Generational Diversity and Compensation

Let's define the generations that are in our workplace currently.

Traditionalists (born prior to 1946)
Baby Boomers (1946-1964)
Generation X'ers (1965-1976)
Generation Y's (1977-1990)
Generation Z's (born after 1990)

Compensating a business development team is a complicated combination of motivation and reward, while also keeping expenses down. The point of any compensation plan is to encourage individuals to do their best work, create buy-in to the organization, and ultimately retain top talent. This can mean different things to different organizations as well as different people. It also can vary depending on what stage of a career one is at. This section will help you define an effective compensation model for your organization.

Traditionalists only comprise about 6 percent of our workforce right now. The few that are left are loyal to their employers. They are focused on retirement stores at this point in their life. Their compensation also revolves around how they wish to be treated in the workplace. Casting them aside as "has beens' is a gross error on the part of any organization.

Baby Boomers are motivated by benefits and job security. Both of those have been impacted most recently by our recession. Benefits packages have been radically modified albeit disappeared in some settings. Stability is the operative word for Boomers.

Gen X'ers are very marketable. If you cannot meet all of their compensation needs, they will move elsewhere. Consider some flexibility in work schedule or telecommuting to meet their needs for work/life balance.

Gen Y's want traditional benefits, salary and health insurance ranked most important among Gen Y's job considerations, while other intrinsic values, such as telecommuting and training opportunities, ranked less important. Gen Y's as the vast majority, believe they would be in their initial position less than three years and anticipated switching sectors during their career.

Gen Z's according to a 2013 survey by Millennial Branding and Beyond.com, employers estimate that it costs them a total $15,000 to $25,000 to replace every 20-something who leaves the company. When staff members measure their tenure in months, not years, each staff member means a large expense for HR.

Gen Z won't expect the same day-to-day support from human resources personnel as Baby Boomers do. In fact, they won't want it. When Gen Z's needs to access a paystub, a W2 or health benefits, they wants to be able to access that information from whichever device they are using. Self-service capabilities throughout HR will become extremely necessary. The younger generations are used to that kind of accessibility – where test scores become available online immediately as they're graded – so they will expect the same from employers.

Here are some tips on effective compensation:

- Identifies the organization's pay programs and total reward strategies
- Connects these strategies to the overarching business strategy, competitive outlook and operating objectives
- Attracts, motivates, and retains top talent through total compensation
  - Base pay
  - Incentive pay
  - Benefits
- Defines the competitive market position
- It is market sensitive
  - Lead-lag or lag lead?
  - Salary increases either lead the market or lag the market depending on what time of year raises are offered
- Staff member proficiencies tie skills to market values
  - Paying for proficiency is in contrast to paying for longevity
  - Longevity is associated with Baby Boomers
  - Proficiency is associated with Gen X, Gen Y, and Gen Z
- Implemented with consistency
  - Check the employment laws
  - Inconsistency can devalue a staff member and lead to trouble
- Actively communicated
  - Pay philosophies should be communicated to their staff members

Component	Belief	Means	Value
Definition	Likelihood that effort will lead to performance	Likelihood that performance will lead to rewards	The value of the expected rewards to the individual
Central Question	Can I do this?	Will I be rewarded if I do this?	Do I care about the reward?

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Variables	*Self-efficacy* – the belief in one's ability to perform a behavior successfully *Goal difficulty* – the belief that a behavior is achievable *Control* – the belief that the behavior is within one's sphere of influence	*Trust* – the belief that the powers that be will honor their promises *Policies* – the degree to which policies are formalized in writing	*Values, Needs, Goals, Preferences, Sources of Motivation*
Example	If I work harder than everyone else on the team, will I sell more?	If I sell more than everyone else on the team, will I make a greater commission?	Is the extra work I have to put in worth the greater commission?
Employer Responsibilities	Proper training, hiring skilled staff members, sufficient resources, clear and achievable expectations, relative independence	Follow through on policies and promises, sufficient transparency	Staff member assessments (personality, motivators), satisfaction surveys

Cichelli, David J. Compensating the Sales Force. New York: McGraw Hill, 2004

Pay special attention to the shaded column in this graph. Here is where generational diversity can take hold in designing compensation packages. Consider this column as you answer these questions.

List your current benefits that your organization offers:

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What is the current method of Compensation?

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List Compensation types (by individual, department, or job role):

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