

Exploring the Importance of Rewards as a Talent Management Tool for Generation Y Employees

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Abstract

The attraction and retention of talented Generation Y employees are becoming central management challenges as these workers' careers appear to be short-lived in many organisations. The main objective of this research was to determine the reward and remuneration preferences of prospective Generation Y employees (N=209). The results showed that Generation Y employees prefer base salary, work-life balance and career development as the most important reward and remuneration practices. Savings and perks appeared to be the least important practice. Emphasis was also placed on a good working relationship with managers. Recommendations are made.

Keywords: Talent management, Generation Y, Rewards, Remuneration

1. Introduction

The effective talent management of Generation Y employees is currently a central management issue as organisations are facing significant challenges to recruit and retain these workers. Most managers and practitioners are in agreement that the careers of generation Y are relatively short-lived in organisations as they switch jobs more than other generations before them (McGinnis, 2011; Saba, 2013). As a result organisations are struggling to build a strong pool of future talent that is crucial for its success and sustainability.

Various authors tried to explain the work related behaviours of generation Y employees. Martin (2005) for example maintains that Generation Yers are mostly independent and thrive on challenging work environments that allows them to be autonomous and creative. According to Lyons, Duxbury and Higgins (2005) social work values, such as interacting with others, as well as prestige work values are important for younger generations. Generation Yers also appears to have an urgent sense of immediacy. As mentioned by Bassett (2008) Generation Y put great emphasis on rapid advancement and personal development.

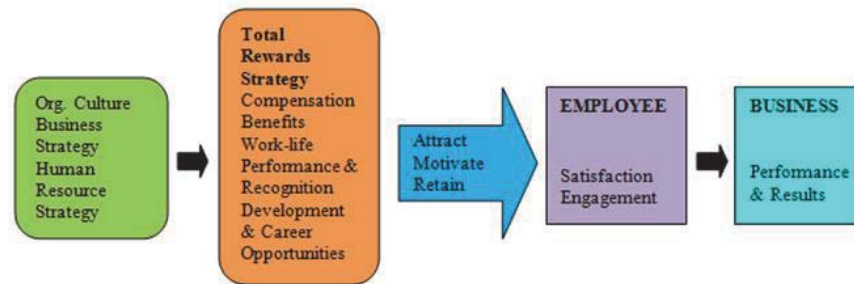
Research to date identified several differences among generations in terms of their expectations regarding work conditions. A study by Queens University IRC showed that younger workers have high expectations regarding career advancement, employability and work-family balance compared to their older colleagues (Saba, 2013). Snelgar, Renard and Venter (2013) alludes to several research studies which highlighted factors such as learning and development opportunities, immediate performance feedback, working in teams and having positive role models as important for generation Yers. In a similar vein Nienaber (2009) found that generation Y employees valued performance and career management, quality work environment and development opportunities as most important. Snelgar *et al* (2013) further found that employees in the age group between 18-29 years regarded work-home integration more important as base pay and contingency pay. In contrast other studies found that compensation is one of the most important factors for prospective generation Y employees (Hendicks & Cope, 2013).

Consequently managers may face problems in attracting and retaining a young educated workforce as they value work related rewards and compensation more highly compared to previous generations (McGinnis, 2011). As suggested by Martin (2005) managers will thus have to master effective coaching skills to keep generation Y employees focused and motivated. A study by Pop, Swanepoel and Barkhuizen (2013) revealed that the availability of mentorship programmes in organisations reduce generation Y employees' intentions to leave a company.

Against this background the main objective of this research was to determine the reward and remuneration preferences of prospective Generation Y employees. The importance of a well-designed rewards strategy in the attraction and retention of employees is well documented (Moore & Bussin, 2012; Ncube, Bussin & De Swardt, 2013; Nujoo & Meyer, 2012; Salie & Sclechter, 2012). This research adopts the Total Rewards Strategy of the World at Work Society

(2008) which is displayed in Figure 1 below.

Figure 1: Total Rewards Model of World at Work



Source: Adjusted from World at Work Society (2008).

World at Work Society for Professionals has developed a model for total rewards in the organisation. According to this model the Business Strategy, Human Resource Strategy and Organisational (Corporate Culture) of the organisation plays an important role in establishing the type of rewards in the organisation. According to World at Work, the Total Rewards Strategy of an organisation should comprise of five elements which include compensation (i.e. salaries), benefits (i.e. pension), a balance between work and personal life, performance and recognition and opportunities for career development. These reward elements can in turn play a key role in attracting, retaining and motivating employees. This eventually can lead to positive employee outcomes such as employee satisfaction and engagement. Employees who are satisfied and engaged in their jobs can contribute to organisational effectiveness and performance.

