



# How The Next Generation of Workers is Changing the Culture of Total Rewards

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# The Changing Culture of Compensation

As we approach the third decade of the 21st century, one that will see nearly all Baby Boomers retire and Generation Z fully enter the workforce, many employers are grappling with how to evolve their corporate culture and total rewards practices to keep up with employees' changing expectations.

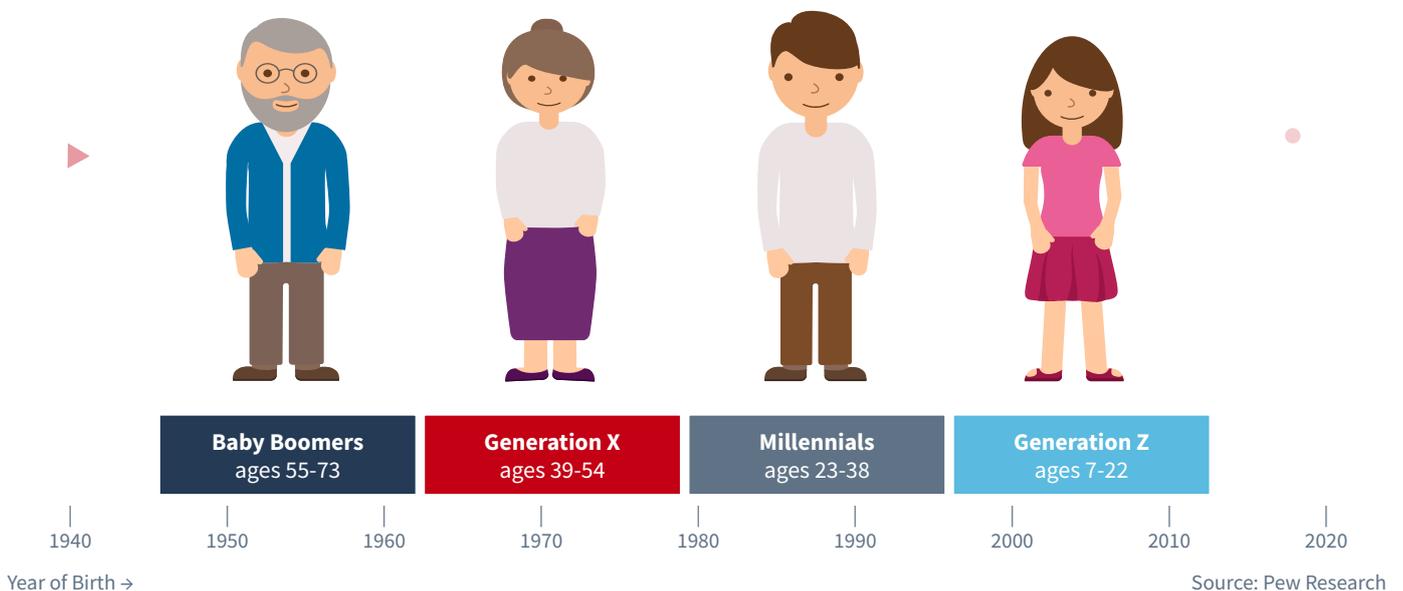
To begin such a transformation, it is first necessary to fully understand gaps, demands, and employees' understanding of compensation and benefits in America. In late 2018, beqom surveyed 1,200 actively employed adults in the U.S., from Baby Boomers to Generation Z, to assess these areas and to help employers develop programs that will effectively attract and retain talent in years to come.

Overall, our findings uncovered disparities in expectations vs the reality of pay transparency and benefits, a widening belief of discrimination in compensation across several factors, and a troubling gap in manager communication when it comes to pay.

Here, we'll outline the findings of our survey, what they mean for employers in the U.S. and beyond, and solutions you can put in place now to meet workforce demands.

