Generation Y: Human Resource Management Implications

Brian D'Netto
Professor of Human Resources Management
Faculty of Business
Australian Catholic University, Australia
Email: bdnetto@hotmail.com
Generation Y: Human Resource Management Implications

ABSTRACT

The generational composition of the workforce is changing rapidly. Today, the workforce includes Baby Boomers, Generation X and Generation Y employees. While the Baby Boomers are beginning to retire and Generation X is moving into senior management positions, the proportion of Generation Y in the workforce is increasing rapidly. Organisations can attain sustainable competitive advantage by effectively managing Generation Y. This theoretical paper examines the unique characteristics of Generation Y. The paper also discusses the human resource management implications of attracting, retaining and motivating Generation Y employees.

Introduction

As global competition intensifies, attraction and retention of talented employees can provide sustainable competitive advantage to organisations. However, characteristics of the applicant pool are undergoing a significant change. Many applicants today are likely to be in the 20 to 30 year age group with aspirations which are different from previous generations. These applicants, born between 1980 and 2000, are commonly called Generation Y or millennials (Howe & Strauss, 2000). This generation is confident, independent, and goal-oriented. Generation Y were born into technology and often know more about the digital world than their teachers and parents (Meier & Crocker, 2010). Generation Y present a challenge to managers who must train and motivate these employees, so that their strengths become a benefit to the company. To be successful in the future, it will be important for companies and managers to understand these new employees. While many of the characteristics of Generation Y are significantly different from previous generations, there is little research on effective techniques to manage Generation Y. This paper presents a comprehensive analysis of the human resource management implications of attracting, retaining and motivating Generation Y employees.

Generational Changes in the Workforce

Research indicates that the current workforce comprises of employees from three different generations i.e., the Baby Boomers, Generation X and Generation Y. The Baby Boomers were born between 1946 and 1960. The Baby Boomers are beginning to retire and over the next decade the intensity of retirements will increase. Generation X employees were born between 1961 and 1979. Many of these employees now hold middle to senior management positions. Nagle (1999) describes Generation X as the most ignored, misunderstood, and disheartened generation. This generation grew up during the beginning of the technology era. Home computers and the internet became widely used by households everywhere. The “MTV” generation began growing up in unstructured households, dealing with new issues of disease and trying to make it through the Cold War. Generation X learned how to avoid the mistakes of their parents and grow into a generation who values education, hard work, and the power of money.
Generation Y are widely known as the generation born between 1980 and 2000. This generation is confident, independent, and goal-oriented. Although, technology advances began in the Generation X era, Generation Y were born into technology and often know more about the digital world than their teachers and parents. Generation Y have high self-esteem; they are the trophy generation that allows every child to get a medal or praise, leaving no one behind.

**Characteristics of Generation Y**

Generation Y are the most educated of all generations. A large proportion of Generation Y entered college soon after high school, completed their undergraduate degrees and in many cases moved forward with a Masters or Doctorate degree (Meier & Crocker, 2010). In addition, enhanced technological knowledge has launched this generation into an era where information is accessible everywhere to anyone. Generation Y tend to be wildly optimistic, holding a tribal sense of community and are the most connected generation ever thanks to cell phones, pagers and their own technical savvy (Eisner, 2005; Martin, 2005).

However, there are several challenges which Generation Y face. Generation Y appear to be deficient in key skills such as listening, communication, independent thinking, time management, team work, job commitment and good work ethic (Pekala, 2001). Generation Y resort to extensive multi-tasking and tend to have a short attention span. Generation Y are simultaneously surfing the web, texting friends, listening to their iPods while also watching TV (Shaw & Fairhurst, 2008). In addition, Generation Y have an expectation of constant feedback from friends, families and employers instead of trusting their own judgment (Crumpacker & Crumpacker, 2007). As Generation Y saw their parents and friends lose their jobs in the 1980s and 1990s through “rightsizing” and “downsizing”, they are very sceptical of employers, unimpressed by authority and are self-reliant in their orientation towards work (Loughlin, 2001).

Generation Y’s attitude towards work is quite different from preceding generations. Generation Y will not settle for “grunt work”, but need to feel that they are making a difference to the business and are part of the decision-making process. Generation Y do not perceive work as an investment in the future of the company and want immediate payoffs, such as independence, flexible hours, casual dress and an element of ‘fun’ at work (Loughlin, 2001). Generation Y want work which meets their personal goals, is interesting and provides the opportunity to work with committed individuals who share their values (Allen, 2004). They do not want to be bored, but need to know how their work fits into the company, so involving them in decision-making and soliciting their ideas will be viewed as a positive aspect. Generation Y are comfortable with diversity and want jobs that include continued professional learning and growth. They are likely to perform best when their abilities are identified and matched with challenging work that pushes them fully (Martin & Tulgan, 2006).

Unlike previous generations, Generation Y do not want to make the same mistakes such as working long hours and neglecting family, friends and personal pursuits. Work-life balance is more important than just money. They are not afraid of taking on more responsibility (although this should not be confused with increasing the volume
of workload), but see this as a proving ground for their skills and talents. Martin (2005) suggests this can be used as an effective negotiating chip for keeping talented employees focused and motivated.

