

Total rewards strategy for a multi-generational workforce in a financial institution

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Orientation: Different generations may value and perceive employee rewards differently. This impacts on reward strategies in the workplace which have been specifically developed to attract, retain and motivate staff. A one-size-fits-all approach to reward strategy may not achieve the objectives intended, leading to direct and indirect financial implications for businesses.

Research purpose: This study investigated whether perceptions of reward strategy differed across generations in a large financial institution in South Africa. This context was specifically chosen due to the significant competition to attract and retain staff that exists in the financial sector. To contribute to the practical challenges of reward implementation, the study investigated whether specific reward preferences associated with generation exist, and whether offering rewards based on these preferences would successfully attract and retain staff.

Motivation for study: South African businesses are competing for skilled staff and rely heavily on a total reward strategy to compensate all generations of employees. Given the financial incentives to retain and attract the most effective staff, it is essential that reward strategies meet their objectives. All factors impacting the efficacy of reward strategies should be considered, including the impact of generational differences in preference. This is of relevance not only to the financial industry, but to all companies that employ staff across a variety of generations.

Research design, approach and method: A quantitative survey design was used. A total of 6316 employees from a financial firm completed a survey investigating their experiences and perceptions of reward strategies. Statistically significant differences across different generations and reward preferences were considered.

Main findings: Significant differences in reward preferences were found across generational cohorts. This supports international literature.

Practical/managerial implications: The results indicate that there is an opportunity for businesses and managers to link components of the total reward strategy to specific generations in the workforce by offering a wider variety of reward options to employees. Employee perceptions indicate a willingness to have reward strategies tailored to their needs and to have a greater say in their reward strategies. The challenge is in presenting the options in a fair and transparent manner, in providing choice and in tracking long-term retention and motivation based on the reward strategy.

Contribution: The study found that generations value rewards differently, which will enable management to develop more strategic approaches to reward. This research extends international evidence to include workplaces in emerging economies, which have the additional challenges of high rates of unemployment, but also scarce skills and competition for skilled staff. The findings of this research go some way to support the need to develop more dynamic, flexible and generation-specific reward strategies to support staff retention and attraction.

Introduction

Problem statement

Key focus

In the South African workplace, organisations are not merely competing against traditional competitors in the war for talent, but also against other high-skill workplaces, a labour market with very low numbers of high-skill and medium-skill people, high levels of mobility amongst the workforce and fewer skills entering the workforce (Bussin & Moore, 2012). The most explicit means to attract and retain staff, the reward strategy, has traditionally been thought of as linear: the greater the reward offered, the more likely the workplace is to attract the individual. This does not, however, take into account the complexity of the nature of the reward or the

individual. Rewards can be multifaceted and both financial and non-financial. Many features of reward strategies have not been incorporated into a total reward strategy (Hayes, 1999; Irvine, 2010). In addition, individuals have different sets of values and motivations. One influencing factor that has received prominence in international literature is the effect of the values of different generations in terms of what motivates them from a reward perspective. The argument is that employees from different generations have different needs and perceptions of what constitutes value in reward. The question is whether this trend is evident in an emerging economy, where there are high levels of skills shortages but also high levels of unemployment.

Background

The South African financial sector's workforce is 91% skilled and highly skilled; half are under the age of 35 years and 9% above age 50. The sector faces a decline in workforce at the lower skills levels and high competition for skilled employees (BankSETA, 2010). A survey by Landelahni (2010) Financial Services found that the challenges in attracting and retaining staff for the financial sector include a slow recovery for the sector, a shortage of key staff locally and globally and greater mobility of staff. These problems will not be solved in the short term and strategies are needed to increase skills and training and to better manage talent.

Sector skills plans and human resource plans tend to focus on developing skills in school leavers and in existing staff. Scant attention has been paid to other human resource strategies such as reward strategies in creating an attractive work environment. This research contributes to the literature on retaining and attracting skilled staff by using human resource strategies already in place, but finding ways to improve their efficacy.

South Africa is an emerging economy facing the international development challenges of, amongst others, high unemployment and a vast skills deficit (BankSETA, 2010; Horwitz, Bowmaker-Falconer & Searll, 1996). The challenge for business in this environment is to attract and retain capable, high-quality employees.

Research purpose

International research advocates for reward strategies that are tailored to specific generational cohorts. This research set out to determine whether this trend is applicable and relevant in South Africa, where there are high levels of skills shortages but also high levels of unemployment. To assess the relevance of using generational preferences in reward strategy to attract and retain staff, the research also investigated whether generational preferences towards reward exist in the financial sector in South Africa.

Trends from research literature

The idea that values and preferences in the workplace differ across generations has been presented for over a decade (Codrington, 2008; Deal, Stawiski, Graves, Gentry & Ruderman, 2013; Lyons, 2003), as has the view that workplaces

should develop relevant reward and retention strategies to suit multiple needs. Reward systems that assist employees to determine and achieve their immediate career objectives are not straightforward (Armstrong & Murlis, 2007; Cummings & Worley, 2001). Bonuses and commissions may have a transient motivational effect that results solely in temporary adjustments and does not result in lasting commitment (Khon, 2002; Scott & McMullen, 2010). Recent research from the South African context has found that specific compensation strategies directly impact the retention of Generation Xers, along with work content, career advancement, work-life balance, security needs, leadership and drive (Masibigiri & Nienaber, 2011). However, Bussin and Moore (2012) found no reward preferences amongst generational groups in a sample of 164 employees from two information and communication technology (ICT) organisations.