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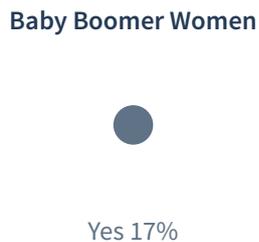
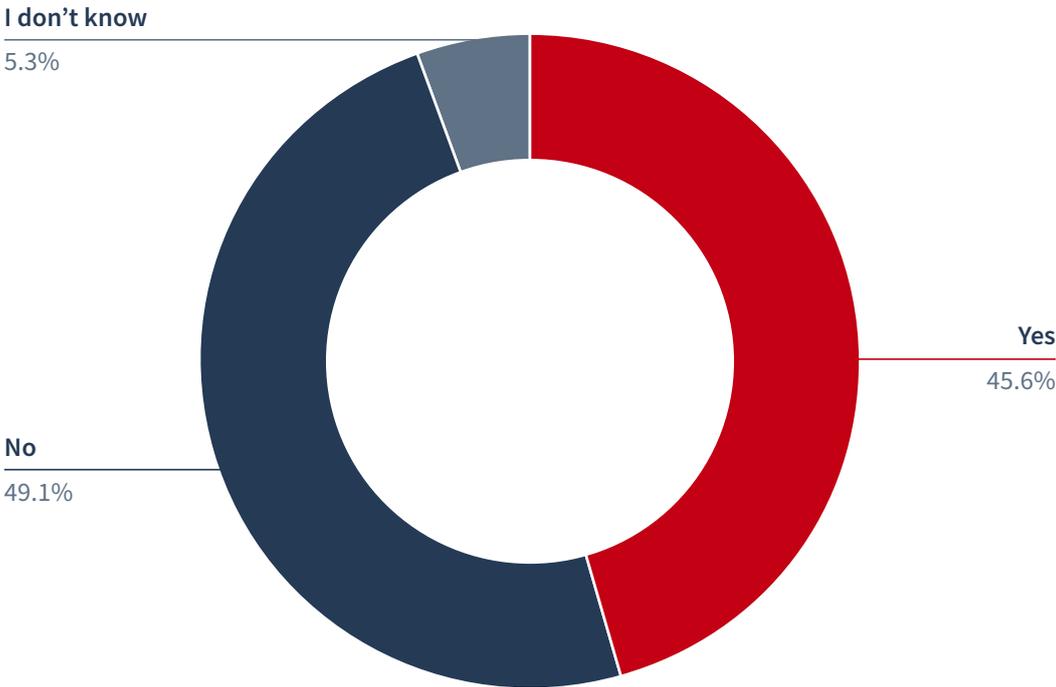
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