

# Refining Rewards for the Millennial Generation

*This article, first appearing in WorldatWork's Workspan magazine, outlines six key strategies employers can implement to better support and attract Millennials in the workforce.*

Millennials — a group that will comprise 75% of the workforce by 2025 — are changing the way employers attract and retain talent, according to Aon's Annual Health Care Survey. To support this generation of workers, a number of programs need a major overhaul — including rewards. While looking at creating better programs to enhance our workforce, specifically for Millennials, employers must factor in career fulfillment, flexibility, performance and, most critically, rewards.

To provide a rewards approach that better supports the needs of Millennials, there are six key strategies employers can implement. (See Figure 1.) And before businesses buy into “the next best thing,” they should undoubtedly consider incorporating the following into their rewards systems.

- **Create a progression path that enables career flexibility.** A traditional vertical progression model won't work with this new generation, since it doesn't meet their expectations for progression, movement and enrichment. Findings from [Aon's 2016 Workforce Mindset Study](#) reveal that it is critical to identify and create interesting work opportunities for this generation. In fact, research conducted by the Corporate Executive Board indicates that 68% of Millennials expect to be promoted within two years of working for the company and 45% will quit their job if they don't see a career path that they think is fulfilling. This translates to the need for reducing the bureaucracy that makes it difficult for employees to move around the organization or taking special care to place Millennials with managers from whom they can learn. Consider the benefits of a more compressed, flatter approach to hierarchy to better enable this kind of unconventional movement.
- **Reward relative performance.** Millennials measure themselves against their peers and expect to be recognized for superior performance. Base pay increase delivery models are already stressed in their ability to differentiate and should mostly reward for performance against role requirements. Variable pay can be a vehicle to target the relative contributions of individuals and, according to [Aon's U.S. Salary Increase Survey](#), the funding that is available is three to four times greater than merit budgets to enable this. The optimal position would be to use incentives to reward for a mix of organizational and individual performance to ensure that Millennials see the direct link to their contributions, without losing sight of organizational success.
- **Establish greater transparency.** Despite a more passive, on-demand preference for information by Millennials, a more direct approach to education and training is needed when it comes to rewards. This will help to alleviate overreliance on interpretation and allow for more fact-based conclusions. Rewards

program information must be accessible and should capitalize on the wide range of connectivity options that are technology enabled and so readily accepted by Millennials. And there is no substitute for taking steps to ensure that rewards programs are simple and easy to understand.

- **Provide regular feedback.** Frequent feedback is critical to Millennials, many of whom indicate that they want feedback every week, more than twice as often as other generations, according to data compiled by Ultimate Software. Seek ways to make every conversation an opportunity for concrete, transparent, actionable feedback. And consider how texting, internal social media platforms and even gamification can help to provide feedback in a real-time manner. Managers will need training and coaching for how they can provide this ongoing feedback to their employees.

**Figure 1**  
**Implications for Rewards**

Attribute	Alternatives		
Progression Path	Vertical Progression	Vertical and Horizontal Progression	Unconventional Progression
Career Flexibility	Traditional Grade Structure	Flatter Structure	Market Structure
Reward Relative Performance	Organizational Performance Incentives	Individual Performance Incentives	Organizational/Individual Performance Incentives
Transparency	Active Education and Training on Rewards	Data/Information Accessible on Demand	Selective Sharing of Information
Regular Feedback	Structured Feedback	Informal Feedback	Ongoing Channels for Feedback
Degree of Differentiation	Somewhat Greater Rewards to Higher Performers	Spread Rewards to All Levels of Performers	Drive Rewards to Top Performers
Recognition	Base Pay Increases	Bonus Payments	Special Recognition

- **Increased differentiation of rewards.** Research from Levit and Licing (2011) shows that the competitive nature of Millennials requires that rewards be structured to recognize top performance and reinforce it with differentiated rewards. The habit of spreading merit increases across all levels of performers — including those who do not always meet expectations — will have to be discontinued. This must be supported by more honest and accurate assessments and communication of true individual performance outcomes.
- **Leverage special recognition.** It is vital for Millennials to feel that their work is making a difference. Look for ways to be aware of and share feedback about performance daily so that Millennials feel valued. This will better satisfy their need for real-time feedback. Millennials also appreciate special recognition when it is simple, personalized and immediate. Handwritten thank-you notes, tickets to an event or even giving some time off so they can participate in something personally important to them can be very powerful!

Some of these changes are simple modifications of things businesses are already doing — or could be doing — and others represent more wholesale transformations in design and philosophies. Regardless, the needs and aspirations of the Millennial generation present unique challenges to organizations to attract, motivate and retain

them. However, adapting accordingly to the wants and needs of your employees — that is, knowing and understanding your audience — does not have to be a daunting task.

Generational shifts in employee values and preferences require changes to our rewards strategies and designs. Change is something we have seen withstand the test of time and has been passed down from generation to generation, as well as employee to employee. Just like Millennials, we expect Gen Z to bring on a whole new set of challenges. But first we must focus on Millennials as they start to saturate the workforce.

Adapting your rewards systems to reflect the needs and wants of Millennials is worth giving a try. What rewards strategies do you have in place? Who do they benefit? The time to get started is now.

To learn more about rewards strategies or to speak with a member of our compensation consulting team, please write to [consulting@radford.com](mailto:consulting@radford.com).

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The Rewards Solutions practice at Aon empowers business leaders to reimagine their approach to rewards in the digital age through a powerful mix of data, analytics and advisory capabilities. Our colleagues support clients across a full spectrum of needs, including compensation benchmarking, pay and workforce modeling, and expert insights on rewards strategy and plan design. To learn more, visit: [rewards.aon.com](https://rewards.aon.com).

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