Objectives

Based on the above research trends, the current study was undertaken to answer the following research questions:

- Does a generation-based preference for reward exist?
- Does a total reward strategy address the preferences of each of the individual generations?
- Do generation-specific rewards improve the company's ability to attract, motivate and retain their employees?

Contribution to field

This research contributes to the international literature on generation reward preferences and extends the evidence to include workplaces in emerging economies with the pressure of high unemployment and scarce skills. The findings have direct relevance to the workplace and contribute specific insight into generational preferences in rewards. The workplace will benefit from the findings of this research by using the results to support the definition and customisation of reward packages based on generational theory.

Literature review

Differences in generational values and preferences

The workplace has changed significantly in the last decade, and the financial sector even more so. The sector is faced with sluggish growth after the great financial crisis of 2008, a slow-down in most economies, increases in technology, greater risk and compliance requirements, higher threats from money laundering and fraud and higher demands on productivity. In order to deal with these changes, the sector relies on the skills of its workforce. This talent management is essential for competitive advantage (Bersin, 2008; Ellis, 2009; Linne, 2009; Mohlala, 2011). Successful talent management includes being relevant to the needs of the workforce and taking into account the diverse needs of different generation groups.

Although past research (e.g. Masibigiri & Nienaber, 2011) has focused on the needs of different generations, the challenge of accurately defining generational cohorts remains. Definitions tend to be inconsistent (Lancaster & Stillman, 2002; Shaul, 2007). Smola and Sutton (2002) take the view that historical and social events shape the lives of specific general cohorts and can

TABLE 1: Summary of workplace generation characteristics.

Generation	Characteristics
Veterans, traditionalists, Silent Generation	Lived through the Great Depression and War Are loyal Focus on lifestyle in remuneration considerations The job is the reward
Baby Boomers	Born after Second World War: Shift to more global environments High levels of competition Loyal and hardworking Looking to extend their work life in difficult economic climate Need public recognition
Generation X	Early to middle part of their career Often challenge the status quo Exposed to explosion of new media Independent and may be destructive to group work Freedom in the form of a work-life balance
Generation Y	Present many challenges to managers Use multiple information channels and have a constant need for knowledge which they find empowering But are realistic in the challenges they must overcome Practical rewards and want rewards now

Source: Compiled from Bussin and Fletcher (2008); Colon (2005); Lancaster and Stillman (2002); Orciani (2009); Zemke, Raines and Filipczack (2000)

Note: Please see the full reference list of the article, Bussin, M., & Van Rooy, D.J. (2014). Total rewards strategy for a multi-generational workforce in a financial institution. *SA Journal of Human Resource Management/SA Tydskrif vir Menslikehulpbronbestuur*, 12(1), Art. #606, 11 pages. <http://dx.doi.org/10.4102/sajhrm.v12i1.606>, for more information.

be used to define them. These events undoubtedly differ across countries (Codrington, 2008; Codrington & Grant-Marshall, 2004) and generational definitions may lose relevance when extrapolated widely across different countries. Codrington (2008), however, argues that specific age groups are likely to have similar value systems regardless of their environment. These value systems drive and motivate behaviour, making them an important area of study in work motivation and preference. The most common generational categories linked to age are the following (Lancaster & Stillman, 2002):

- Veterans (traditionalists) – (Born 1900–1945)
- Baby Boomers (or Boomers) – (Born 1946–1964)
- Generation X – (Born 1965–1980)
- Generation Y – (Born 1981–1999).

The challenge is that despite the fact that these categories may not apply to the South African context, they have become part of human resources literature terminology. The definitions of Lancaster and Stillman (2002) tend to be the least event-defined and are broad in scope. Table 1 lists the characteristics of each cohort in the workforce.

Table 1 outlines the views and workplace values from the generational cohorts as outlined by Lancaster and Stillman (2002). Other researchers, such as Kane (2013), use the first three categories in the workplace as veterans are not widely represented. A similar under-representation of veterans was also found in the current study.

TABLE 2: Five elements and examples of the model for total reward strategy.

Compensation	Salaries and incentives
Benefits	Retirement and health care
Work-life	Workplace flexibility and paid and unpaid leave
Performance recognition	Performance planned by performance reviews; recognition in the form of annual awards, et cetera
Development and career opportunities	Learning opportunities and mentoring

Source: WorldatWork. (2006). *WorldatWork total rewards model*. Retrieved November 15, 2013, from <http://www.worldatwork.org/waw/aboutus/html/aboutus-what.html>

Generations differ in personal values, work methods and ethics and communication and socialisation outside of work (Kupperschmidt, 2000). Orciani (2009) argues that great leaders are able to take advantage of the strengths of each generation.

The differences between generations can also lead to conflict. For instance, veterans and younger groups often differ in the value placed on loyalty to an organisation (Colon, 2005; Hatfield, 2002; Zemke, Raines & Filipczack, 2000), the competitiveness of Boomers may be perceived as aggressive by other groups (Orciani, 2009) and Generation Xers value feedback to an extent not understood by older generations (Glass, 2007; Orciani, 2009; Smola & Sutton, 2002). According to Irvine (2010), the majority of the workforce is now made up of Boomers (45%), followed by Generation Xers (30%).

As Boomers exit the workforce, managers need to be able to adapt to the needs and values of Generation Xers, and Generation Ys. This generational mix requires managers to adapt and reinvent their retention and compensation programmes to take different values, needs and work ethics into account (Milgram, 2008).

