

Key Question

Does Gen Z value different things at work than prior generations and, if so, how should total rewards package and culture be adjusted to support attracting and retaining Gen Z candidates?

Introduction

Gen Z will soon become the most populous generation in the workplace, with more than one-third of the world's population counting themselves as Gen Zers. For the first time, there will also be five different generations in the workplace together, resulting in a very diverse and differing set of employee value propositions. For instance, only Gen X values flexible schedules as one of their top five value propositions whereas Millennials are the only generation to value advancement as a top five value proposition.¹ While Gen Z has much in common with the generation before them in that they too value competitive rewards, flexibility in work schedule, and location, Gen Z is unique in its own respect.² Gen Z prioritizes diversity, value alignment, and the ability to personalize their total reward package.³

Understanding Total Rewards Package

Gen Z's aspiration for total rewards packages entail two major components: (1) a value for customization and (2) a financial focus. Oftentimes, companies attempt to reel in applicants of different generations with the same total rewards package. Drawing in one generation, Gen Z, with one blanket total rewards package is not all encompassing but, rather, a generalization of the needs of all Gen Z applicants, which is not conducive to attracting Gen Z.

It will be important that each Gen Z potential applicant feels that the job being offered to them is unique. With 56 percent of Gen Z preferring to write their own job description than be given a generic one, it is essential that Gen Z is given a sense of autonomy.⁴ Companies must assess their current total rewards and benefits strategies to determine the extent to which they incorporate choice, personalization and an experience that meets employees where they are today and where they want to be tomorrow.⁵ This "tomorrow" component statement displays how employers need to be continuously hyper-customizing their rewards packages if they expect to retain employees.

The need for hyper-customization, however, does not preclude employees from their financial focus when creating a total rewards package. For Gen Z, higher base salaries are important. Gen Z is focused on financial stability because of their proximity to so much economic turbulence. Most recently the COVID-19 Pandemic ripped away at the financial stability Gen Z had thought schooling and higher education would bring to them. This, in addition to a dramatic rise in tuition and corresponding debt, leaves members of Gen Z perhaps the most extremely educated but indebted generation to date. Such recent events coupled with the decade-long recovery of the Great Recession, under which they witnessed their family and friends struggling has made Gen Z have a lust for stability that does not compare to other generations.⁶ Even in the public sector, if a company can offer comfortable financial stability, members of Gen Z will have already applied.⁷

For the company attempting to attract such talent, an overemphasis on competitive pay can lead to lack of foundation in different key areas, such as creating a collaborative culture, providing ongoing training and employee development, or installing a wellness plan – which may be

necessary to stay competitive in one's field. In addition, pay for position and not performance can result in a lack of employee motivation but bonus pay or commissions can cancel this out.⁸ Despite this list of cons for a company that emphasizes competitive pay, potential Gen Z applicants do not know of this list when applying for the job. They are still razor-focused on competitive pay and such pay is a key factor for what will lead a company towards its goals of attracting talent. High pay is also directly related to retainment as it can help to ensure employees can spend more time focusing on their job duties and less time seeking better paying jobs.⁸

Understanding Diversity/Value Alignment

Customization and a financial focus when it comes to total rewards is essential but it is also replicable in that various companies within one industry can have hyper-customized total rewards packages and pay their employees well — it is a company's culture that will ultimately determine whether a Gen Z member will choose that company's offer over another or stay in that company for years to come. Simply put, Gen Z members want to be empowered, they want to be part of a team or working on a goal that is bigger than themselves. This sense of belonging is embedded in a company's culture.⁹ If this feeling is attained, Gen Z members will be more loyal to their company than their typical stereotype of bouncing around between jobs.

Attaining this sense of belonging and excitement, in large part, comes down to diversity. In the U.S., Gen Z grew up with an African-American president, a female and Black/Indian vice president, and bore witness to the legalization of same-sex marriage. Such accomplishments may be seen as breakthroughs for generations prior to Gen Z but are likely normalized by Gen Z.¹⁰ Thus, for those in Gen Z, many take pride in not conforming to stereotypes but rather shaping their individual identities over time through experimentation with different ways of being themselves.¹¹ Every company should be promoting diversity within their company and outside of their company for potential Gen Z applicants to take note of. To attract Gen Z, employers must be able to take on a pace of evolution that matches the external environment. They will do so by developing a robust training and leadership development, with a tangible focus on diversity.³

While employers will likely understand that they need to prioritize diversity, they likely will forget the systemic inequities that need to be addressed if they expect to retain such employees. For instance, women have historically bore the brunt of familial responsibilities and although such systemic issues cannot be solved by one company, a company can accommodate accordingly. Flexibility offered by companies (i.e. more paid time off and the ability to work wherever, whenever) enhances company culture and commitment to diversity by enabling such women to stay in the workforce and at the company longer (higher retainment rates).¹²

Conclusion and Recommendations

Gen Z is different from every generation in that it, more than any other, prioritizes diversity, value alignment, and the ability to personalize their total reward package. Employers have to work closely to adjust their total rewards package to the high salary demands of the generation and the expectations that benefits will be molded to the needs of each potential applicant. Furthermore, the culture embedded within the firm and presented to potential Gen Z applicants must be founded upon diversity. These characteristics will enable members of Gen Z to apply to such companies, and, if they hold true, will ensure that such employees are retained. Attraction to and retainment of employees are linked — if employers are practicing what they advertise and Gen Z is applying, then such employees will be sticking around for the long haul.

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