomy, risk tolerance, innovation and career progression. Then evaluate their implications on compensation elements such as pay levels, pay mix, and the link between pay and performance.

Once total rewards professionals have a sense of their organizations’ cultural and leadership characteristics, it becomes easier to design rewards plans around these factors rather than around generalizations based on age.

Would be within the generations across those organizations. These two different workplaces attract employees with different attributes. Consequently, the plan that appropriately incent and rewards the trading floor analyst would naturally contrast with that of the not-for-profit employee. Here, focus placed squarely on the defining characteristics of each organization would be more likely to achieve success. Now, take the analysis a step further and assess:

- Which values and beliefs are exemplified by the leadership team?
- How much autonomy are employees given?

What place does creativity have in the corporate culture?

How does advancement take place?

Answers to these and similar questions can paint a clearer picture of the inside workings of the company. Therefore total rewards professionals can be better informed about compensation design instead of the less impactful insights about age differences.

Consider the Individual

Understanding the broad differences in multigenerational workforces is vital background work, and there will always be research that draws distinctions between the younger and older workers. But remember to keep it all in context. Start by looking inward to understand the workers within the organization first. Focus on the distinct cultural and leadership aspects. Drill down to the individual level. Then, think carefully about these implications on compensation.

Be specific in considering how these attributes impact the structure, design and roll out of the company’s compensation plans. You might be surprised by the distinctiveness of your organization, and the similarities among the workforce it attracts regardless of age. Most importantly, you’ll know which incentive levers you can pull to make a difference in moving forward and meeting objectives.

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