Generational Gap: Intrinsic (Non-monetary) Versus Extrinsic (Monetary) Rewards in the Workforce

Charles Chekwa
Troy University, Orlando FL., USA
Mmutakaego Chukwuanu
Allen University, Columbia SC., USA
Daisey Richardson
Troy University, Sumter SC., USA

Traditionally, organizations assume that compensation/pay and monetary benefits are what all employees need to work harder, be productive, or remain with the company. According to Abraham Maslow, within every person is a hierarchy of five needs: physiological needs, safety needs, social needs, esteem needs, and self-actualization needs Organizations must be able to identify what employees desire to secure optimum performance and to meet the needs of both employees and employers. This research focuses on the generational gap and the significance of intrinsic and extrinsic rewards in the workforce. The purpose and objective of this research are to test the significance of monetary versus non-monetary rewards among the different generations in the organization. A self-designed questionnaire distributed to a multi-generational group of employees of selected organizations was used to collect the analyzed data. Sixty-five (65%) responses were obtained. Secondary data were used to elucidate the needs in this area of study. Because the workforce is predicted to become more diverse in terms of age, organizations will be unlikely to implement one set of rewards for the multiple generations. This is due to the differing expectations and requirements among the generations. However, the results indicate no significant difference in monetary versus non-monetary rewards among the different generations in the workforce.

Keywords: monetary benefits, intrinsic reward, extrinsic reward, motivation, multi-generational workforce, monetary and non-monetary rewards

Literature Review

To motivate employees and control employee mobility, organizations focus on monetary rewards as what all employees need to work harder. Maslow, as cited by Donnelly, Gibson, Ivancevich, and Konopake (2011), indicated that within every person is a hierarchy of five needs: physiological needs, safety needs, social needs, esteem needs, and self-actualization needs. Organizations also focus on diversity in the workforce, primarily gender and ethnicity, but overlook the generational gap. Because the economy has affected the composition and

Charles Chekwa, Professor, DBA, Sorrell College of Business, Troy University.
Mmutakaego Chukwuanu, Professor, Ph.D., Department of Management, Allen University.
Daisey Richardson, MSM, Department of Management, Troy University.
Correspondence concerning this article should be addressed to Dr. Mmutakaego Chukwuanu, Allen University 2904 Hobkirk Rd. Columbia SC 29223, USA. E-mail: mchukwuanu@allenuniversity.edu.

dynamics of the workforce, organizations must be able to identify what employees need to secure optimum performance and to meet the needs of both employees and employers. The US workforce today comprises four generations: traditionalists, baby boomers, generation X, and generation Y. Employers must balance these different generations by understanding the preferences, needs, and expectations of each segment of the workforce as well as many similarities among them. For organizations to remain successful, the leaders must learn these similarities and create a work atmosphere to support them.

Changes in employees' expectations in the workplace have significant implications for job satisfaction, which now seems to be elusive. The most sought after motivators among employees of the different generations include great compensation packages, opportunities to learn and develop skills, advancement within the company, respect and recognition, and work/life balance (Noe, Hollenbeck, Gerhart, & Wright, 2010). Nevertheless, each generation's desires and expectations differ; therefore, employers should focus on the alignment of these differences. Intrinsic and extrinsic rewards can be combined to foster job satisfaction and retain the most qualified and skilled employees, and for use as motivational tools. Among some employees, non-monetary rewards such as responsibility, professional growth, and recognition are factors leading to job satisfaction; this suggests that an individual is more interested in a job itself and in self-fulfillment. On the other hand, monetary rewards are the focus of employees who are satisfied with money, bonuses, and promotions as these are offered based on specific skills, ability to perform tasks, and merit.

Generational Differences in the Workforce

A generation, according to Palese, Pantali, and Saiani (2006), was considered to be a group of individuals who share the same birth year and have common generalities that set them apart from others. This study views a generation as a group of people who have lived at the same time or who are very close in age, born within a few years of one another. Each generation shares events in history that shape their unique personalities, create common values, and establish different outlooks. In the US, the workforce consists of four generations: traditionalists (1925-1945), baby boomers (1946-1964), generation X (1964-1982), and generation Y (1982-1995).

The impact of multi-generations on the success of employees and organizations depends on understanding what motivates and works to retain each generation of workers. When successfully addressed, this will allow an organization to maintain high productivity and remove conflicts, frustration, declines in effectiveness, and low morale among employees. Traditionalists are those who delayed retirement or returned to the workforce after the Great Depression, World War II, and the Korean War. Members of this generation are viewed as being hardworking with a positive work ethic and as having dedication and a willingness to sacrifice, respect for rules, and an emphasis on both duty and honor (James, 2006).

Baby boomers are the largest generation demographically. The civil rights movement, the sexual revolution, the Cold War, space travel, and multiple assassinations have contributed to this generation being characterized as having a strong "team" orientation, with an emphasis on personal gratification and focus on personal growth. The baby boomers entered the workforce when people had a sense of job security, education was available, and the workplace was a promising vehicle to success. According to James (2006), "baby boomers are anti-authoritarian, idealistic, and competitive. They view their career in terms of a life mission, care about the vision of their employer, are skeptical of leaders and are most at home in organizations with a

horizontal structure" (p. 55).

