

Adapting reward strategies to millennials' pay preferences¹

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Abstract

Millennials or Generation Y individuals are known for their different views, work values and motivational needs compared to generations before them. In this paper, we analyse reward preferences of millennials in Croatia. Empirical findings, using data for 249 young Millennial individuals, revealed that respondents generally assign more importance to non-material rewards. Furthermore, we show that Generation Y is not necessarily a homogenous group. It was shown that women assign statistically significantly greater importance than men to recognition, job security, high-quality leadership, work-life balance and feedback information. Therefore, HR managers should adapt reward strategies not only with respect to generational preferences, but individual characteristics as well.

Key words: generation Y, millennials, reward strategy, transactional rewards, relational rewards, work motivation

1. Introduction

The important question for HR professionals is to construct a reward strategy that would motivate employees and secure good organisational performance. The present workforce is diversified in terms of generation, culture and values so literature indicates that motivational factors vary across employees and over time (Smola & Sutton, 2002). Generational affiliation has been recognized as a relevant factor linked to employees' motivation (Kultalahti & Viitala, 2014). This affiliation is said to influence both what an individual wants on the job and his satisfaction with his level of compensation (Qenani-Petrela, Schlosser & Pompa, 2007).

A generation is usually defined as an identifiable group, which shares years of birth, age, location and hence significant life events at critical stages of development (Kupperschmidt, 2000 after Wong et al., 2008). Despite some variations in the way the literature names these

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generations and classifies start and end dates, there is general descriptive consensus among academics and practitioners regarding the four generations: Veterans (1925-1944), Baby Boomers (1945-1964), Gen X (1965-1981), and Generation Y (1982-2000) (Dries, Pepermans & De Kerpel, 2008; Eisner, 2005). There is also the fifth or the youngest generation, Generation Z or post-millennials, encompassing all those born after the year 2000. The presence of differences between generations has been reinforced by social constructionist views (Berger & Luckmann, 1966 after Kultalahti & Viitala, 2014) stating that wars, discoveries, cultural, political, technological and economic context are fundamental to the creation of a generation (Meier & Crocker, 2010, Mannheim, 1952 after Guillot-Soulez & Soulez, 2014). Furthermore, factors such as age, cultural heritage, upbringing, and societal values at the time employees enter the workforce play a crucial role in shaping employee behavior in the workplace (Moorhead & Griffin 2004). Generation hence develops a unique pattern of behavior based on these common events experienced during their upbringing (Kupperschmidt, 2000 after Guillot-Soulez & Soulez, 2014).

In order to attract, motivate, and retain young employees, which becomes increasingly important as the “Baby Boomer” generation retires, organizations must understand and strategically adapt to the work expectations of Generation Y. Experts have called this youngest workforce generation also Millennials, Nexters, Generation Me, Generation www, Internet Generation, the Digital Generation, Generation E, Echo Boomers, N-Gens, Net Generation, digital natives, Generation Next, dot.com., but most often, Generation Y (Martin, 2005, Luscombe, Lewis & Biggs, 2013, Guillot-Soulez & Soulez, 2014). While there has been debate in the literature regarding the range of dates to define Generation Y (e.g. Martin, 2005), this paper, similar to others defines Generation Y as those individuals born between 1980 and 2000 (e.g. Meier & Crocker, 2010).

Practitioners and consultants alike state that different generations need to be managed differently (Parry & Urwin, 2011 after Guillot-Soulez & Soulez, 2014). There is some evidence that Generation Y is different from other generations (e.g. Dries, Pepermans & De Kerpel, 2008), although we acknowledge that there are also differing views stating that considerable generational differences in the workplace do not exist (Pološki Vokić & Vidović, 2015). Divergence between Generation Y from others is a result of an accelerated speed of life surrounding us, multiplicity of communication devices, access to growing technology, increased traveling opportunities and the greater amount of parental nurturing (Holt, Marques & Way, 2012). Generation Y is the most technically literate, educated, and ethnically diverse generation in the history. It tends to want intellectual challenge, needs to succeed, seeks those who will further its professional development, strives to make a difference, and measures its own success (Eisner, 2005). Meeting personal goals is likely to matter to Generation Y, as is performing meaningful work that betters the world and working with committed co-workers with shared values (Eisner, 2005).

Being able to understand new generations as they move into the workforce will be crucial in attracting, motivating and retaining them within the organisation. Generation Y was raised in a time of economic expansion and prosperity but it has come of age in an era of economic

uncertainty and violence. In this paper we empirically examine how the research findings concerning Generation Y's work-related expectations and motivation, which originate mainly in the USA or developed EU countries, manifest themselves in Croatia, representing one of the South-Eastern countries in Europe. The below depicts the distribution of different generational cohorts in in Croatian population.