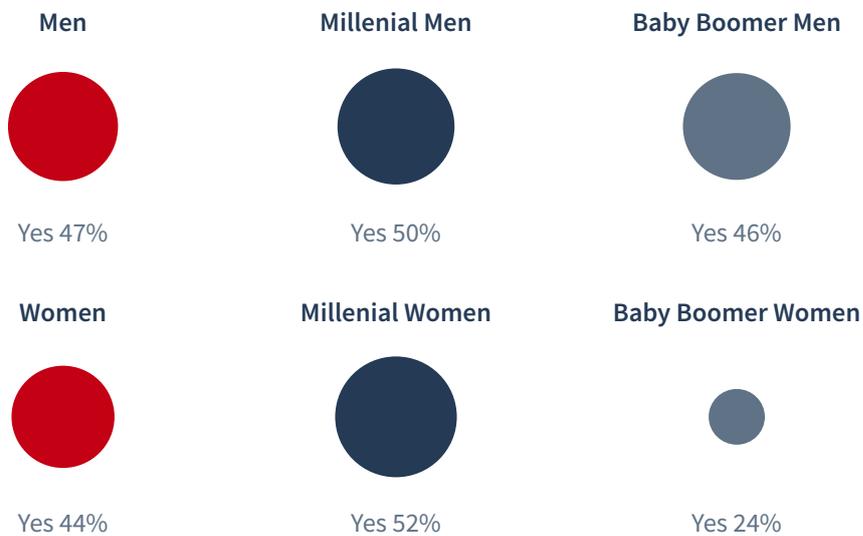
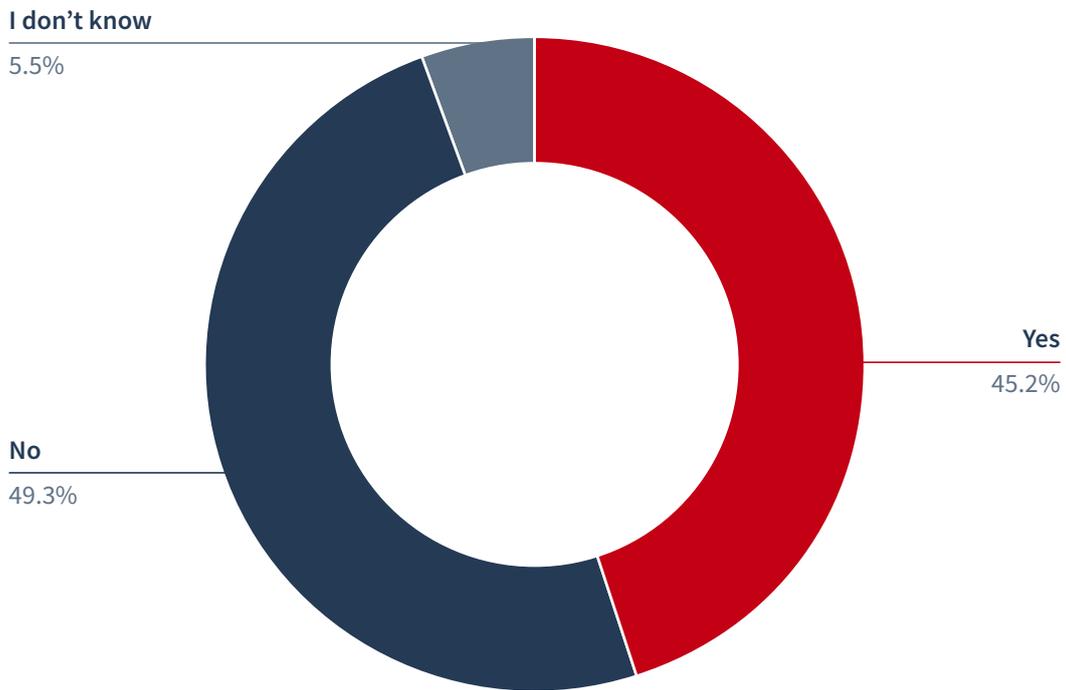
# Millennials Take Do-It-Yourself Approach to Pay Transparency