Duchscher and Cowan (2009) and James (2006) described generation X as people whose characters are influenced by the fall of the Berlin Wall, Watergate, women's liberation, Desert Storm, the AIDS epidemic, and the energy crisis. They constitute the generation that appreciates diversity, technological literacy, fun and informal, self-reliance, and common sense. Generation Xers (X members) focus on personal growth, aggressively question the status quo and authority, and see job security as non-existent. This generation does not emphasize work, but feel that work should be a place to have fun and to be informal. James (2006) saw them as the first generation of latchkey kids, left to grow up on their own as divorce rates rose and mothers returned to work. Generation Xers have an intense loyalty to their friends and so do not relocate easily. They are quick learners, good team players, and technologically knowledgeable, but they have little institutional loyalty and tend to be weak in people and service skills.

Generation Yers were exposed to events such as 9/11, the Oklahoma City bombing, school shootings, Hurricane Katrina, technology, and the focus on children's rights that resulted in such social values as civic responsibility, confidence, achievement orientation, and respect for diversity. Generation Y's core values are optimism, civic duty, teamwork, modesty, morality, and street smarts. According to James (2006), generation Yers are just beginning to make themselves felt in the workplace. Children of the baby boomers, they are close to their parents and take them as role models, but are very much like their grandparents. They are full of self-esteem, socially conscious, and pro-education. They do not see their employer as a lifetime employer; they expect to have several jobs across multiple careers. They are blunt, even to authority, and demand to use their own technology on the job. They expect their job to provide both good money and great satisfaction; they want to see how their work is meaningful and how they are contributing to a better society.

Changes in the Workforce

The Bureau of Labor and Statistics (2011) produced a labor force projection every two years and, according to Tossi (2004), the workforce is expected to reach 162.3 million. Baby boomers currently make up 27% of the workforce, contributing the greater percentage of older people in the workforce. In 2012, generation X was projected to make up 33% and generation Y 37% of the workforce.

Organizations use rewards and benefits to retain and recruit the most qualified talent and to motivate employees to perform at higher levels. Therefore, organizations should understand and consider the trends in growth, needs, and preferences of the workforce when considering rewards because monetary and non-monetary rewards and benefits differ in perspectives and roles, as well as in importance, among generations. According to Donnelly et al. (2011), intrinsic rewards are the intangible part of the job itself, such as completion, achievement, autonomy, personal growth, the relationship between co-workers and supervisors, and feedback. Extrinsic rewards are tangible or external characteristics of the job, such as compensation, promotion, fringe benefits, workforce flexibility, and job security. Due to multi-generations and the competitiveness of the workforce, organizations must set benchmarks against competitors' offers to employees.

Whether an organization uses a monetary or non-monetary rewards approach, Heneman and Judge (2009) suggested the following guidelines for consideration:

(1) Intrinsic rewards: Provide rewards that are important, meaningful, and unique, reward consistent with employees' behavior, provide rewards to assist with development, and link rewards to behavior, preferences,

and performance;

(2) Extrinsic rewards: Assign employees' jobs that meet their needs for work characteristics, provide clear communications with employees, design fair reward allocation systems, ensure that supervisors provide a positive environment, and provide programs to enhance work/life balance.

In today's workforce, due to strains on the economy, organizations are considering both monetary and non-monetary rewards for employees. According to a 2005 poll, as reported by Miller (2006), there is a significant gap between how employees are currently recognized in the workplace and how they actually want to be recognized. A Martiz 2005 poll of 1,002 full-time employees compared the preference of all generations for rewards in the workplace and revealed that only 27% wanted recognition by non-monetary employee incentives (e.g., award merchandise, gift cards, trips), 29% wanted recognition by cash bonuses, 30% wanted recognition by an employee event, and 40% wanted recognition by written praise. In addition, even though 70% of employees receive oral praise, the most prevalent form of employee recognition, only 49% of them want it. In addition, 21% of those who actually want oral praise still do not receive it from their companies. Wyatt (2005) found that an increasing number of employers are using non-monetary rewards.

Difference of Perceptions for Rewards in the Workforce

The one-size-fits-all approach no longer applies in today's multi-generational workforce because this approach is impersonal and often ineffective. As traditionalists and baby boomers prepare for retirement,

> The employees from Generation X are promoted to prominent management positions as Generation Y enters the workforce. Generation Y, perhaps the most high-maintenance generation to enter the workforce, is the most technically literate, educated, and ethnically diverse generation in history. (Miller, 2006, p. 15)

Because the workforce is predicted to become more diverse in terms of age and generation, organizations are structuring rewards in accordance with generational differences and preferences. Based on a 2008 survey conducted by Deal, when asked, "What do want from the organization?". The research revealed that each generation wants a career with the opportunity to do well, to be compensated, and to be respected and a good quality of life outside of work. Employers might engage with the wants of each, but must realize that each generation is slightly different.