Table 1: Croatian population according to 2011 census

Generation	Birth years*	Total population	Percentage of total population
Veterans and older	1946 and older	758 633	17,70%
Baby Boomers	1947-1962	1 212 621	28,30%
Generation X	1963-1980	866 306	20,22%
Generation Y	1981-2001	1 030 303	24,05%
Generation Z	2002 and younger	417 026	9,73%
	Total	4 284 889	100%

*Adapted according to census data

Source: Croatian Bureau of Statistics (2014) Statistical Yearbook of the Republic of Croatia, http://www.dzs.hr/Hrv_Eng/ljetopis/2014/sljh2014.pdf

The first millennial university graduates entered the workforce in Croatia in the summer of 2003. They will continue to do so, in large numbers, until around 2022. As shown in Table 1, Generation Y represents 24,05% of total population in Croatia, and is the second largest generation after Baby Boomers. Thus, it is important for organisations in Croatia, as it is in any other country, to understand Generation Y and develop HRM practices and processes appropriate for them (Kultalahti & Viitala, 2015).

2. Generation Y work values and motivation

2.1. Generation Y work values and behaviour

Previous research has examined differences in work values across generations with the general conclusion being that generation Y has different work values compared to other generations (Solnet, Kralj & Kandampully, 2012). To be more precise, generational studies point out to the fact that this generation is being raised with great amount of parental nurturing and support that created a climate that emphasizes the importance of high self-esteem (Holt, Marques & Way, 2012). Millennials believe enough in their own value and self-worth which they are not shy about pursuing it (Howe & Strauss 2000 after Qenani-Petrela, Schlosser & Pompa, 2007).

Generation Y traits include high self-esteem, self-centeredness, propensity to multitask, team orientation, preference for working within a collaborative environment, a reasonable level of autonomy and self-direction as well as hyper-connectivity (Holt, Marques & Way, 2012). Generation Y employees tend to search for intellectual challenges, aspire for success, strive to

make a difference and seek employers who can advance their professional development (Kong, Wang & Fu, 2015).

Members of Generation Y thrive on challenging work and creative expression, love freedom and flexibility, and openly dislike micro-management (Martin, 2005). Generation Y is self-reliant, independent and has a strong desire for increasing responsibility (Martin, 2005). They tend to be more ambitious and career-centred, have a tendency to enjoy working with demanding roles and targets (Wong et al., 2008) and prefer a job that recognizes performance and not tenure (Meier & Crocker, 2010). Leaders need to make work challenging to take advantage of their high achievement mentality (Hewitt & Ukpere, 2012).

Working within collaborative environments is important to Generation Y (Martin, 2005; Filipczak, 1994 after Josiam et al., 2009; Luscombe, Lewis & Biggs, 2013). Wherever and whenever possible, invitations should be extended for the inclusion of Generation Y employees in decision making but also collaboration in regards to individually related aspects, such as determination of one's salary and the identification of the tasks to be undertaken within a particular position (Luscombe, Lewis & Biggs, 2013).

Millennials were indoctrinated from their earliest moment to seek approval and affirmation. In the workplace, this has led to a sometimes excessive propensity to continuously seek guidance and direction from their managers (Hershatter & Epstein, 2010). They prefer a guiding hand to a micro-manager (Meier & Crocker, 2010). Furthermore, they demand immediate feedback, and expect a sense of accomplishment hourly (Martin, 2005) possibly because it provides assurance that they are continuing to move along a linear, progressive path (Hershatter & Epstein, 2010).

Millennial focus their energy more on their private lives and moving from organisation to organisation is not a problem for them. As such, they see a work-life balance as being important and tend to be very wary of sacrificing large parts of their private lives for the sake of work (Hershatter & Epstein, 2010; Crumpacker & Crumpacker, 2007 after Luscombe, Lewis & Biggs, 2013; Kultalahti & Viitala, 2015). While employees of all generations desire this work-life balance, Generation Y may have the confidence and conviction to demand it from their employers (Hershatter & Epstein, 2010). Martin (2005) showed that a Millennial views one year of employment as long term. However, Millennials do have the capacity to be loyal, particularly in organizations that continue to provide individual attention and a supportive, family-like environment (Hershatter & Epstein, 2010).

Interestingly, in spite of generation Y's birth span of 20 years, it is still in most cases regarded as a homogenous group. Researcher have rarely argued that Generation Y does not necessarily form a homogeneous group in relation to their work preferences (e.g. Josiam et al., 2009; Luscombe, Lewis & Biggs, 2013; Guillot-Soulez & Soulez, 2014). Work values do change as workers grow older (Smola & Sutton, 2002) and given the numerous changes experienced in the period of 20 years, we also find that it is possible that all members of this generation do not form a homogenous group.

2.2. Generation Y Work Motivation

Most research on Generation Y motivation follows Herzberg et al.'s (1959) motivation theory, looking for factors of motivation but hygiene factors as well (e.g. Qenani-Petrela, Schlosser & Pompa, 2007; Kultalahti & Viitala, 2014). However, empirical evidence on generational differences in motivational drivers in the workplace is limited and inconclusive (Kultalahti & Viitala, 2014).

Most often the starting point when analyzing Millennials is the presumption that they appreciate more intrinsic than extrinsic motivators (Kultalahti & Viitala, 2014). According to this view, money is a lesser motivator, whereas opportunities for career growth and advancement, as well as a fulfilled balanced life, are greater motivators for Generation Y employees (Crumpacker & Crumpacker, 2007 after Kong, Wang & Fu, 2015).