Once considered a taboo subject, salary is now more openly discussed among coworkers, with nearly half of our survey respondents confessing they know how much their colleagues make.

*Q: Would you share or discuss your salary with your colleagues?*



Q: Do you know how much your colleagues make?



This share is likely to increase, as our results show that younger workers are more than twice as likely to share salary information than older workers. Among Millennials (ages 23-38), 56% would share or discuss their salary with their colleagues, compared to only one in four Baby Boomers (ages 55-72). The gap widens with coming-of-age Generation Z, where 61% reported they'd share salary with colleagues.

On the flip side, nearly half of respondents said they know how much peers take home, with men slightly more likely than women to know what their coworkers make. The generation gap is again the bigger differentiator, with 52% of Millennials in-the-know about their colleagues' earnings vs just 34% of Baby Boomers.

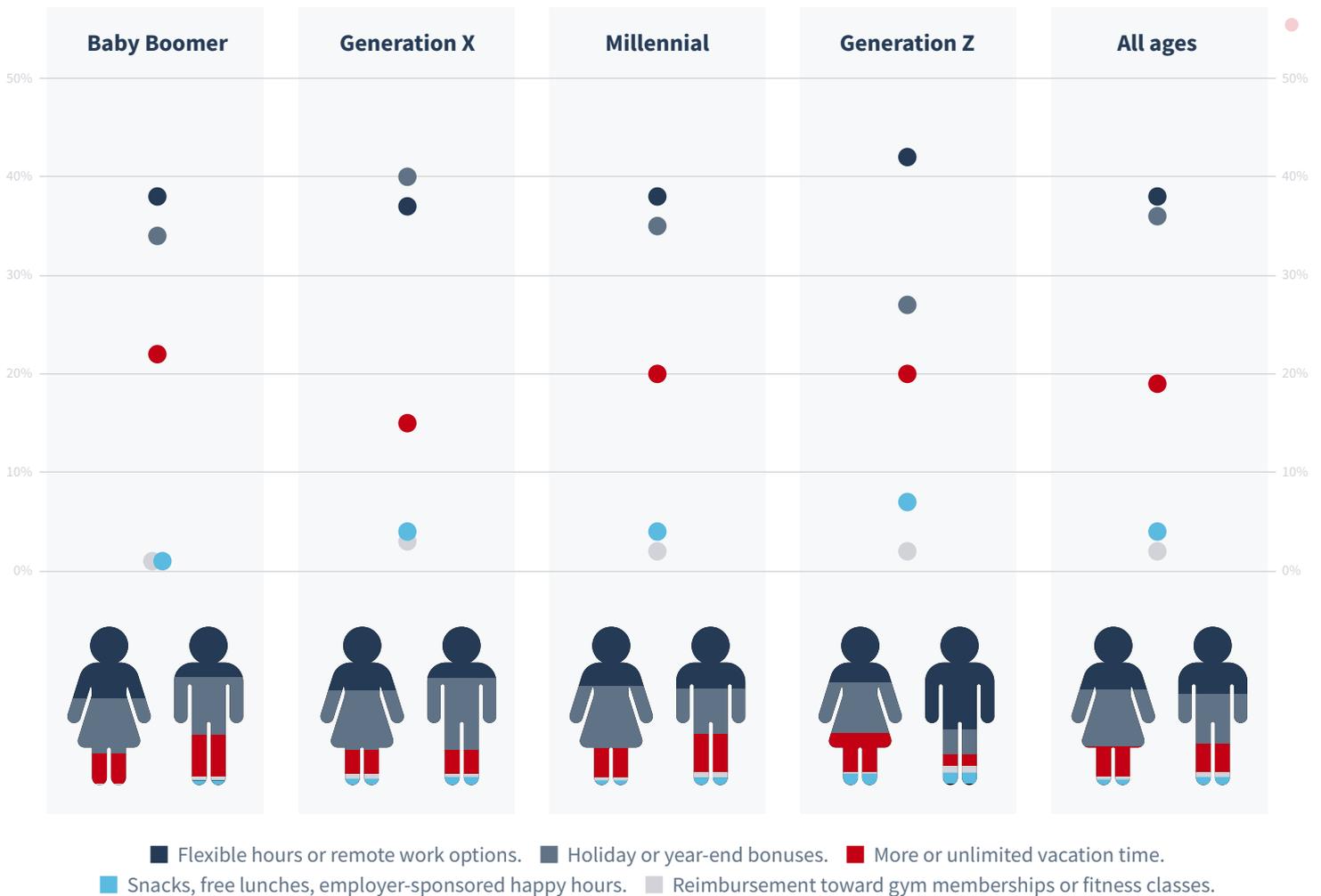
# The Workplace Benefits that Matter

The same transparency among younger workers around pay also applies to benefits, and Millennials are enthusiastic about the importance of benefits in their overall rewards packages.