As reported in 2007, the Gallup panel surveyed a sample of 1,367 adults aged 18 years and older and concluded that each generation has a different perspective and differs significantly with respect to what is important in organizations. Generation Yers (53%) are more likely to place extreme importance on the amount of creativity the job allows than either those in generation X (33%) or baby boomers (39%). They are also more likely to place importance on the potential impact of their job (39%) than are generation X (32%) and baby boomers (27%). Generation Yers (41%) are also more likely than generation Xers (32%) and baby boomers (32%) to place extreme importance on the potential organization being a "fun" place to work.

According to the 2007 survey, the baby boomers indicated that retirement benefits are extremely important (49% for baby boomers compared to 16% for generation Y and 31% for generation X). Baby boomers and generation X job seekers mentioned security issues such as health benefits and organizational stability as extremely important aspects of potential jobs and employers. Even though all three generations indicated that compensation is extremely important, they had a long list of other issues; generation X (59%) and baby boomer (56%) job seekers are more likely than their younger counterparts (45%) to place extreme importance on pay.

In 2009, the Society of Human Resource Management (SHRM) conducted a survey to identify the reward factors that are most significant to employees. One part of the survey explored the top five most important factors by employee age. The survey revealed high ranking among employees across the generations in areas such as compensation/pay, job security, benefits, and safe work environment.

Hypotheses

Motivation theorists have determined that each generation in the workforce is driven and motivated in different ways. Organizations will benefit from knowing the significance of intrinsic and extrinsic rewards among the multi-generations. The purpose and objective of this research is to test the significance of monetary versus non-monetary rewards among the different generations in the organization. The hypotheses are as follows:

H_1 = There is a significant difference in monetary versus non-monetary rewards among the different generations in the workforce.

H_0 = There is no significant difference in monetary versus non-monetary rewards among the different generations in the workforce.

Methodology

For the purpose of this research, primary and secondary data were sourced. Primary data were sourced at the individual level using a survey instrument to capture employees' responses to questions regarding the significance of intrinsic and extrinsic rewards.

Table 1

Question Responses

	Slightly important 1	Slightly important 2	Important 3	Very important 4	Critical 5	Total
Q1	0	0	11	34	20	65
Q2	1	0	26	38	0	65
Q3	0	0	10	55	0	65
Q4	0	0	32	33	0	65
Q5	0	0	2	63	0	65
Q6	0	0	0	63	2	65
Q7	0	0	0	62	3	65
Q8	0	0	43	22	0	65
Q9	0	0	20	45	0	65
Q10	0	0	23	42	0	65
Q11	0	3	13	49	0	65
Q12	0	0	0	64	1	65

This research focuses on the generational gap and the impact of intrinsic and extrinsic rewards in the multi-generational workforce. The questionnaire was distributed to a multi-generational group of employees of the study organization to generate the data for this research (see Table 1). Of 100 questionnaires distributed, 68 were returned and 65 met the requirements of the research. The survey was used to gain employees' perspectives of how significant monetary and non-monetary rewards are to employees,

information that reflects individuals' thoughts and ideas on intrinsic and extrinsic rewards, and how much individual employees appreciate one in place of the other. Therefore, the objective of this study is to determine the individual appreciation and significance of monetary and non-monetary rewards among a multi-generational workforce.

Analyses and Findings

The results indicate no significant difference in monetary versus non-monetary rewards among the different generations in the workforce, lending support to previous research. However, this work, recognizing the increase in diversity in the workforce, supports the notion that the workforce will become increasingly more diverse in terms of age and organizations will be unlikely to implement one set of rewards to enhance the performance of multiple generations because such an effort would be ineffective.