Total reward programmes

Reward is considered a significant tool to attract, motivate and retain employees (Boyd & Salamin, 2001). 'Total reward' programmes, however, include both monetary and non-monetary rewards (E-research, 2002). Monetary rewards include basic pay, variable pay, share ownership and employee benefits. Non-monetary rewards are almost anything else an organisation offers an employee. Shaul (2007) has noted that employees focus on monetary reward but, paradoxically, their behaviour is often driven by non-monetary rewards. These non-monetary rewards are part of the psychological contract between employee and employer.

WorldatWork's (2006) model of total reward includes five elements (Table 2 and Figure 1):

- compensation
- benefits
- work-life
- performance and recognition
- development and career opportunities.

The above five elements are illustrated in Figure 1, demonstrating how the total reward elements and the company as a whole combine and influence each other.

Research design

Research approach

A quantitative, survey research design was chosen in order to reach a large portion of participants in a financial institution

within a set amount of time provided by the institution. The design was cross-sectional to include a 'snapshot' of all generational cohorts at one point in time.

The independent variable is generations as defined in 'differences in generational values and preferences'. The dependent variables include employees' perceptions and preferences for total reward strategies.

Research method

Research participants

The participants in this study were from a large financial services company in South Africa. Participants were identified through convenience non-probability sampling. The organisation has approximately 29 000 employees across South Africa. A definitive total number was not available. All employees in South Africa (all provinces were included) with Internet access were asked to complete a survey via an email with a link to the online survey. This method was used to reach the greatest number of people, across the largest number of locations. The deadline was 2 weeks. The questionnaire was completed by 6316 people, resulting in a 24% response rate overall.

The participants in this study fell predominantly in the Generation X classification, which reflects the characteristics of the sector in South Africa (BankSETA, 2010). The participants were 60% Generation X, 28% Generation Y, 12% Boomers and only 0.05% veterans (this supports Kane's, 2013, view that the majority of the workplace is made up of the first three groups).

Table 3 outlines the demographic characteristics of the respondents. The demographic characteristics were determined from the personnel numbers attached to the

completed surveys. The limitation of this method was that characteristics such as marital status and specific geographic location were not available.

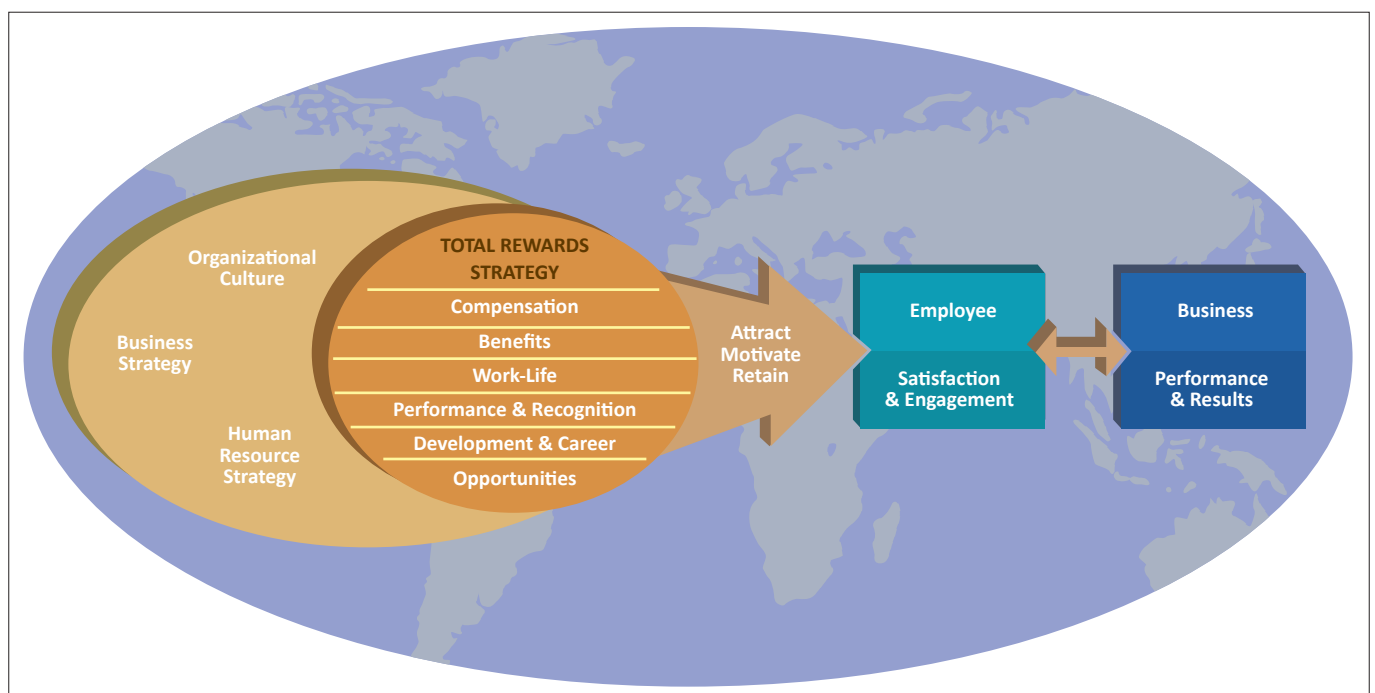
No veterans responded to the survey. It is unclear why this was the case. The other generation groups were comparable to the population composition of the organisation.

Measuring instruments

The survey instrument was Internet based and was communicated to employees via email. It was part of a

TABLE 3: Demographic characteristics of the respondents.

