Managing the needs of different generations in the workplace is certainly not a new task for HR professionals, but large-scale demographic changes coming in the near future will require special attention from human resource departments. With repeated waves of Baby Boomers entering retirement, and with members of the larger Millennial generation poised to replace many of those older workers, a cultural shift is at hand that will determine benefits offerings, succession planning and other aspects of HR’s operations.

As a whole, older workers are steadily grabbing a larger share of the U.S. labor force. In 2022, workers ages 55 and older are projected to represent 25.6% of the workforce, according to the U.S. Bureau of Labor Statistics.¹ This percentage would mark a significant increase from 1992, when older workers constituted just 11.8% of the labor force (see Figure 1). Even as thousands of Baby Boomers reach retirement age every day, it is clear that many are opting to remain on the job.

Figure 1: Workers 55 and Older (Percentage Share of Labor Force)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>11.8%</td>
</tr>
<tr>
<td>2002</td>
<td>14.3%</td>
</tr>
<tr>
<td>2012</td>
<td>20.9%</td>
</tr>
<tr>
<td>2022, projected</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

This is happening for a variety of reasons, most commonly due to economic factors (many older workers have never been financially prepared to leave the workforce, and many others who saved sizable retirement funds saw their portfolios depleted during the Great Recession) and health factors (improvements in health care and increased lifespans are allowing more older workers to remain active in the workforce).

At the same time, workers from Generation Y—or the Millennial generation, frequently defined as those born between 1979 and 2000—are filling out the younger end of the labor force in greater numbers. By 2020, Millennials will comprise nearly half (46%) of the U.S. labor force, and members of that demographic will be heavily relied-upon to fill leadership gaps at many organizations, according to recent research by the University of North Carolina.²

**Different needs for different age groups**

For HR professionals, these changes mean balancing the varying desires of two sizable demographics that will dominate the labor force’s makeup for the foreseeable future. In some respects, Baby Boomers and Millennials do want the same things out of their careers. Nearly three in five (58%) Millennials and a comparable rate of Baby Boomers (62%) cited “compensation/pay” as a very important factor in calculating job satisfaction, according to a new survey report by the Society for Human Resource Management.³ In that same survey, both groups frequently named “job security” as another important determinant of job satisfaction (56% of Millennials and 60% of Baby Boomers) (see Figure 2).

However, the opinions of those generations diverge somewhat regarding benefits and how those offerings relate to satisfaction with their careers. Nearly two-thirds (66%) of Baby Boomers named health care/medical benefits as very important for determining job satisfaction, compared with 56% of Millennials. More than half (57%) of Baby Boomers said the overall benefits package was very important for their job satisfaction, whereas only 49% of Millennials said the same.

Greater discrepancies arise between these generations when it comes to retirement and quality of life benefits, according to SHRM’s research. Just 32% of Millennials view defined contribution plans, such as 401(k) packages, as very important for job satisfaction, compared with 44% of Baby Boomers. One-third (33%) of Millennials cited defined benefit pension plans as a key factor for determining job satisfaction, compared with 45% of Baby Boomers.

Younger workers also want more control in managing their time in the office. “Flexibility to balance life and work issues,” such as the use of alternative work arrangements, was cited by 50% of Millennials as very important for job satisfaction, whereas only 40% of Baby Boomers said the same. Not surprisingly, given the stage of their tenure at work, more Millennials (50%) named “career advancement opportunities within the organization” as an important determinant of job satisfaction, with just 35% of Baby Boomers citing that factor as important.

**Figure 2: Important Factors to Determine Job Satisfaction**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Millennials</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation/pay</td>
<td>58%</td>
<td>62%</td>
</tr>
<tr>
<td>Job security</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>Health care/medical benefits</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Benefits, overall</td>
<td>66%</td>
<td>66%</td>
</tr>
<tr>
<td>Defined contribution plans</td>
<td>49%</td>
<td>57%</td>
</tr>
<tr>
<td>Defined benefit pension plans</td>
<td>32%</td>
<td>44%</td>
</tr>
<tr>
<td>Flexibility, life and work</td>
<td>33%</td>
<td>45%</td>
</tr>
<tr>
<td>Career advancement</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>
What to do for HR ........................................