Information was sourced from the following reward types based on the degree to which they are important to employees: retirement planning, flexible work schedules, job training, rotation, enrichment and professional development, and feedback. Additional reward types that are important to employees include tangible rewards (e.g., employee parking space, recognition, acknowledgments), work environment, work/life balance, attentive employers (e.g., employee/manager/supervisor relations), paid leave, financial incentives (e.g., gift certificates, company discounts on services), compensation and benefits (e.g., pay, health, dental and life insurance), and demographics. Age was used to group employees into the specific generations (see Figure 1).
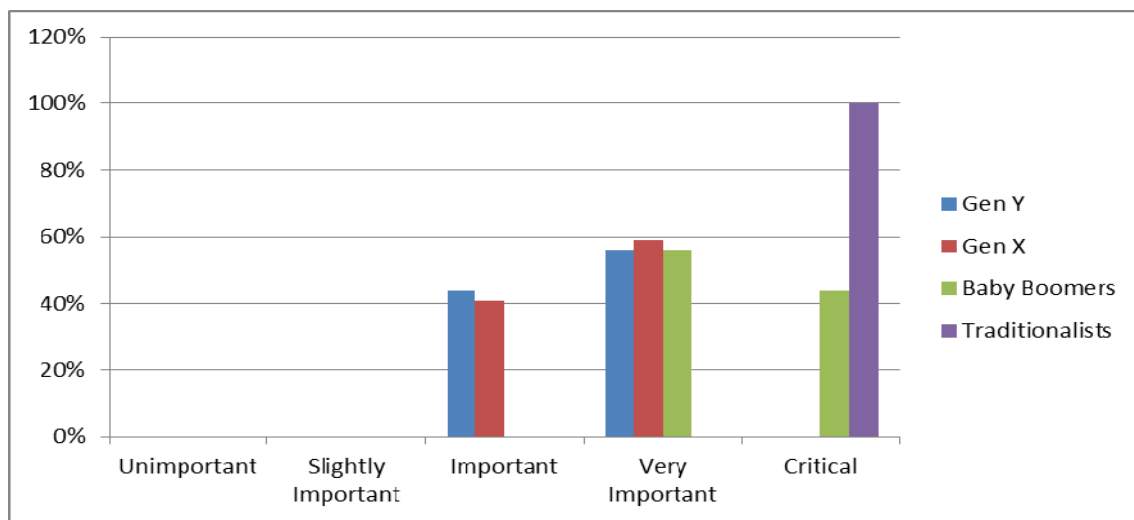

Figure 1. Q1 retirement planning.

Discussion/Results

The data shown in Figures 1 to 11 represent the significance of rewards based on four generations employed by the organization. The analysis showed no significant difference between how the generations rate monetary versus non-monetary rewards. The overall ratings were important or very important across the generations. Generation Y's most unimportant reward was a flexible work schedule, as indicated in Figure 2. The baby boomers and traditionalists rated retirement planning, work/life balance, and paid leave as critical and all generations ranked attentiveness by employers as critical (see Figures 1, 7, 8, and 9).
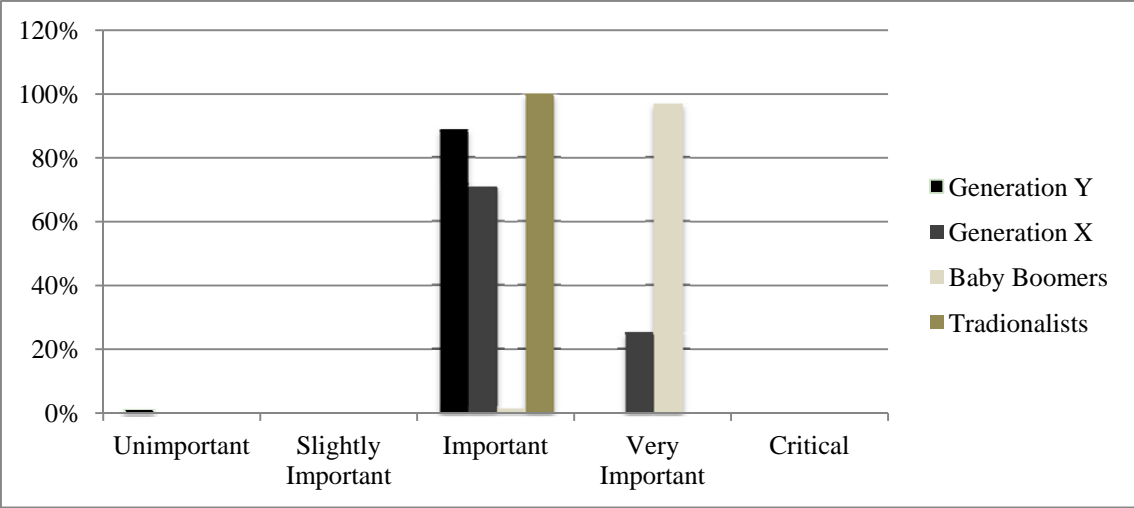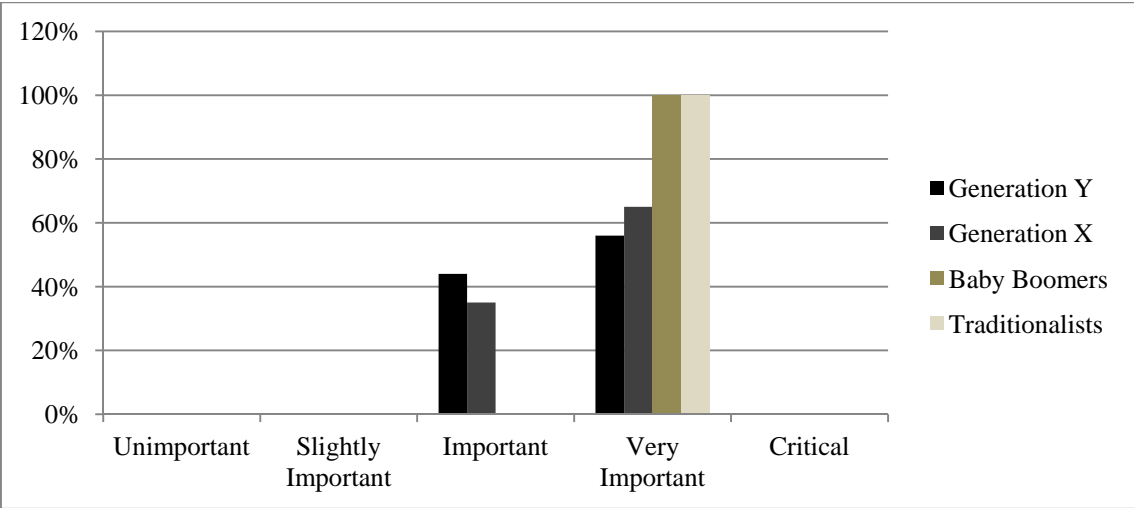
Figure 2. Q2 flexible work schedules.