Characteristics	Distribution	Number of participants	Percentage
Generation	Baby Boomer	1161	18.38
	Generation X	3210	50.82
	Generation Y	1945	30.80
	Total	6316	100.00
Gender	Male	2159	34.18
	Female	4157	65.82
	Total	6316	100.00
Racial	African	1876	29.70
	Mixed race	1146	18.14
	White	2392	37.87
	Indian	900	14.26
	Foreign nationality	2	0.03
	Total	6316	100.00
Years with employer	< 1	295	4.67
	1–5	2956	46.80
	6–10	1087	17.21
	11–15	790	12.51
	16–20	356	5.64
	> 20	832	13.17
	Total	6316	100.00



Source: WorldatWork. (2006). *WorldatWork total rewards model*. Retrieved November 15, 2013, from <http://www.worldatwork.org/waw/aboutus/html/aboutus-what-is.html>

FIGURE 1: WorldatWork (2006) total reward strategy model.

larger, company-based survey, thus enabling the use of the workplace process of research. The survey used closed-ended questions, with ratings on a five-point Likert-type scale from 1 (extreme negative) to 5 (extreme positive).

The survey was designed based on the components from the WorldatWork total reward strategy model (WorldatWork, 2008). Demographic information was determined using the employees' personnel numbers which they supplied and were linked to their responses. Employees were informed of the intention of the research and the need for the inclusion of their personnel numbers. This information was kept confidential, accessed only by the researcher and maintained in a protected database.

The survey was piloted on a small group of employees to determine the time taken to complete the survey and to identify any ambiguities or difficulties with the survey. These pilot participants were excluded from the final sample. A Cronbach's alpha score of reliability of 0.82 was obtained for the questions, above the acceptable level of 0.70 (DeVills, 2003; Pallant, 2007).

Research procedure

Before administration, the survey was piloted on a small group of employees located in the call centre of the organisation. The survey was finalised using the findings from the pilot group and then sent to all employees in South Africa via email. The survey was completed online and the researcher was able to access the final results online. A notice letter reminding the employees of the closing date was sent 1 week after the survey was initially sent out to encourage participation. Participation in the research survey was voluntary and no pressure was placed on respondents

to participate. Once the responses were received, analysis of data using a variety of statistical analysis techniques was performed.

Statistical analysis

The responses from the questionnaire were uploaded to an Internet-based survey tool and then exported to an Excel spreadsheet. Descriptive statistics, frequencies and bivariate cross-tabulations were conducted. Inferential statistics included Spearman's correlations, the Kruskal-Wallis test and Bonferoni correction.

Ethical considerations

Permission to conduct the research was granted by the organisation. Participation in the research was voluntary and employees were also explicitly asked for their consent before completing the survey. Respondents' employee numbers were linked to the survey, thus anonymity was not possible. However, the data was kept confidential and only seen by the researcher and supervisor (who performed the statistical analysis). Data will be destroyed after 2 years.

Results

The following section discusses the statistical analysis performed to answer each research question.

Research question 1: Does a generation-based preference for reward exist?

Participants were asked to list the rewards they had received in the last 18 months. Table 4 outlines the types of rewards and generational preference for them. Spearman's

TABLE 4: The total reward package that was received by employees.

Reward type	Spearman correlation co-efficient	Difference in medians (Kruskal-Wallis analysis of variance)	Difference between groups (Bonferroni test)
Long service awards	$P = -0.214^{**}$	$p < 0.01$	All groups differ from each other
Time off work in recognition of hard work and secondment	$P = 0.085^{**}$	$p < 0.01$	All groups differ from each other
Mentorship and coaching programme	$P = 0.068^{**}$	$p < 0.01$	All groups differ from each other
Structured development programme	$P = 0.077^{**}$	$p < 0.01$	All groups differ from each other
Flexible working hours	$P = 0.018^{**}$	$p < 0.01$	All groups differ from each other
Salary	$P = -0.045^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Annual leave commutation	$P = -0.048^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Training courses	$P = -0.042^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
On-the-job training	$P = 0.068^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
External conferences	$P = -0.045^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Company share scheme	$P = -0.086^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Company BEE share scheme	$P = -0.085^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Pleasant work environment	$P = -0.055^{**}$	$p < 0.01$	Groups 1 and 2 differ from Group 3
Outcome-based remuneration or commission	$P = 0.031^*$	$p = 0.016$	Group 1 differs from Group 2 and 3
Study bursary – Fully paid	$P = 0.053^{**}$	$p < 0.01$	Group 1 differs from Group 2 and 3
Gym facilities	$P = 0.072^{**}$	$p < 0.01$	Group 1 differs from Group 2 and 3
Bonuses	$P = 0.026$	$p = 0.090$	Not applicable
Cash Incentives	$P = 0.013$	$p = 0.535$	Not applicable
Non-financial recognition awards	$P = 0.024$	$p = 0.139$	Not applicable
Study bursary – Partially paid	$P = 0.023$	$p = 0.050$	Not applicable
Wellness programme	$P = 0.009$	$p = 0.148$	Not applicable

Group 1, Generation Y; Group 2, Generation X; Group 3, Boomers.

*, $p < 0.5$; **, $p < 0.001$

correlations between the generational groups were run. A Kruskal-Wallis analysis of variance determined significant difference and a Bonferroni test indicated which groups differed from one another.

As can be seen from Table 4 all three generational cohorts differed on the following rewards they received: long service award, time off work in recognition of hard work and secondment, mentorship and coaching programmes, structured development programmes and flexible working hours. The younger Generation X and Generation Y groups differed from the Boomers on receiving rewards such as salary, annual leave commutation, training courses, on-the-job training, external conferences, the company share scheme, the company Black Economic Empowerment (BEE) scheme and pleasant working environment.