**Human Resource Management Implications**

In order to develop HR strategies to attract and retain Generation Y, the characteristics of Generation Y need to be carefully considered. Generation Y seek jobs which are interesting and offer a good work-life balance. The following sections describe the human resource management implications of attracting and retaining Generation Y.

**Type of Work**

Generation Y are willing to work hard, but they do not live to work. They seek purpose from their work as well as rewards. Organisations need to recognise the high ambition of these employees by planning roles that are suitably challenging and complex (Bedingfield, 2005). Organisations can provide as much choice as possible in the job, such as work scheduling, choice of which duties to do and the order in which they are handled. More choices offer higher perceived individual control, leading to greater job satisfaction (Amar, 2004; Hulett, 2006). Managers can assign different tasks to employees, allow them to work on different projects and keep an open mind on how employees can bring new and motivating ideas to the company (Meier & Crocker, 2010). Generation Y are not happy unless they see the significance of their work. If they feel that their job has a sense of purpose, they are motivated.

In addition to flexibility, they want sabbaticals (Mahoney, 2009). Generation Y value flexibility and want a real work-life balance. Generation Y see work as a place where they can interact with their peers. Research indicates that 76% of respondents in the 16 to 24 year old age group said they were less likely to leave an organisation in which staff are encouraged to socialise (Washington, 2008). A recurrent theme is the need to make the workplace "fun". Although such a description is very subjective, there seem to be a number of simple things that would contribute to this, such as casual dress days, company-provided food and refreshments, etc (Karl et al, 2005). Having fun in the workplace is an important way of engaging staff (Cheese, 2007). Organisations can make the job “fun” by incorporating hobbies and non-work interests into the job, through company-sponsored sports activities or community volunteer work (Hulett, 2006).

The quality of the workplace environment is also an important factor. A survey of more than 2000 office workers found that more than half would work an extra hour a day if they had a better work environment (Pfeffer, 2007).

**Work-life Balance**

Generation Y seek a more balanced lifestyle between their work and non-work lives and have different expectations from their work compared to previous
generations (Kerslake, 2005). Organisations must focus on meeting the social requirements of staff; through ensuring an appropriate work-life balance, allowing flexible working hours etc. Generation Y consider work-life balance as a necessity, rather than a luxury (O’Malley, 2006). Generation Y place a high value on relationships with friends and family and are more interested in making their jobs accommodate their family and personal lives (Spiro, 2006). Teleworking can be an important mechanism of facilitating work-life balance. Many employees prefer to work from home to maintain their work-life balance. Managers who grant greater flexibility to Generation Y are likely to get better results than authoritative managers. Organisations that can offer greater flexibility and a good work-life balance will be more effective in attracting and retaining Generation Y.

Opportunities for Skill Enhancement

Training and development can play a major role in attraction and retention of Generation Y. Lowe (2008) advocates that training and development have to become part of an organisation’s culture, requiring a long-term commitment. Generation Y place a high value on the ability to keep learning and advancing their skill set. Generation Y are motivated by a desire to enhance professional skills in order to remain marketable (Sayers, 2007). Organisations that provide a broad spectrum of learning opportunities such as on-the-job training, job rotation, mentoring, coaching, opportunities for further academic study etc., will be more successful in attracting and retaining Generation Y. Baruch (2004) states that Generation Y are less interested in a lifelong job and are more interested in challenging and meaningful assignments for their self development. Organisations can give opportunities for skill building through working with technology (Hulett, 2006). Cheese (2007) stresses the need to offer well-defined career paths, with clearly-understood timeframes for progression. In the absence of clear career paths, Generation Y will seek to expand their experience by looking for jobs in other organisations.

An effective induction program is essential to increase retention of Generation Y. Giving new staff the opportunity to succeed by being brought up to speed quickly, then supported further by ongoing development and training, is a powerful technique to improve staff retention. Although many companies go to much effort to offer some or all of the above training and development opportunities, the effort is clearly wasted if the internal communications network fails to convey this to the intended audience. Cheeseman (2009) observes that, despite going to great lengths to create the opportunities for development that the staff desire, some companies fail to reap the benefits of such programs by failing to make employees aware of these opportunities. Shaw and Fairhurst (2008) notice a trend amongst this age group to not take personal accountability for their development, but rather place the blame on others when they fail to progress within the organisation.

Immediate Feedback

The relationship with the immediate manager is also crucial, with a clear understanding of possible career paths and the steps necessary to achieve success. Consistent constructive feedback is essential to motivate and retain Generation Y
In addition to providing feedback on weaknesses, it is equally important to coach Generation Y in their areas of expertise (Baker, 2009). This allows the employee to become an "expert" and benefit from the increased self-esteem that this produces. Cheese (2007) stresses that Generation Y appreciate continuous feedback on their performance, as it enables them to gauge their progress. This leads to increasing loyalty as they receive timely, honest and open correction. Retention will be improved when Generation Y employees know that their contribution is having a positive impact on the company. Bedingfield (2005) believes that mentoring schemes play a vital role in allowing Generation Y employees to get a better understanding of the opportunities in the organisation, resulting in enhanced internal career options. Mentoring can also provide candid perspectives and genuine support which Generation Y seek (Sayers, 2007). Having access to senior managers is very empowering to a graduate. However, until a few fundamentals are addressed, there will be constraints on their ability to contribute to the business. It is essential to develop teamwork skills and provide mentoring on the importance of persuasion in order to get organisational results (Behrens, 2009).