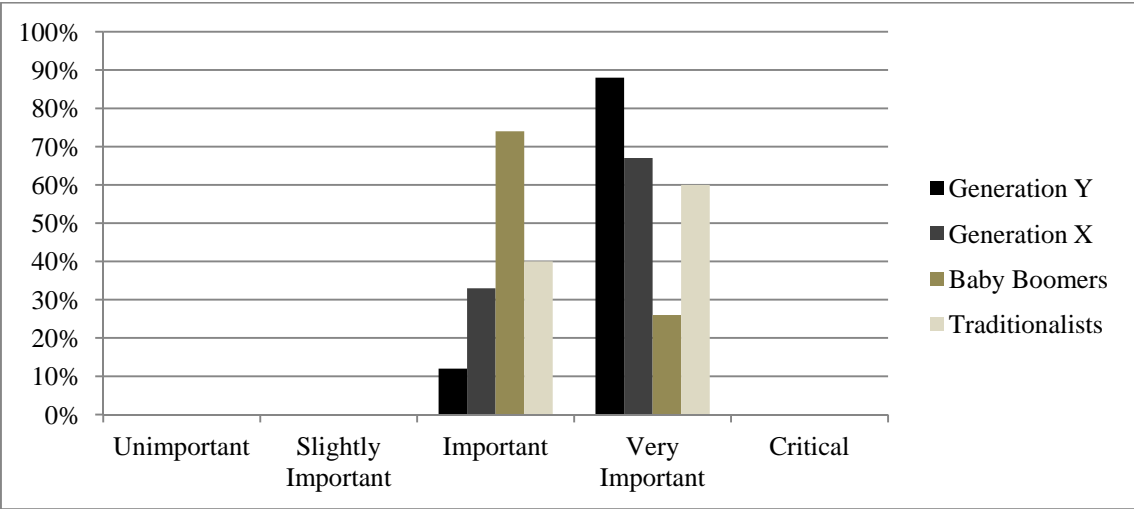*Figure 3*. Q3 job training, rotation, enrichment, and professional development.
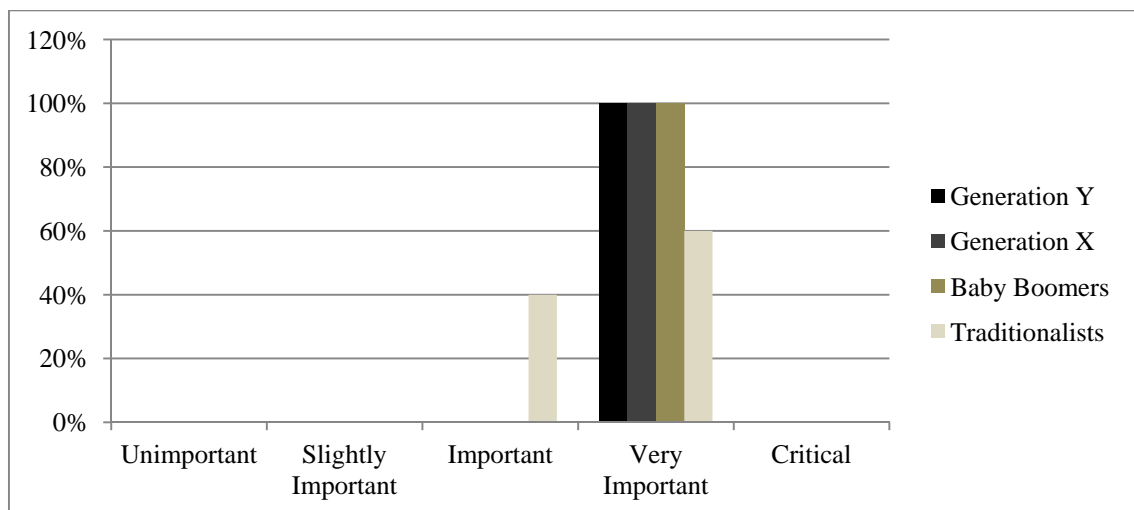

Figure 4. Q4 feedback.