Overall, most participants received traditional rewards such as a salary and bonus. The older generation (Boomers) had a higher percentage of share ownership. The younger groups of Generation Xers and Generation Ys used resources such as gym facilities more, whilst older generations had a higher frequency of long service awards. These relatively predictable results are consistent with existing theory about generational preferences and indicate traditional rewards provided as seniority is achieved (Gentry, 2007; Nienaber, Bussin & Henn, 2011).

Participants were then asked to choose the reward options they would prefer to receive. All groups differed significantly in their preferences. Table 5 outlines these preferences.

Table 5 highlights the fact that generational cohorts differ from each other on all the reward types. Table 6 highlights the preferences amongst respondents on a five-point scale from not important to very important. Frequencies were run

to determine these preference types and a Bonferroni test was conducted to determine significance.

It is evident from Table 6 that each generation preferred different types of financial compensation. When compared to Boomers, Generation Y showed a preference for bonuses. The Generation Y and Generation X groups also preferred more 'health' and 'change the world' forms of benefits, evidenced in the higher gym and wellness uptake from these groups (Moore, 2009).

Generation Xers rated work-life balance very highly. They have a higher preference for 'flexible working hours' and a 'pleasant work environment' (Chan, 2005). In contrast, the Boomers preferred 'long service awards' which is consistent with their preference for public rewards (Bussin & Fletcher, 2008).

With reference to development and career opportunities, Generation Ys appeared to be primarily focused on developing themselves and their careers (Milgram, 2008). Boomers might recognise that they need to continue learning and developing themselves but are not as focused on formal education or development as their younger counterparts, preferring training courses and on-the-job training (Orciani, 2009). Table 7 presents a summary of the total reward package preference of each generation.

Respondents were asked to select the four most probable rewards they would select, should these rewards be offered by another company, as depicted in Table 8.

Table 8 shows that the monetary components of reward strongly impact all decisions made, regardless of generation. There were more differences in other categories; for instance,

TABLE 5: Preferences in rewards amongst respondents.

Reward type	Difference in medians (Kruskal-Wallis analysis of variance)	Difference between groups (Bonferroni test)
Salary	$p < 0.01$	Boomers and Generation X differ from Generation Y
Company share scheme	$p < 0.01$	Boomers and Generation X differ from Generation Y
Annual leave commutation	$p < 0.01$	Boomers and Generation X differ from Generation Y
Pleasant work environment	$p < 0.01$	Boomers and Generation Y differ from Generation X
Company BEE share scheme	$p < 0.01$	Boomers differ from Generation X and Generation Y
Bonuses	$p = 0.023$	Generation X differs from Generation Y
Cash incentives	$p = 0.010$	Boomers differ from Generation Y
Outcome-based remuneration or commission	$p = 0.023$	All groups differ
Long service awards	$p < 0.01$	All groups differ
Non-financial recognition awards	$p < 0.01$	All groups differ
Time off work in recognition of hard work and secondment	$p < 0.01$	All groups differ
Study bursary – Partially paid	$p < 0.01$	All groups differ
Study bursary – Fully paid	$p < 0.01$	All groups differ
Mentorship and coaching programme	$p < 0.01$	All groups differ
Structured development programme	$p < 0.01$	All groups differ
Training courses	$p < 0.01$	All groups differ
On-the-job training	$p < 0.01$	All groups differ
External conferences	$p < 0.01$	All groups differ
Flexible working hours	$p < 0.01$	All groups differ
Gym facilities	$p < 0.01$	All groups differ
Wellness programme	$p < 0.01$	All groups differ

Generation X had a strong preference towards 'flexible working hours' (Nordenfelt, 1993).

Interestingly, Boomers also rated complete study bursaries as a preference when changing employers, along with the younger generations.

Research question 2: Does a total reward strategy address the preferences of each of the individual generations?

Table 9 summarises the reward preferences for each group.

TABLE 6: Preferences in rewards amongst respondents.