**Remuneration Considerations**

An effective remuneration strategy is extremely important to retain Generation Y. Organisations must ensure that there is both external and internal equity in their remuneration system. External equity can be maintained through salary surveys and comparisons with similar organisations. Internal equity refers to perceived fairness for the remuneration for a job, compared to other jobs in the organisation. Job evaluation has historically been used to ensure internal equity. Since Generation Y have a relative short attention span, recognition and rewards must arrive quickly (Nagle, 1999). Generation Y demand that they move up quickly in the organisation. Research indicates that nearly sixty percent of Generation Y listed high salary, good benefits and other compensation as motivational characteristics of their job (Meier & Crocker, 2010).

Directly linking remuneration to achievement is a well-established practice. Cingoranelli (2009) suggests that a firm should use a clear compensation plan to provide incentives that motivate staff to grow into future leaders. Specifically, the plan should reward people for taking on new responsibilities, developing others, driving the firm’s strategy and demonstrating leadership. Compensation systems should be performance-based and include both objective and subjective factors to allow the greatest flexibility.

Another alternative to just increasing basic salary levels can be through rewarding staff with an equity stake in the company. Taylor (2008) observes that high levels of staff turnover are far less prevalent amongst boutique small capitalisation managers in investment firms because they have equity participation structures which make it less attractive for investment managers to depart.

Although cash is important, research indicates that Generation Y are attracted to non-cash incentive programs, which focus on rewards such as travel or unique merchandise. The trophy value of non-cash rewards is found to have a larger and more lasting impact on employee motivation, providing a constant reminder of a
particular achievement (O’Malley, 2006). Employees under the age of twenty nine, expect their employers to provide more benefits and other perks than their older counterparts (Balderrama, 2007). In addition, Cheese (2007) emphasises the importance of providing a number of options in a reward and compensation package, allowing the employee to self-select things of greater value. Employers should provide a cafeteria-style benefits package that allows for flexibility depending on the employees circumstances (Allen, 2004). Generation Y are likely to trade more pay for work that they feel is more meaningful, at a company where they feel appreciated.

Management Style

Research indicates that a strong correlation exists between workplace satisfaction of Generation Y and perceived managerial competence (Eisner, 2005). Management style was seen as the top motivational characteristic that Generation Y sought from an employer (Meier & Crocker, 2010). Generation Y needs to be able to believe in their managers. In order to be able to retain Generation Y, managers need to be able to relate to and value these employees (Morton, 2002). The relationship with the immediate manager is considered crucial to the level of engagement (Lowe, 2008). Generation Y employees do not want to be micromanaged. They seek considerable freedom in the performance of their tasks. However, they need regular feedback and want the guiding hand of a manager. Generation Y expects their managers to be knowledgeable and have as much education as themselves. They expect their managers to adopt cutting edge practices. Tapscott (2008) suggests that traditional management methods need reconsidering; the job of managing Generation Y is more about creating a context in which they can be successful, rather than supervising them.

Contribution to Society

Another factor of great importance to Generation Y is feeling that they are making a positive contribution to society and the environment. Emphasising the role that they can play in Corporate Social Responsibility is important (Cheese, 2007). Allowing staff to participate in some kind of voluntary work, supported by the company, is a powerful retention tool. Volunteering can provide a sense of purpose and enhance social connections that are beneficial for mental health. It also may help employees feel more integrated and tied to their local community, possibly making them less likely to take a job in a different city (Shepherd, 2007). Generation Y are also looking for employers who are not merely socially conscious, but also socially responsible. In other words, Generation Y are attracted to organisations who respect the environment, care about their employees, create meaningful products or services, and give back to the local community (Martin & Tulgan, 2006).

Conclusion

The analysis presented in this paper indicates that Generation Y present several human resource management challenges for employers. With the influx of Generation Y into the workforce, organisations can attain sustainable competitive advantage by devising effective talent retention strategies. Organisations that
understand the needs and aspirations of Generation Y and are able to fulfill these needs, will be seen as the “employer of choice”. While many middle and senior managers belong to previous generations, effective leadership will involve a detailed understanding of the “work ethic” of Generation Y and the ability to deal with the unique characteristics of these employees. Given the significant differences between Generation Y and previous generations, organisations will have to design effective human resource strategies to effectively manage these employees. Organisations that provide interesting work, greater flexibility, an enjoyable work environment, supportive leadership and offer a good work-life balance are likely to benefit from the talents of Generation Y employees.

References


Crumpacker, M & Crumpacker, JD 2007, ‘Succession planning and generational stereotypes: should HR consider age-based values and attitudes a relevant factor or a passing fad?’, Public Personnel Management, vol. 35, no. 4, pp. 349-369.