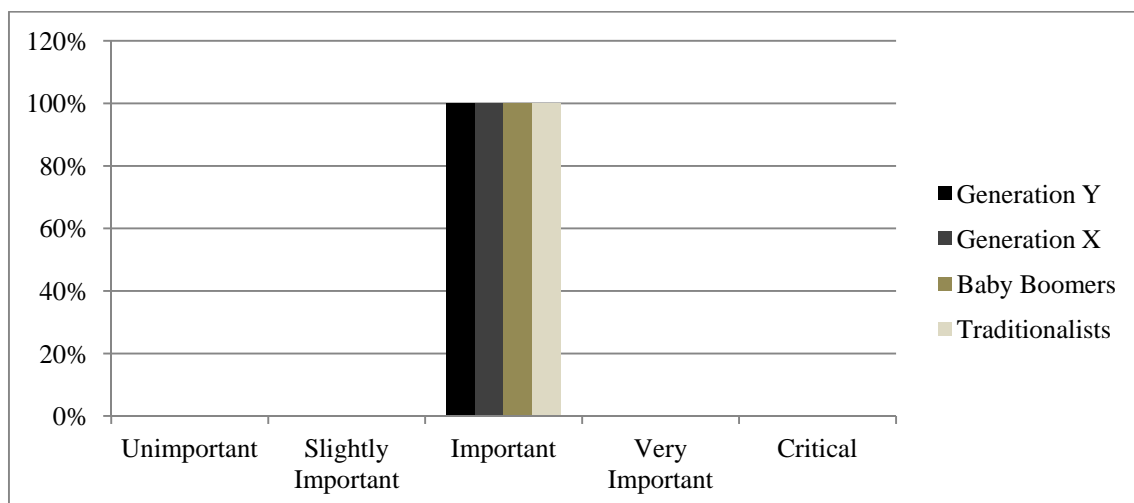*Figure 5*. Q5 tangible rewards (employee parking space, rewards, recognition, and acknowledgments).

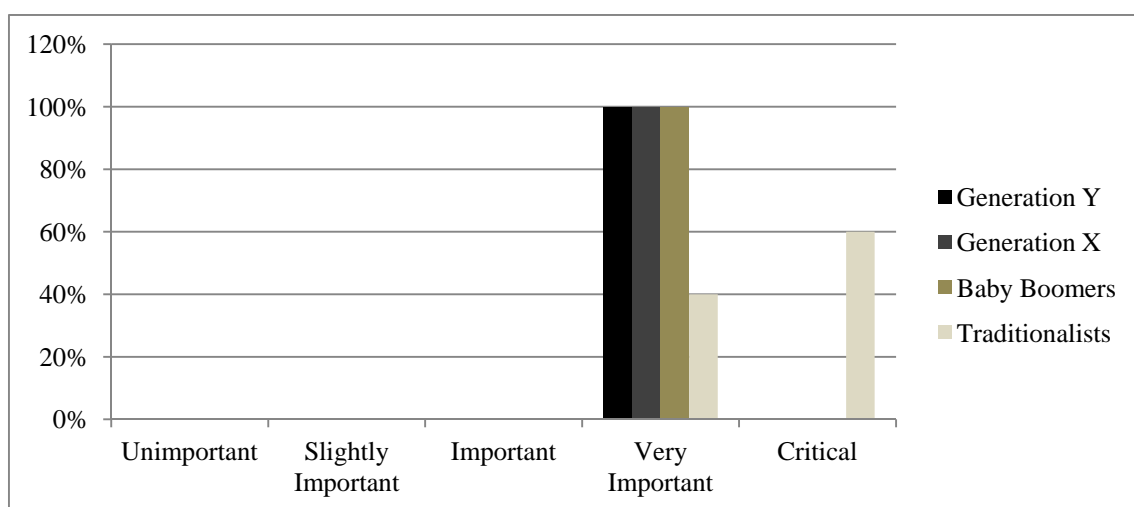*Figure 6*. Q6 work environment (safety).
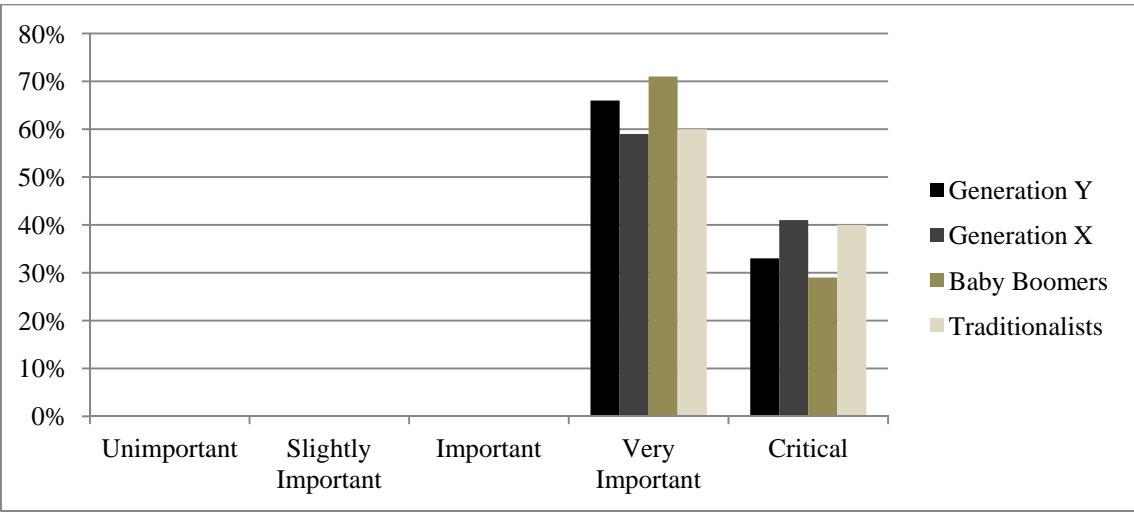