Reward category	Reward	Not important (%)			Nice to have (%)			Important (%)			Very important (%)			Bonferroni test of difference
		BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	
Compensation	Salary	0.0	0.1	0.4	0.8	1.1	1.8	9.5	8.6	11.0	89.7	90.2	86.8	Boomers and Gen X differ from Gen Y
	Bonuses	0.2	0.2	0.5	3.6	3.5	3.9	16.1	15.4	17.8	80.1	80.9	77.8	Gen X differs Gen Y
	Cash incentives	2.3	2.2	2.3	29.3	27.6	25.7	28.9	26.2	26.5	39.5	44.0	45.5	Boomers differ from Gen Y
	Outcome-based remuneration (OBR) or commission	28.2	18.4	12.2	34.3	33.7	34.3	21.2	24.2	25.9	16.3	23.7	27.6	All groups differ
	Company share scheme	9.4	6.4	7.4	27.7	28.8	36.6	29.5	31.7	30.6	33.4	33.1	25.4	Boomers and Gen X differ from Gen Y
	Company BEE share scheme	30.6	17.1	11.7	28.3	29.8	34.2	20.6	26.1	28.3	20.5	27.0	25.8	Boomers differ from Gen X and Gen Y
Benefits	Gym facilities	26.4	19.8	12.1	45.3	46.0	44.6	17.4	19.5	22.1	10.9	14.7	21.2	All groups differ
	Wellness programme	13.4	9.2	7.2	34.4	31.7	30.9	30.2	32.1	32.2	22.0	27.0	29.7	All groups differ
Work-life environment	Annual leave commutation	11.3	9.3	6.3	29.5	28.2	25.7	33.2	35.4	35.4	26.0	27.1	32.6	Boomers and Gen X differ from Gen Y
	Flexible working hours	7.9	4.9	5.8	31.5	25.3	26.6	31.2	30.5	31.8	29.4	39.3	35.8	All groups differ
	Pleasant work environment	2.6	1.6	2.3	7.8	8.6	11.8	26.0	19.7	19.3	63.6	70.1	66.6	Boomers and Gen Y differ from Gen X
Performance and recognition	Long service awards	1.4	2.9	3.8	19.8	21.9	23.3	28.8	31.7	32.4	50.0	43.5	40.5	All groups differ
	Non-financial recognition awards	8.9	7.2	6.6	43.1	38.8	33.0	28.3	29.5	29.8	19.7	24.5	30.6	All groups differ
	Time off work in recognition of hard work and secondment	8.7	5.8	4.7	37.3	33.0	31.9	32.2	34.5	33.1	21.8	26.7	30.3	All groups differ
Development and career opportunities	Study bursary – Partially paid	15.3	6.0	3.9	26.8	23.7	18.7	36.6	40.5	36.8	21.3	29.8	40.6	All groups differ
	Study bursary – Fully paid	14.6	3.2	2.0	23.2	19.8	15.1	33.3	34.7	29.7	28.9	42.3	53.2	All groups differ
	Mentorship and coaching programme	12.1	3.9	2.5	21.9	19.1	16.4	40.1	36.9	33.1	25.9	40.1	48.0	All groups differ
	Structured development programme	8.7	3.2	2.2	18.8	15.7	14.3	41.0	37.9	33.2	31.5	43.2	50.3	All groups differ
	Training courses	2.6	0.8	0.9	11.3	8.5	8.0	43.0	36.7	31.6	43.1	54.0	59.5	All groups differ
	On-the-job training	3.1	2.0	1.0	11.1	9.1	9.2	41.1	37.3	33.1	44.7	51.6	56.7	All groups differ
	External conferences	14.7	10.5	9.6	34.3	33.9	32.4	35.1	35.0	31.4	15.9	20.6	26.6	All groups differ

TABLE 7: The preferences of the generations towards the components of the total reward package in the company.

Reward type	Difference in medians (Kruskal-Wallis analysis of variance)	Difference between groups (Bonferroni test)
I would rather have less benefits (pension and medical aid) in return for more money in my pocket.	$p < 0.01$	All groups differ
I would rather have less fewer days and more money in my pocket.	$p < 0.01$	All groups differ
I would compromise having a higher salary and rather take a lower salary with greater career growth opportunities.	$p < 0.01$	All groups differ
I would sacrifice part of my salary in return for paternity leave.	$p < 0.01$	All groups differ
I would compromise a higher salary offer from another company in return for better career development opportunities at my current employer.	$p < 0.01$	Boomers differ from Gen X and Gen Y
I would rather increase my pension contributions than receive an increase on my salary.	$p < 0.01$	Boomers differ from Gen X and Gen Y
I would take the risk of having a bigger potential total in performance-based incentives and agree to a small reduction in salary.	$p = 0.158$	-
I would rather take a smaller salary increase in return for a larger amount in company share options (keeping into account the share price risk and 3-year waiting period).	$p = 0.01$	-
I would take a small reduction in salary in return for flexible hours.	$p < 0.01$	-
I would take a small reduction in salary in return for partly working from home.	$p < 0.01$	-

BB, baby boomers; Gen X, Generation X; Gen Y, Generation Y.

Research question 3: Do generation-specific rewards improve the company's ability to attract, motivate and retain their employees?

Participants were asked to compare what they received to others' rewards for similar responsibilities in different companies. Table 10 illustrates the different generations' perceptions of difference.

It is evident from Table 10 that a difference between the generations' perceptions of what they receive as benefits was evident in almost all categories. Generation Y generally stood out as different from the other groups in their perceptions.

TABLE 8: Preferences in benefits if they were offered by another company.

Reward category	Reward	Most important (%)			Second most important (%)			Third most important (%)			Fourth most important (%)			Bonferroni test of difference
		BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	
Compensation	Salary	44.8	42.3	41.5	26.0	27.0	23.7	16.8	17.4	18.7	14.3	17.7	18.2	Not applicable
	Shares	18.7	16.9	14.0	26.6	27.2	23.1	30.7	28.1	31.7	36.3	39.3	35.4	Boomers differ from Gen Y
Benefits	Better medical and pension benefits	21.9	17.6	17.9	38.3	34.9	38.8	25.5	29.8	30.1	14.3	17.7	18.2	Boomers differ from Gen X and Gen Y
	More leave days	12.4	10.3	14.4	20.5	20.4	20.3	31.0	30.0	29.9	36.3	39.3	35.4	Not applicable
Work-life environment	Flexible working hours	26.9	32.0	31.4	17.2	21.0	18.8	20.2	20.5	20.8	35.7	26.5	29.0	Boomers and Gen X differ from Gen Y
	Better company culture and working environment	14.1	16.5	16.5	22.5	22.1	26.2	31.5	29.3	28.3	31.9	32.1	29.0	All groups differ
Performance and recognition	Better recognition and celebration	18.1	16.7	16.4	24.2	21.2	23.0	28.0	27.7	29.3	29.7	34.4	31.3	All groups differ
Development and career opportunities	Training, career development and growth	16.6	21.9	26.6	23.5	25.6	27.6	34.1	32.2	26.3	25.8	20.3	19.5	All groups differ
	100% study bursary	23.4	23.5	24.3	12.8	21.1	22.7	27.5	19.6	21.0	36.3	35.8	32.0	All groups differ

BB, baby boomers; Gen X, Generation X; Gen Y, Generation Y.