While cold hard cash in the form of holiday or year-end bonuses is the most important workplace benefit to 36% of workers, an even larger group (38%) ranks flexible work hours or remote work options as tops. Another 19% said more or unlimited vacation time was most important in a benefits package.

Younger workers are more likely to value flexibility, with 38% of Millennials and more than 42% of Gen Z listing flexible work hours or remote work options as the most important workplace benefit. And while small perks like snacks, free lunches, and employer-sponsored happy hours weren't vitally important for any generation, they were ranked highly by more of Generation Z (7%) than by Baby Boomers (1%).

*If you had to choose from the following options, which of the following workplace benefits would be most important to you?*



Employers who offer comprehensive benefits packages will be pleased to know an overwhelming share (86%) of employees feel that they understand the value of their total rewards packages, including salary, bonuses, benefits, and other rewards. This understanding is nearly equal across generations, with only a 1% difference between Millennials (84%) and Baby Boomers (85%).

These findings underscore the importance of a total rewards management strategy that intersects employees' personal preferences with data-driven insights to create a more engaged workplace culture. The entrance of Generation Z to the workforce creates an opportunity for companies to start an open dialogue with employees around pay from the onboarding stage, working to not only improve employees' perceptions of their employers' transparent pay practices, but to help HR and managers create personalized packages that extend beyond salary.

## Employees Would Rather Find a New Job Than Talk to Their Managers about Pay

Perhaps surprisingly, and to the detriment of employers, this openness in salary and benefits among peers does not equally translate to discussions with company management. More than half of respondents reported that they had no plans to ask for a raise or additional benefits this year, and less than 20% of those surveyed said they felt comfortable discussing salary or compensation with their managers—period.

Even in a situation where they found out a colleague of equal skills and experience had a higher salary, one in five of the U.S. workers in our survey said they would not ask their managers for a raise, and another 15% said they were unsure if they would ask for more money in such a scenario. Millennials (68%) are more likely to ask for a raise based on knowledge of a colleague's salary than both their older Gen X (64%) and younger Gen Z (62%) counterparts.

*Despite wanting more pay transparency across the company, U.S. workers stay quiet about discussing salary with their managers.*

19%

Are comfortable discussing salary or compensation with their managers or supervisors

20%

Would not ask their manager for more money if they found out a colleague of equal experience made more