Figure 7. Q7 work life balance.

INTRINSIC (NON-MONETARY) VERSUS EXTRINSIC (MONETARY) REWARDS

Figure 8. Q8 attentive employers (employee/manager/supervisor relations).
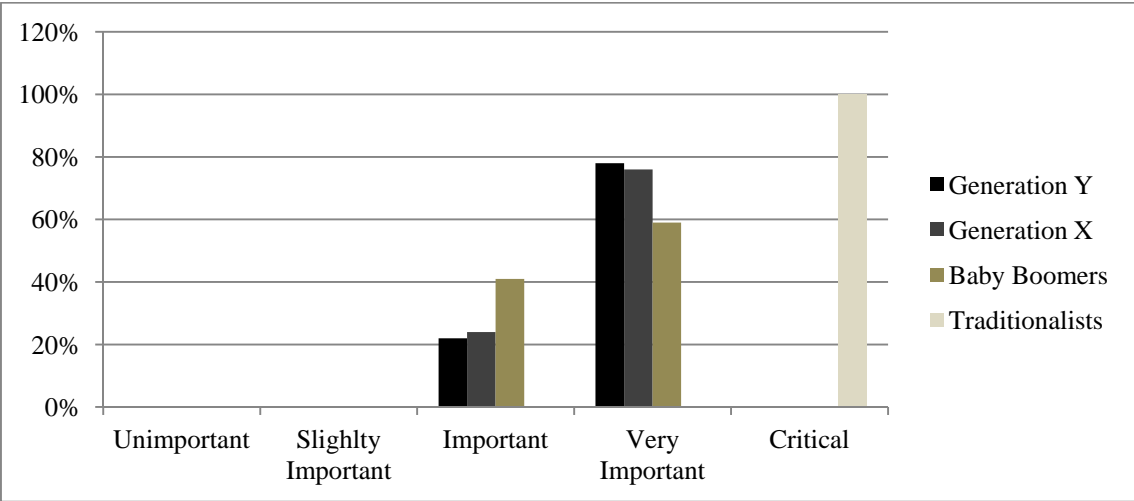
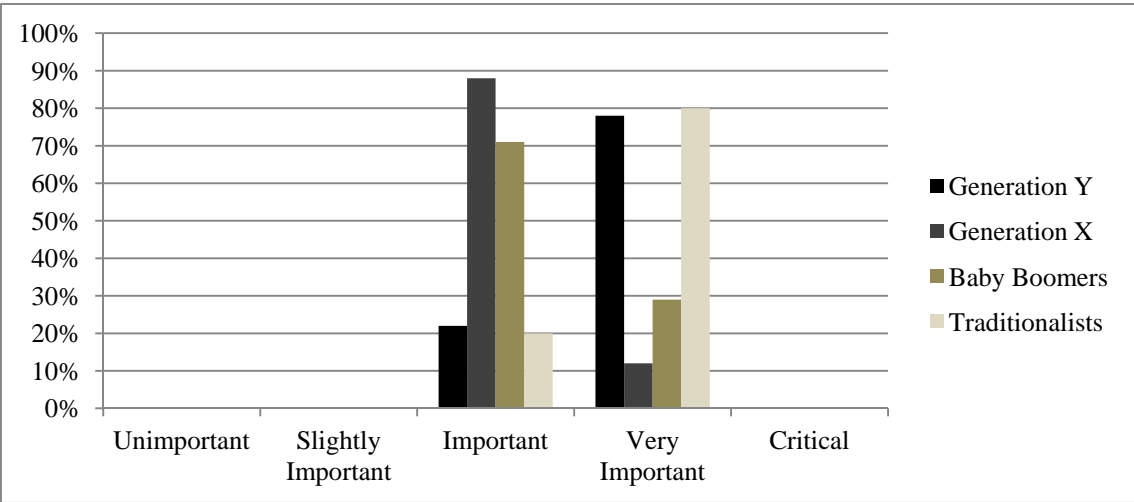

Figure 9. Q9 paid leave.