TABLE 9: Preferred reward for the different generations in the company.

Generation	Preferred reward
Baby Boomers	Fixed and long-term compensation rather than variable compensation Long service recognition Development and career opportunities in the form of informal training
Generation X	More of a balance between fixed and variable compensation Balanced work-life environment especially flexible working hours Development and career opportunities with no inclination to a specific type of training
Generation Y	A balanced view on compensation, but leaning more towards variable pay rather than fixed Non-financial recognition is very important Development and career opportunities were the highest of all generations in all the different types of training listed

TABLE 10: Comparison between employers of reward package received.

Reward type	Difference in medians (Kruskal-Wallis analysis of variance)	Difference between groups (Bonferroni test)
Salary	$p < 0.01$	Boomers and Generation X differ from Generation Y
Bonuses	$p < 0.01$	Boomers and Generation X differ from Generation Y
Leave	$p < 0.01$	Boomers and Generation X differ from Generation Y
Pension fund	$p < 0.01$	Boomers and Generation X differ to Generation Y
Medical aid	$p < 0.01$	All groups differ
Pleasant physical work environment	$p < 0.01$	Boomers and Generation X differ from Generation Y
Wellness benefits	$p = 0.048$	-
Training and development	$p = 0.358$	-
Flexible working hours	$p < 0.01$	Boomers differ from Generation Y

TABLE 11: Employee satisfaction with reward package received.

Reward type	Difference in medians (Kruskal-Wallis analysis of variance)	Difference between groups (Bonferroni test)
Salary	$p < 0.01$	Boomers and Generation X differ from Generation Y
Bonuses	$p < 0.01$	Boomers and Generation X differ from Generation Y
Leave	$p < 0.01$	Boomers and Generation X differ from Generation Y
Pension fund	$p < 0.01$	Boomers and Generation X differ from Generation Y
Pleasant physical work environment	$p < 0.01$	Boomers and Generation X differ from Generation Y
Flexible working hours	$p < 0.01$	Boomers differ from Generation Y
Medical aid	$p < 0.01$	All groups differ
Wellness benefits	$p = 0.048$	-
Training and development	$p = 0.358$	-

Table 11 illustrates how the levels of satisfaction with different reward types also differed.

In order to further probe this finding, participants were asked to rate their employer's rewards in comparison to other companies. The results are presented in Table 12.

The majority of employees were satisfied with their rewards. In relation to the other generations, Generation Y was the least satisfied. Again, benefits were well rated, except for 'medical aid', by Generation Y.

When asked to choose the four benefits with the most appeal and attraction from another workplace, there were no clear pull factors. Generation X does appear to favour the work-life environment, whilst Generation Y rates career development and opportunities highly.

Discussion

Research question 1: Does a generation-based preference for reward exist?

The research supports Bussin and Fletcher's (2008) study, which found a generational reward preference in South Africa. Specifically, the research found that Boomers preferred reward strategies such as fixed and long-term compensation, long service recognition and career development and training in the form of informal training. Generation Xers preferred a balance between fixed and variable income and more work-life balance (especially flexible hours). Generation Ys also preferred a balance between fixed and variable compensation but did show some indication that they would be comfortable with more variable pay. For Generation Y, non-financial recognition was regarded as highly important, as was training and career development (using all types of training methods).

These findings show a distinction between the generations' preference for reward, especially in terms of the type of monetary reward provided and the 'quality of work life' rewards. These reward types all exist in various total reward strategies and can be used to incentivise and motivate staff according to their preference. Customisation of the reward model, based on generational preferences, would also better cater for the life stage and associated work stage of individuals; for example, Generation Y employees are less likely to be interested in long service awards, as their age precludes them from benefiting from these for some time.

Past research has provided evidence for specific work and reward preferences amongst different generational cohorts. The most common means of describing these cohorts tends to be through the use of the terms Generation Y, Generation X, Baby Boomers and veterans. Generational theory attaches meaning to the terminology used, based on defining events in the collective lives of each cohort. The inherent problem is that these categories, and associated life events, are Western concepts. In South Africa, the use of the generational cohorts appears to be valuable as they indicate a specific model of age segmentation and similar trends in work preference have been found. For instance, Masibigiri and Nienaber (2011) found that the retention of South African Generation Xers depended on issues such as work-life balance and flexible rewards. However, this does not suggest that level of compensation is not important, as the participants in the Masibigiri and Nienaber study felt that the amount of compensation reflected their value as an asset for the organisation.

Research question 2: Does a total reward strategy address the preferences of each of the individual generations?

The company sampled in this study used many of the existing components of the WorldatWork total rewards model

TABLE 12: The satisfaction levels of employees with regard to rewards received.