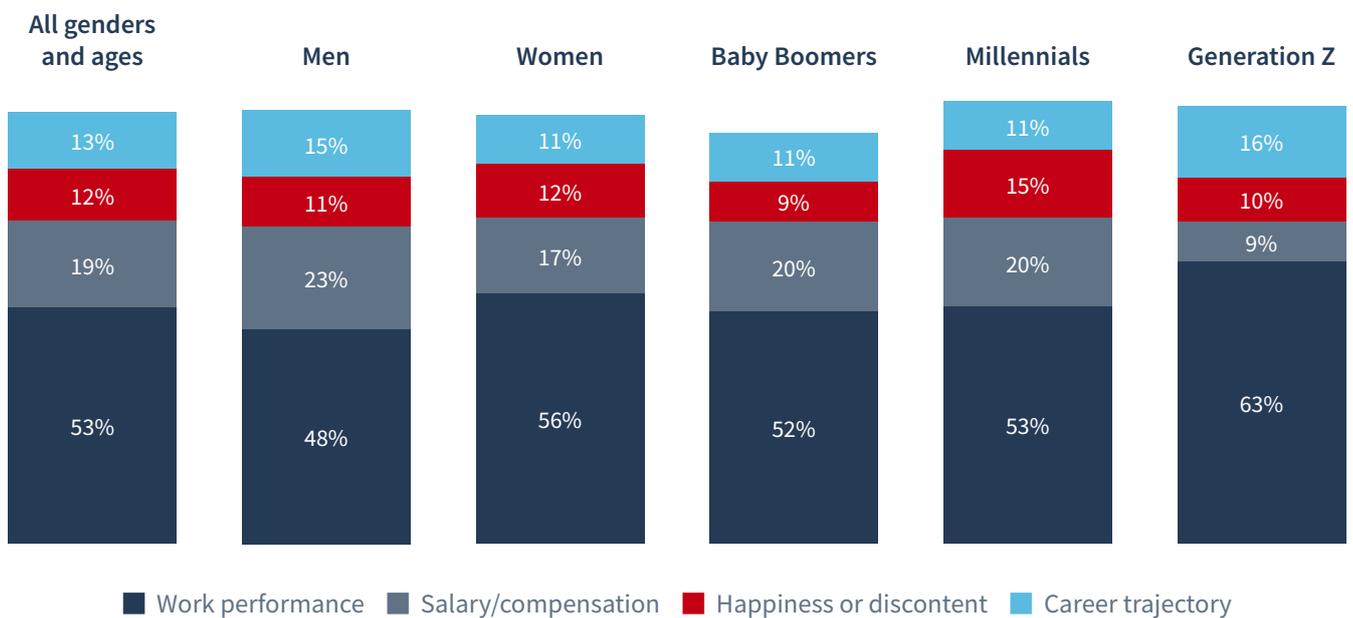
54%

Do not plan to ask for a raise or additional benefits before the end of the year

If most workers are at least ready to talk salary with evidence of a pay discrepancy, they aren't comfortable discussing much else when it comes to compensation, career paths, or even their own happiness at work.

In fact, career happiness—or its opposite—proved to be the most taboo topic in our survey, with only 11% of workers saying they'd feel comfortable discussing such a topic with their managers. Reviewing career trajectories is nearly as awkward, with just 12% of workers saying they'd broach the subject. By contrast, the majority of workers are comfortable discussing performance with managers, a trait that increases among women and Millennials.

*Of the following options, what are you most comfortable discussing with your manager/supervisor?*



This communication gap could prove damaging to companies when it comes to productivity and worker retention, as nearly one in three (29%) U.S. workers say they are planning to get a new job within the year because they're unhappy with their salary, a figure that jumps to 39% among millennial men. Baby Boomers, who are at or near retirement age, drag down the average, as only 25% of Boomer men and a paltry 9% of Boomer women say they'll jump employers in the next year due to pay.

Given their willingness to discuss salary and benefits with each other, younger employees could hold the key to creating broader transparency in compensation culture. To begin, HR leaders should consider surveying employees to identify those who are open to engaging in conversations with HR and managers about their feelings on pay. Following these initial conversations, leaders may position the outspoken employees as leaders in "compensation workshops," safe spaces where workers can openly discuss pay with colleagues with the tools they need to feel empowered to engage in talks with managers about pay.

This workshop strategy has the potential to provide new insight into how total rewards contribute to employee happiness and engagement and clear paths for leaders to pursue to increase worker satisfaction and, naturally, retention, loyalty, and productivity.

# Half of Workers Perceive Pay Inequities

With more generations working together than ever, managers are challenged to understand how to get the highest level of engagement from as much of their workforce as possible. The good news is that our survey shows Millennials, Generation Xers, and Baby Boomers share the common belief that engagement is best produced by inspirational leadership. Establishing a solid foundation of trust, connecting employees to deeper meaning in their work, and rewarding them fairly will produce not only higher engagement, but also greater loyalty and stronger performance across generations.

Less positive is how employees feel about equality in pay when it comes to gender, race, and age. Almost half feel that women are not paid fairly despite equal skill, performance, and experience, and close to one-third believe employees in their workplaces are paid less due to age or race.

48%

Believe men get paid more than women at their company

31%

Do not believe employees at their company are fairly compensated regardless of age or race

Women are almost 20% more likely than men to say men are paid more at their company. Overall, Baby Boomer women (56%) are most likely to believe men are paid more than women at their company, while Millennial men (43%) are least likely to see a gender gap.