Figure 10. Q10 financial incentives (gift certificates, discounts, movie tickets, etc.).
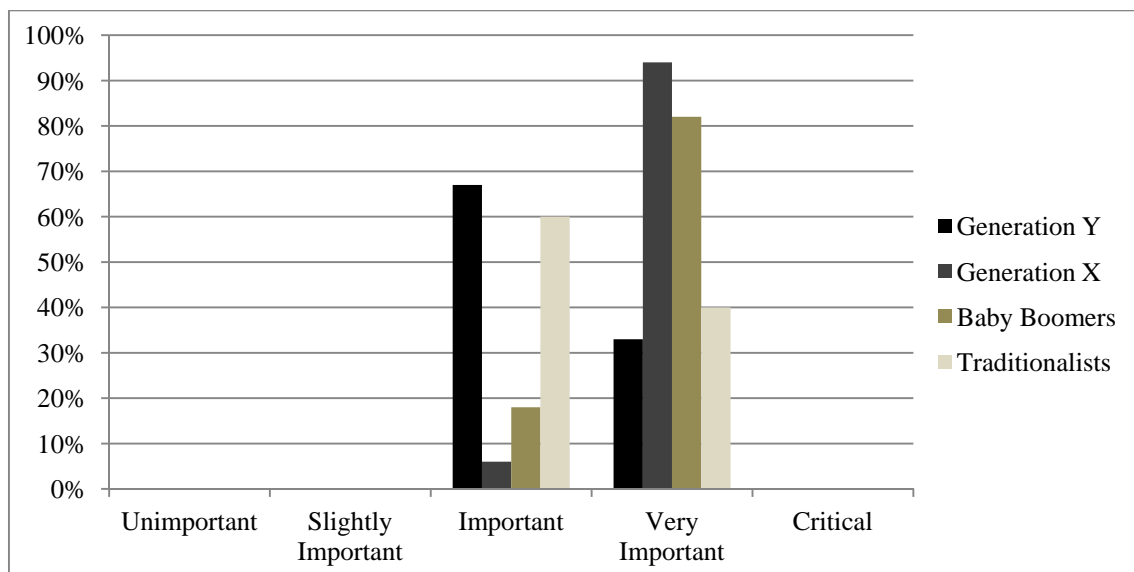
Figure 11. Q11 compensation and benefits.

Recommendations/Conclusions

The results revealed no significant difference regarding rewards among the four generations used in the survey; thus, the hypotheses were supported. Though the generational data came from multiple sources and contained some differences, the commonalities regarding rewards were supported by the findings in this survey and were consistent with the literature review. As each generation brings its own style and commonalities to the workforce, the recommendation is for organizations to embrace all generations, determine what is important, know the needs of each generation, and treat each generation with respect. Doing so will ensure that the organization can maintain a competitive workforce, encourage top performers, and retain satisfied employees. At the end of the day, rewards must be designed to meet the needs of employees.

More research or a longitudinal study should be conducted to generate empirical evidence of the significance of rewards based on employees' preferences in the workforce.

References

Deal, J. (2011). *Literature key findings attraction and retention bonuses and rewards*. Retrieved April 25, 2012, from http://www.corporateleadershipcouncil.com

Dictionary-Reference. (n.d.). Retrieved April 2, 2012, from http://dictionary.reference.com

Donnelly, J., Gibson, J. L., Ivancevich, L., & Konopake, R. (2011). *Organizations behavior, structure, process.* New York City: McGraw Hill.

Duchscher, J. E., & Cowan, L. (2009). Multigenerational nurses in the workplace. *The Journal of Nursing Administration, 34*(11), 495-501.

Galinsky, E., Friedman, D. E., & Hernandez, C. A. (1991). *The corporate reference guide to work-family programs.* New York: Families and Work Institute.

Heneman, G. H., & Judge, A. T. (2009). *Compensation and benefits*. Retrieved from http://Shrm.org

James, L. (2006). *Employee recognition gap*. Retrieved from http://Shrm.org

Miller, S. (2006). *Employee recognition: Countering the employee recognition gap*. Retrieved March 28, 2012, from http://shrm.org

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2010). *Human resource management: Gaining a competitive advantage* (7th ed.). New York: McGraw-Hill/Irwin.

Palese, A., Pantali, G., & Saiani, L. (2006). The management of a multigenerational nursing team with different qualifications: A qualitative study. *Health Care Management, 25,* 173-193.

Toosi, M. (2010). *Employment outlook: 2010-2020 labor force projections to 2020: A more slowly growing workforce*. Retrieved April 1, 2012, from http://shrm.org

Tossi, M. (2004). Labor force projections to 2004: Retiring boomers. *Monthly Labor Review, 126,* 25-44.

United Department of Labor Bureau of Labor and Statistics. (2010). Retrieved March 28, 2012, from http://bls.gov

Wyatt, W. (2005). *Strategic rewards and pay practices.* Retrieved from http://www.watsonwyatt.com