

WHO IS GEN Z: THE VALUES PROPOSITION

Thought Leadership



The final installment in our Who Is Gen Z series, Korn Ferry Institute's Amelia Haynes and Tessa Misiaszek unpack what really matters to Gen Z talent —and pay isn't the whole story.

Total rewards are an important part of the value proposition that employers can offer to attract, retain, and hopefully motivate and inspire Gen Z talent. Companies need to have not only a total rewards package that aligns with the needs and values of the employees they want to recruit, but also the infrastructure to support the incentives they provide. In a new era of work, organizations should holistically examine their rewards programs and challenge themselves to develop bespoke approaches tailored to the diverse expectations of today's workforce.

Money talks...

The term “rewards” is often used as a synonym for pay or compensation. However, “total rewards” is a 25-year-old phrase that encompasses pay, benefits, learning and development (L&D) opportunities, work environment, and any part of being at work that is considered rewarding. That said, pay is often a necessary threshold for a candidate to consider taking a position—and this certainly holds true for Gen Z talent.

The COVID-19 pandemic and threats of a potential recession have created financial stress that is spreading across students and higher education institutions, resulting in high rates of unenrollment or discontinuation in advanced degrees, according to a 2022 Gallup poll. For Gen Z students who decide to pursue their degrees, median student debt levels have increased by 45% since 2006.

Repayment rates, on the other hand, have dropped by 24% since 2009, according to one recent study.

With basic need fulfillment like loan repayment top of mind, incoming Gen Z talent is principally concerned with compensation that will enable them to sustain their lifestyle. For many Gen Z employees, economic uncertainty is a current reality. Up to 46% of Gen Z currently worry that their paycheck-to-paycheck lifestyle will leave them unable to cover critical expenses, and many Gen Z professionals have taken on a second part-time or full-time job. In fact, in a 2020 survey of millennials and Gen Z'ers, 46% of respondents indicated that dissatisfaction with pay is the primary reason they are leaving jobs. Researchers in a 2022 Sustainability report hypothesize that an upbringing punctuated by an economic downturn has led Gen Z to focus specifically on financial stability, employability, and growth. As such, companies need to recognize that for this generation, non-competitive compensation is a non-starter.

...but pay is not the whole story

There are many non-monetary rewards a company can offer. Non-monetary rewards are beneficial when cash rewards are not economically feasible. But, importantly, they are also a critical component of how employees stay motivated, inspired, and committed within an organization. Once a pay threshold is met that supports basic need fulfillment, other rewards can

be emphasized to make a difference. And Gen Z employees prefer companies whose values are clearly aligned with their own.

The young talent of today is highly concerned with the environment and sustainability. Employees want to know that their organizations are committed to investing in making positive choices and changes around climate issues. Almost half of Gen Z workers say they have put pressure on their employer to take action against climate change; only about 18%, though, believe their employer is strongly dedicated to the cause. Fortunately, organizations can show alignment with Gen Z's climate and sustainability values in many ways. Companies can provide training and education on how employees can make a positive difference on the environment through day-to-day behavior and activities. They can also offer sustainability-based benefits, including public transportation incentives, cycle to work schemes, or electric car subsidies.

A generation that was raised in an environment of constant progress, Gen Z is deeply invested in their career opportunities, underscoring the importance of a comprehensive total rewards program. This early career talent is highly motivated by personal and professional development—looking for opportunities, internal mobility, and the chance to build new skills to progress quickly up the ladder. At the same time, Gen Z employees rate job autonomy and flexibility as highly important. Creating a system that supports fast progress requires infrastructure that provides clarity, transparency, mobility, and development. Human resources leaders will be challenged to strike the balance between Gen Z's need for freedom and support.

“While total rewards have been defined to include pay, benefits, work environment, and L&D for years, this generation places greater value on the non-monetary components than prior generations,” says Don Lowman, Leader of Korn Ferry's Global Total Rewards business. “It is an opportunity for a company to think more broadly and creatively about their offerings to attract and inspire top talent.”

Pay is top of mind for Gen Z, and the number one reason they have left or plan to leave their jobs. But, as we have seen, Gen Z is also highly concerned with the environment, sustainability, opportunities for development, mental health, and well-being. These factors each play a significant role in how Gen Z talent chooses where to work and whether to stay in a role. Companies will need

to consider not only how to pay Gen Z, but how they structure their total rewards programs so that they are aligned with the values of this generation.

Key takeaways for companies

1. Pay and total rewards are top of mind for Gen Z, coming out as the number one reason Gen Z talent has left or plans to leave their job.
2. Gen Z is also highly concerned with the environment, sustainability, opportunities for development, mental health, and well-being.
3. To position themselves as a career destination for young talent, companies will need to consider how they structure their total rewards programs so that they are aligned with the values of this generation.

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