ELSEVIER

Creating a new employment deal:
Total rewards and the new workforce

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Few things are as obvious as the fact that individuals differ. They have different genes, genders, ages, skin colors, skills, and motives — to mention some of the key ones! Because individuals differ, when organizations deal with them, they face a number of challenges. These range from taking account of employee skill differences to dealing with their differing preferences and motives. An organization that treats all individuals the same runs the very great risk of treating almost no one in the optimal way. On the other hand, an organization that treats everybody as an individual runs the risk of creating an incredibly complex organization that is haunted by complexity, confusion and potential charges of favoritism, unfair treatment and bias.

There always have been large individual differences in the workforces of most organizations and societies. Indeed, the field of industrial psychology (now called industrial-organizational) was built on this very issue. However, the extent and nature of these differences is not a constant over time. There are a number of reasons why the extent to which individuals differ in the workforces of most organizations today is much greater than it ever has been, and why significant new differences have appeared. Further, even more differences are likely to appear in the next decade. As a result, organizations need to move from a one-size-fits-all employment deal, to an employment deal that is based on individualization.

WORKFORCE DIFFERENCES

For the last decade it seems that the media has been obsessed with studies and articles that are focused on the differences said to exist among generations. An entire industry has developed that is dedicated to describing the different generations and how they should be dealt with. X, Y, boomers, silent, greatest and millennial, are among the most frequently referred-to generations. All of these generations are in the workforces of most organizations.

There are at least two obvious reasons why generational differences exist. First and perhaps foremost, maturation leads to numerous changes in human beings and it creates an age or cohort effect. Maturation changes the physiology of individuals, as well as their mental capabilities and orientations. Thus, it is inevitable that older employees will differ from younger employees.

But the maturation effect is not the major point made by most writers on generational differences. Instead for the last several decades the emphasis has been on how generations differ because of the very different experiences they have had in their lives. The argument is essentially that during the age of say 15—25, one group of people had X experiences while an older group that went through that age period earlier had very different experiences. Because of their different experiences, the argument goes, they are different at this point in time and always will be different even when the younger group reaches the age of the older group.

Recently the emphasis in the writings on generational differences has been on the impact of information technology and the fact that the younger generations are experiencing a more connected world than older generations experienced in their youths. As a result of having no personal computers (PCs) or iPhones when they grew up, the argument goes, not only do people of older generations differ from those in more recent generations; they have trouble understanding and empathizing with what is going on in the minds of younger individuals. Because older generations never experienced what today's younger generations are experiencing, older generations are said to differ both because of maturation and experience. In essence there is both an age-effect difference and an experience-effect difference.

An additional contributor to differences in the workforce concerns retirement. Particularly in the United States, employees have delayed their retirements so that the workforces of most of organizations have a wider age range than they ever have had. This is a critical development, because it

has created greater life-stage differences than have ever been present in the workforce.

Before we become too fixated on generational and age differences, it is important to remember that there are enormous differences among individuals who are in the same generation; a frequently overlooked and important point. Most of them have different genes and different experiences. Indeed it is dangerous at times, even illegal, to assume that age is a very powerful indicator when it comes to how skilled, motivated and effective employees are likely to be. It simply is not valid to assume that because people are the same age and may have had similar experiences that they are going to want the same things from and at work.

Age and generation differences are perhaps the most frequently discussed causes of individuals differing in their work motivation and behavior, but they certainly are not the only ones that create differences. The population of the United States and other developed countries is increasingly diverse with respect to religious orientation, national origin and a host of other factors that determine what an individual values and the kind of career and work situation he or she aspires to and will perform well in. Large U.S. corporations are increasingly operating on a global basis, and, as a result, are particularly likely to have diverse workforces.

An additional contributor to differences in the workforce is the increasing number of women who are working, particularly married women. Women are moving up the educational ladder and the management hierarchy in ways that have put them in roles that in the past have been held mostly by men. Thus, in the U.S. and other developed countries, from top to bottom, the workforce is much more diverse than it used to be with respect to gender.

One additional contributor to differences in the workforce is the educational system of most developed countries. The quality of education that individuals get varies greatly. Those individuals that go to top-ranked universities get an extremely good education, but a significant percentage of the workforce, even in developed countries, has grown up in foreign countries, speaking a different language, and has not graduated from high school. In the U.S. there are also a large number of individuals who have gotten a poor education because they dropped out of school or went to a poor K-through-12 school.

CHOOSING BETWEEN HOMOGENEITY AND INDIVIDUALIZATION

Faced with an increasingly diverse workforce, organizations have a number of critical decisions that they need to make. The most basic one is whether to have an employment deal and a workplace that is designed for a relatively homogeneous workforce or to create an individualized workplace; one that is designed for a diverse workforce. The traditional answer has been, as much as possible, to design for a homogenous workforce and to select employees on the basis of whether they "fit" the design. But, given the increased diversity of the workforce, that answer is less and less likely to be the right one in the future.

In some respects all organizations are designed for diverse workforces. General Motors, Wal-Mart and other traditional command-and-control organizations treat people very differently, depending upon their position in the organization's hierarchy. By law, exempt and non-exempt employees have to be treated differently, as do union and non-union employees. This is differentiation but it is not the kind that is intended to provide a work situation that fits the needs, desires and skills of individual employees; it treats large groups of employees the same based on factors (e.g., management level) that often are not related to what they desire or can do.

There are a number of advantages that go along with having an organization that is designed to treat people in a similar manner. In essence it allows for mass production. The more people can be treated the same, the lower the administrative costs of employing workers, and the "simpler" it is to design and manage things all the way from employee benefits to vacations and work schedules. Historically it has also been argued that it is the fairest way to treat people, because everyone is treated the same. However, treating everybody the same may mean that some people are treated much worse than others because the treatment does not fit them, and some are treated better because the employment deal is a "good fit."

The potential advantages of an individualized approach to treating people are many. Perhaps the most important has to do with talent attraction and retention. A work environment that takes account of individual preferences and differences is likely to be attractive to a larger number of people in the workforce than one that has a single, standard way of dealing with people. This in turn gives individualized organizations the chance to be much more selective in hiring (larger labor pool) and it can aid in retention.

A diverse workforce is likely to generate more creativity and innovation because it has more diversity in its business product, and in its social thinking. In most cases it also should be better able to understand the needs and desires of a diverse customer population, such as those served by global corporations, because it has members that bring multiple values and beliefs to customer-service discussions and interactions.

Finally, a diverse workforce can make it easier to find employees who fit a wide variety of jobs and employment situations. This can be an important feature for an organization that wants to operate in different ways in different parts of its business and/or in different parts of the world. It also can help an organization offer services for cultures that require different skill sets and interactions with customers.

The disadvantages of having a highly diverse and individualized way of dealing with employees largely fall in the efficiency area. It is simply more costly and more time consuming to design and manage an organization that treats people differently. This is particularly true if the reason or basis for treating people differently is who they are and what they like and want to do rather than what the work is that needs to be done and what capabilities the organization needs to have in order to get its work done. Diverse treatment can also raise difficult issues with respect to fairness. It is almost inevitable that if some employees get treated differently, some individuals will feel that others are getting "better treatment" and that it is unfair. This is precisely why HR executives often argue for treating people the same; they equate sameness with fairness.

Finally, with diversity of treatment there can be problems as far as matching what individuals want to how they are