At the industry level, U.S. workers most believe men are unfairly paid more than women in Technology (34%) and Financial Services (23%). When compared to Generation Z and Baby Boomers, Millennials are the most likely demographic to perceive a gender pay gap in the Banking and Finance industries, specifically.

*In which of the following industries would you expect men to make more than women despite skill, performance, and experience being equal?*

Technology



34%

Financial Services



23%

Healthcare and Medical



13%

Education



5%

While Millennials are certain they know that Technology has the biggest gender pay disparity, Baby Boomers are unattached to (and seemingly uninterested in) exploring the concept. More than a third of Baby Boomers said they simply don't know which industries harbor the largest gender pay gaps.

When it comes to other factors, men (61%) are slightly more likely than women (58%) to believe that employees at their company are fairly compensated regardless of age or race. However, just as women are more likely than men to perceive a pay gap between genders, Baby Boomers (56%) are more likely to believe employees are not compensated fairly based on age. Similarly, non-Caucasians (36%) are more likely to believe that employees are not compensated fairly based on race than are Caucasians (31%).

An uptick in regulatory and legislative requirements has helped elevate the conversation of diversity in the workforce, and, although promoting diversity has long been a key component of good corporate governance, HR leaders must still ask how more women and diverse professionals can rise up the ranks. Central to this agenda is fairness, in perception and in reality, of opportunity and pay.

Closing the gender gap first requires that HR leaders have complete data and transparent analytics to understand how the company is performing in terms of fairness, coupled with support for managers in striving to achieve pay equity. From actively incorporating policies that ensure equal rights to attracting and retaining more women into organizations with the right mix of traditional and alternative benefits, employing a diverse workforce requires commitment at every level in the organization.

## Bias in Compensation Attributed to Managers' Feelings

Finally, our survey uncovered that a disturbing 34% of today's workforce—including 37% of Millennials—believes their pay is determined by what their manager feels they deserve to make and not based on their performance, skill set, and experience. Women (35%) are slightly more likely than men (33%) to believe their pay is based on their managers' personal feelings and biases.

To counteract this perception, employers must first determine if the belief is true, which may be no easy task. When raises are granted in spreadsheets that lack checks and balances or salary pools are distributed solely at a manager's discretion, it can be nearly impossible to determine if manager bias exists in compensation.

34%

Believe their pay is based  
on what their manager or  
supervisor feels they deserve  
to make

It takes implementing true total rewards-focused technology—software powered by AI and predictive analytics and designed specifically for managing and analyzing all aspects of total comp—to support pay fairness. This technology is necessary to give HR and management insight into how pay is distributed throughout the company and how it correlates to gender, race, and other factors. In addition, total rewards management technology can allow HR leaders and managers to further uncover gaps by comparing internal pay data to external benchmarks.

Likewise, it is important for employees to know and believe that they are being paid fairly, which requires that they have visibility into how their pay was calculated. For companies that want to commit to more transparent practices around pay, investing in digital tools can help show employees how their performance contributes to their pay and what their financial growth trajectory looks like long term. By connecting the dots between pay and performance, employees can be incentivized to work harder to meet required benchmarks and earn the next boost in pay.

Additionally, implementing AI-driven compensation technology can mitigate the risk of employee turnover, which costs businesses as much as one-third of each former worker's annual salary to rehire.

*When the decisions you make are fair, market-based, and transparent, the natural result is loyalty and motivation, leading to an increase in retention of top talent.*



Claudio Carnovali, beqom Product Manager

## Happiness is the best driver for success

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Total Compensation Solution is used globally across all industry sectors by over 100 large companies such as Microsoft and Vodafone. It addresses all performance and compensation aspects such as salary review, bonus, long-term incentives, commissions, benefits, non-cash rewards and all key drivers towards employee performance and sales performance.

HR, sales and finance departments leverage our platform to drive performance, retention, cost optimization and... happiness among their people.

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