Reward category	Reward	Irrelevant to me (%)			Very dissatisfied (%)			Dissatisfied (%)			Satisfied (%)			Very satisfied (%)			Bonferroni test of difference
		BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	BB	Gen X	Gen Y	
Compensation	Salary	0.4	0.8	1.5	7.0	13.2	18.3	26.1	28.1	33.2	61.4	52.3	42.2	5.1	5.6	4.8	All groups differ
Benefits	Employee banking	3.2	4.0	4.5	4.7	9.8	11.6	25.8	29.6	29.5	61.9	51.4	48.9	4.4	5.2	5.5	Boomers differ from Gen X and Gen Y
	Your number of days for family responsibility leave	4.7	2.6	4.8	2.8	6.9	10.1	11.6	19.3	22.9	72.0	63.4	54.6	8.9	7.8	7.7	All groups differ
	Your number of study leave days	29.0	14.4	12.6	1.8	4.6	8.4	6.2	12.3	17.0	56.5	61.8	53.2	6.5	6.9	8.8	Boomers differ from Gen X and Gen Y
	Your number of annual leave days	0.3	0.7	1.3	1.6	3.0	6.4	7.5	10.3	15.5	76.6	72.8	63.3	14.0	13.2	13.5	All groups differ
	Your number of sick leave days	5.0	3.4	2.9	0.5	1.3	2.6	3.1	3.3	5.7	78.0	77.9	71.0	13.4	14.1	17.8	-
	The maternity leave policy	60.4	35.5	31.8	0.3	4.0	5.2	1.6	6.4	8.1	31.9	46.1	45.0	5.8	8.0	9.9	Boomers differ from Gen X and Gen Y
	Your medical aid	17.9	16.9	8.8	9.4	17.6	33.6	15.2	21.4	24.5	48.8	39.0	28.9	8.7	5.1	4.2	All groups differ
Work-life environment	Your physical working environment	1.1	0.7	1.5	4.7	6.3	6.5	15.0	13.2	12.5	61.5	62.2	59.1	17.7	17.6	20.4	-

BB, baby boomers; Gen X, Generation X; Gen Y, Generation Y.

with their employees. It was clear that each generation, on aggregate, received the rewards they preferred. In this instance, the rewards offered did meet their needs, but it was also clear that there were different requirements amongst the age groups. This supports the findings of other South African research, such as that of Masibigiri and Nienaber (2011), but may be specific to this sample, as other research has indicated no differences amongst the generations (Bussin & Moore, 2012). In addition, Giancola (2006) has argued that the generation gap between age cohorts is not a sensitive measure of difference. His research does indicate that reward preferences may be linked to specific cohorts, such as retirement planning for Boomers and career development for Generation Y. His argument is that this relates to the period in the person's career, rather than to their age cohort per se.

Research question 3: Do generation-specific rewards improve the company's ability to attract, motivate and retain their employees?

Overall, the generations felt that their company offered rewards that were sufficient and of market value. This demonstrates satisfaction with the rewards offered, but it does not indicate whether the rewards were generation specific or merely fulfilled the needs of the generations. Further predictive research into whether the reward offer was an important component in the retention and attraction of staff is required.

It should also be noted that this study was conducted during the recovery period following the 2007/2008 recession and economic slowdown. Employees may have been more aware and focused on monetary rewards than non-monetary rewards during this time.

Practical and theoretical implications

The current research has contributed to the international literature on generational theory by extending findings on generational differences in reward preferences to a South African context. Further investigation into each age cohort would add knowledge on the specific drivers and values of each one. This is especially important as research in this area in South Africa does not indicate consistent findings (see Bussin & Moore, 2012, for instance).

Non-monetary rewards are becoming increasingly important in total rewards models; this is evidenced in the positive way in which the younger generations value them.

TABLE 13: Preferences in reward if offered by another company.

Reward	Result
Compensation	High preference by all generations
Benefits	High preference by all generations
Work-life environment	High preference by Generation X
Performance and recognition	High preference by all generations
Career development and opportunities	High preference by all generations, but Generation Y has the highest preference of all

Organisations could benefit practically from this research by using generational preferences to tailor reward packages for candidates. Performance discussions with existing staff offer an opportunity to guide reward strategies to suit their needs. The results from the study can be used to guide the employer's strategy in their methods of engaging or retaining their key employees.

Limitations of the study

The following limitations need to be considered for this study:

- Due to time constraints or any other potential reasons for decline, not all employees of the selected financial institution chose to participate in the research and thus the results may not be representative of the population.
- The categorisation of generational cohorts used an international definition, which may not be completely applicable to the South African context.
- The study only includes the workforce of one company found in the financial services industry. This limits the applicability to other financial institutions and organisations in South Africa more broadly.
- The age categories did not have the same number of people in them, making the use of parametric statistics impossible.
- The exclusion of the veteran (traditionalist) generation due to non-response to the survey caused the data analysis and conclusions drawn to be done without their input.

Conclusion

Considering future demographic trends, employees from Generation X and Generation Y will start to dominate the composition of the workforce. Employers need to consider the preferences and motivations of these generations in order to attract and retain talent, as well as to increase productivity. Reward strategy plays a key role in defining the employee value proposition and, as such, demands the continued attention of employers. One-size-fits-all reward strategies do not take individual preferences into account, but it can be argued that large employers do not have the capacity to customise reward packages at an individual level. The complexity of this type of customisation would lead to significant expense in terms of time and coordination. It is thus beneficial for organisations to find a way to segment the workforce according to reward preference, in a way that provides a balance between individual customisation and organisational efficiency.

This research investigated the role of generational theory as a means of segmenting the workforce to understand reward preference. The findings show that there are indeed preferences in reward based on defined generational cohorts (Boomers, Generation X and Generation Y). It is suggested that these preferences can be used to enhance the attraction and retention of employees. The use of a total rewards model is advocated in which a mix of financial and non-financial rewards is offered to employees in a manner that is consistent with preferences aligned to age and generation.

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Competing interests

The authors declare that they have no financial or personal relationship(s) that may have inappropriately influenced them in writing this article.

Authors' contributions

M.B. (University of Johannesburg) was the principle investigator and was responsible for the design and execution of the project and writing the article. D.J.v.R. (University of Pretoria) was responsible for fieldwork and writing up the research.

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