The topics of reward and remuneration are constantly on the minds of academics and practitioners. Yet, a considerable lack of empirical research consists especially in emerging markets such as South Africa and among different generations. This research provides important information to managers and practitioners to customize their rewards and remuneration practices to meet the needs of an emerging pool of talented employees.

2. Research Design

2.1 Research Method

A quantitative exploratory research method was followed using surveys to elicit data from the respondents. Exploratory research is useful in exploring and investigating an area of which little is known (Kumar, 2005). This research approach is this ideal in uncovering the desired remuneration practices of prospective Generation Y employees. This research involved a cross-sectional research design in that a particular phenomenon was studied at a particular point in time (Saunders *et al.*, 2007:148).

2.2 Sampling

The sample consisted of employees (N=578) from various local government institutions in South Africa. Nine hundred questionnaires were distributed with 578 questionnaires returned. This represents a 64.2% response rate. Most of the respondents in the sample were female (56.2%), aged between 30 and 39 years (40.3%) with a Grade 12 and Certificate as their highest level of qualification (49.7%). The respondents were primarily employed on senior management level (31.1%), with 0-10 years of work experience (61.2%) and employed between 0-10 years in their current job (74.4%). Respondents also indicated that they are working between 21 and 40 hours a week and had a maximum of 2 changes for promotion. The demographic breakdowns of the respondents are reported in the Table below.

2.3 Measurements

A remuneration questionnaire (Moore & Bussin, 2011) was used to measure the desirable remuneration practices for prospective generation Y employees. The questionnaire consists of five sections. The **first section** requires the

biographical information of the respondents such as gender, age and ethnicity. **Section two** consists of 17 statements that are related to the components of the World at Work model for Total Rewards in organisations. Responses are measured on a five-point likert scale ranging from Not Important at all (1) to Extremely important (5). In the **third section** of the questionnaire respondents are requested to indicate the three most important rewards for them in the workplace. The fourth section of the questionnaire requires from respondents to rank the least important rewards. In the fifth and final section respondents are requested to answer questions relating to the importance of general remuneration practices to them in the workplace.

2.4 Statistical Analyses

Statistical analysis was carried out using the SPSS Program (SPSS, 2014). The reliability of the Remuneration Questionnaire was determined by means of Cronbach alpha coefficients (Field, 2009). The statistical analyses involved descriptive statistics (i.e. mean, standard deviations and frequencies) owing to the exploratory nature of this research.

3. Results

The results in Table 1 emphasise the importance of a well-developed rewards strategy in organisations. The respondents viewed all the components of the total rewards strategy as important. Base salary, work-life balance, career development, health care and retirement benefits appeared to be an average the most important reward components for generation Y employees.

Table 1: Desired rewards and remuneration practices of prospective Generation Y employees

	Mean	SD	
Receive a base salary	4.75	.465	.779
Get career development	4.68	.498	.778
Have health care benefits	4.63	.654	.756
Leadership style of the organisation	4.14	.781	.771
Organisational climate within the organisation	4.43	.625	.771
Performance management system in the organisation	4.43	.662	.773
Receive performance support in the organisation	4.46	.707	.756
Receive perks (i.e. insurance; canteens)	4.23	.836	.762
Receive retirement benefits	4.63	.660	.770
Receive recognition within the organisation	4.23	.783	.761
Receive incentives to save	4.05	.813	.757
Receive shares or share options	4.02	.904	.763
Have succession planning within the organisation	4.22	.745	.769
Have time-off options (i.e. flexible work hours)	4.52	.734	.769
Have training opportunities	4.58	.654	.768
Have a variable pay component as part of the remuneration plan (i.e. bonuses)	4.43	.776	.755
Have work/life balance	4.69	.532	.771

Next respondents were asked to rank the three most important rewards to them. From the results in Table 2 it was evident that the respondents regarded base salary, work/ life balance and career development as the three most important rewards in the workplace. Not so important to the respondents were Incentives to save and perks. The results are displayed in Table 2 below.