These changes in workplace demographics will usher in new methods of delivering benefits to employees, according to some experts. This is highlighted by the gradual move toward defined contribution, or 401(k) plan, retirement packages, rather than traditional defined benefit pension plans. This trend is largely a function of employers’ desires to reduce costs, but also stems from increased numbers of workers who want greater flexibility with their income.

In general, employees are asked more often today to bear the brunt of expenses for workplace-related retirement plans and make their own decisions, said Howard Fluhr, chairman of New York-based The Segal Group, a human resources consultancy.

“That some years ago, there was still a notion of corporate paternalism. We have shifted back to self-reliance as the be-all and end-all,” said Fluhr, who was one of several speakers at a December 2013 policy forum sponsored by the Employee Benefit Research Institute (EBRI), a nonprofit advocate for the development of sound employee benefits programs based in Washington, D.C.

Others argue that 401(k) plans and related offerings are more conducive to the needs of today’s transient labor force, which has many younger workers who frequently change jobs and want more options in benefits.

“We have moved from a mandatory platform to a voluntary platform,” said Larry Zimpleman, chairman of Des Moines, Iowa-based financial consultant Principal Financial Group, who also spoke at the EBRI event. “Why have we done this? Because employees like choices, and employers want cost control. Voluntary programs provide both.”

Going forward, the key for HR professionals may be to maintain a broader scope of benefits offerings to accommodate workers’ varying preferences, without incurring additional costs for their organizations. This is already occurring in the realm of health care plans: many companies are incorporating health savings accounts and higher-deductible packages into their benefits offerings, in order to shift more responsibility for costs and control to their employees.

The State of Connecticut, for example, is experimenting with new ways to deliver retirement packages to its employees, said Tom Woodruff, director of Connecticut’s Healthcare Policy and Benefit Services Division. Woodruff was also a speaker at the EBRI event.

“We’re looking at a hybrid approach to retirement plans,” he said. “We’re working on an idea that uses an individualized target benefit approach. The employee can go through a risk assessment and select a portfolio that is managed by a third party.”

There is further proof that the “one size fits all” approach for workers’ benefits is no longer effective. Recent SHRM research shows that employers are increasingly giving workers more options to manage how they spend their time in and out of the office.

Nearly three-fifths (57%) of organizations offer flexible work arrangements to their employees, according to a December 2013 SHRM survey. These arrangements may include full- or part-time telecommuting, flexible scheduling or compressed workweeks. That number is up from 53% in 2012.

An increased number of HR professionals said in 2013 that the majority of their organization’s workers, or more than half on payroll, were eligible to use flexible work arrangements (see Figure 3). And more workers are, in fact, taking advantage of those offerings, according to the SHRM survey. One-third (33%) of HR professionals said employee participation in flexible work programs increased in 2013 compared with the previous year.
Personalized benefits, jobs could become the norm

This individualized approach to providing benefits could also become an important strategy for developing jobs for the next generation of workers, according to Bruce Tulgan, founder of New Haven, Conn.-based consultancy Rainmaker Thinking. Tulgan and his colleagues believe that there is a younger subset of Generation Y—“Generation Z,” born between 1990 and 2000—and this generation will have even more specialized needs than older demographic groups. Generation Z’s current 16- to 23-year-olds, Tulgan said, already number more than 11 million in the workforce. By 2015, they will total 20 million; 25 million by 2017; and 30 million by 2019. This group, he said, will fill the vacancies left by an anticipated 30 million retirements of Baby Boomers at that time.

Employers will have to provide a “laser-focused” explanation of workers’ roles through more structured job descriptions and strict definitions of their responsibilities, in order to properly engage members of Generation Z, according to Tulgan.5

“The key for employers to recruiting and retaining the ‘most valuable’ young rising stars is going to be the ability to create dream jobs for those superstars,” wrote Tulgan in an October 2013 white paper. “Dream jobs are always contingent on ongoing performance, but built on a longer term understanding of tremendous work conditions, rewards and flexibility.”

Ultimately, as the makeup of today’s workforce changes, HR professionals must adapt accordingly and employ a wide variety of tactics to address the needs of these influential demographic groups.

Endnotes

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