Table 2: Ranking of most important Rewards and Remuneration Practices

	Variables	Most Important	Second Most Important	Third Most Importance	Overall Importance	Rank
1	Base Salary	99	31	8	138	1
2	Career Development	31	31	12	74	3
3	Healthcare	10	24	20	54	4
4	Leadership Style	2	7	4	13	12
5	Climate	6	12	11	29	7
6	Performance System	2	2	7	11	14
7	Performance Support	2	4	9	15	10
8	Perks		6	3	9	15
9	Retirement Benefits	1	18	15	34	6
10	Recognition	4	7	18	29	7
11	Save	2	1	2	5	16
12	Shares	3	7	4	14	11
13	Succession Planning	4	2	6	12	13
14	Time off	8	8	25	41	5
15	Training	6	10	12	28	8
16	Variable Pays	2	6	12	20	9
17	Work-life	26	32	38	96	2

Respondents were asked to rank the three least important rewards to them. From the results in Table 3 it was evident that the respondents regarded shares, savings and perks as the three least important rewards in the workplace. The results are displayed in Table 3 below.

Table 3: Least Important Rewards and Remuneration Practices

	Variables	Least Important	Second Least Important	Second Least Important	Overall Importance	Rank
1	Base Salary	3		3	6	15
2	Career Development	2	6	9	17	12
3	Healthcare	6	4	3	13	14
4	Leadership Style	22	11	16	49	6
5	Climate	3	15	12	30	8
6	Performance System	5	12	6	23	9
7	Performance Support	3	6	10	19	10
8	Perks	23	22	17	62	3
9	Retirement Benefits	7	3	6	16	13
10	Recognition	14	23	17	54	5
11	Save	22	28	23	73	2
12	Shares	41	23	17	81	1
13	Succession Planning	19	21	20	60	4
14	Time-off	12	9	11	32	7
15	Training	6	6	6	18	11
16	Variable Pay	10	9	13	32	7
17	Work-life	4	3	9	16	13

Finally respondents were also requested to report on general reward and remuneration aspects in the workplace. From the results it was evident that these respondents view their relationship with their managers as important, utilize opportunity to learn and broaden their skills base in other organizational areas and improve their skills to be in line with the critical skills of the organisation. Not so important to the respondents was hold more than two jobs in order to earn more money and work shorter hours for less pay in order to spend more time with family. The results are reported in Table 4 below.

Table 4: Results of general remuneration aspects in the workplace

Dimensions	To no Extent	To a small Extent	To a moderate extent	To a large extent	Mean	Rank
Align remuneration package to suit lifestyle	11	39	102	54	2.92	7
Align remuneration package to suit personal needs	9	44	96	60	2.99	6
Improve their skills to be in line with the critical skills of the organisation	13	16	81	99	3.27	3
Improve the working relationship between themselves and their line manager	1	11	77	119	3.49	1
Align personal objectives with business objectives	8	28	80	92	3.22	4
Choose whether they engage in providing input and generate ideas to run the business better	10	34	100	65	3.05	5
Hold more than two jobs in order to earn more money	30	96	59	24	2.37	11
Work shorter hours for less pay in order to spend more time with family	30	83	68	28	2.45	10
Utilise opportunity to learn and broaden skills base in other organisational areas	1	17	90	100	3.37	2
Have merit-based remuneration rather than a fixed salary	25	59	81	42	2.65	9
Have opportunity to link work with a third party such as a charity during working hours	25	61	80	42	2.66	8

4. Discussion and Conclusion

The main objective of this research was to determine the reward and remuneration preferences of prospective generation Y employees. The results confirmed previous findings that base salary, work-life balance and career development opportunities are important reward practices that can attract and retain generation Yers to organisations (Basset, 2008; Hendicks & Cope, 2013; Nienaber, 2009; Snelgar et al., 2013). The respondents in particular placed emphasis on utilizing opportunities to learn, broaden and improve their skills to be in line with organization requirements (Saba, 2013). Working relationships with managers also appeared to be a crucial factor in the retention of generation Y employees. Therefore, in line with Martin (2005) managers should put more effort into the mentoring and coaching of generation Y employees to retain these employees in organisations (Pop et al., 2013).

This research had some limitations. A cross-sectional research design was used which implies that the respondent's perceptions of rewards and remuneration was captured at one point in time. Longitudinal research can be applied to track remuneration preferences of these individuals over a longer period at time. This research only focused on generation Y. Future studies can benefit by including other generations in the sample as well to do a comparative analysis on reward preferences in organisations. This will be helpful in assisting managers to cater for the diverse rewards and remuneration needs of generations in the workplace. Finally the reward and remuneration preferences can be correlated with other variables such as turnover intentions, employee motivation, employee engagement, service delivery and performance.

In conclusion, this research highlighted the importance of remuneration practices in the attraction and development of generation Y employees to organisations. Management can use this information and develop reward strategies to ensure the effective talent management (attraction, development and retention) of generation Yers. This will ensure a talent pool that can contribute to the sustainability and competitiveness of organisations in a developing country such as South Africa.

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