Varying and flexible job that includes good relationships with colleagues and supervisor has been recognized as an important motivating factor (Kultalahti & Viitala, 2014). Motivating tasks should be interesting, clear and specific, challenging and varied, include multitasking and job enrichment (Qenani-Petrela, Schlosser & Pompa, 2007; Meier & Crocker, 2010; Kultalahti & Viitala, 2015; Kong, Wang & Fu, 2015). There is however some evidence that this cohort would be willing to accept a less interesting job in order to obtain a permanent job or work in a relaxed atmosphere (Guillot-Soulez & Soulez, 2014). Work atmosphere has been found among top motivating factors by Meier & Crocker (2010) research, although it had a high position on the top demotivating factors' list as a part of the same research. We find very interesting that permanent job and job security have been found to be motivators in French setting (Guillot-Soulez & Soulez, 2014), as well as the fact that Generation Y placed greater importance to organizational security than generation X (Dries, Pepermans & De Kerpel, 2008). Both findings contradict general presumption that Millennials easily change job positions (Luscombe, Lewis & Biggs, 2013). There is also some evidence from other research that job stability was largely neglected (Qenani-Petrela, Schlosser & Pompa, 2007; Kultalahti & Viitala, 2015), although authors argue that this might indicate that Millennials have already become used to the idea that short-term contracts and job insecurity are the new norm, especially in the early career stages.

Career growth and advancement, as well as a fulfilled balanced life, are greater motivators for Generation Y employees than money (Crumpacker & Crumpacker, 2007 after Kong, Wang & Fu, 2015; Wong et al., 2008; Qenani-Petrela, Schlosser & Pompa, 2007). The "Leadership" category that captures management style, supervisory practices, and supervisor/employee relationships has also been found to be important motivational factor (Meier & Crocker, 2010). Besides good relationships with colleagues and supervisor (Kultalahti & Viitala, 2014), there can also be some emphasis on the coaching form of leadership (Kultalahti & Viitala, 2015). Leaders should not expect from this generation something they cannot do themselves, they must explain the "why factor" and what is in it for them; and let them know what they do matters (Hewitt & Ukpere, 2012).

Although motivating Generation Y emphasizes the importance of intrinsic factors, the role of salary cannot be neglected (Meier & Crocker, 2010). In earlier studies, some researchers asserted that salary is as important for Generation Y as for other generations (Dries, Pepermans & De Kerpel, 2008) or even that money might be more important for Millennials (e.g. Smola & Sutton, 2002) than for other generations. Economic factors of work motivation were given higher average grades than social work motivation factors by several studies (e.g. Josiam et al. 2009). Aside from providing high compensation, employers should also provide career growth opportunities and challenging job to their employees, as they are important motivational factors (Kong, Wang, Fu & 2015). Customised benefits is something managers should be considering as well (Hewitt & Ukpere, 2012; Kultalahti & Viitala, 2015). Millennials expect to receive medical insurance, paid holidays, ample paid vacation, and other perks from their employers (Meier & Crocker, 2010).

Empirical evidence on the issue of Generation Y motivation is however ambiguous. With respect to salary, some have found that salary and bonuses are not as important motivators (e.g. Guillot-Soulez & Soulez, 2014, Kultalahti & Viitala, 2015), whilst others noted salary issues such as low pay and no benefits as top demotivators for this generation (Meier & Crocker, 2010). Poor communication, poor workplace climate, a boring job and feelings of stagnation also additionally fuel demotivation (Kultalahti & Viitala, 2014)

There is some evidence that motivation factors depend upon some independent characteristics: women are more interested than men in an interesting job (Guillot-Soulez, Soulez, 2014). Pay preferences can be modified by gender and work experience (Sallop & Kirby, 2007). Luscombe, Lewis & Biggs (2013) distinguish among generation Y based on number of years working, although no significant differences were detected in the study.

3. Empirical Research

In order to analyse the Generation Y preferences towards different aspects of motivation strategies, an empirical research study was undertaken during the months of October and November 2015. In the introductory part of this section, we briefly describe information about research methods and sampling procedure, after which we describe the results generated by the primary data.

3.1. Research methods and sampling

The first step in designing our research was to select participants for the empirical research. As this empirical research is part of a larger project that aims at covering entire period ascribed to Generation Y individuals (namely, individuals born from 1980 till 2000), as well as comparing Generation Y pay preferences to their predecessors (generation X), the first step of data collection included gathering data from the second year students that attended a course “Organization” at University of Zagreb – Faculty of Economics and Business Zagreb at the undergraduate level of Bachelor of Business program in autumn semester. Furthermore, as

some assign pay preferences to national culture setting and value patterns (e.g. Chiang & Birch, 2007) this research reveals reward preferences among Croatian students who share specific cultural characteristics.

A **questionnaire** was designed for that purpose and consisted of several closed-ended questions about different pay modalities (e.g., base pay, variable pay, perks and benefits etc.) as well as various nonmaterial motivation strategies (e.g. flexible working hours, recognition, participation in decision making etc.), for which respondents were asked to assign importance using Likert 5-point scale (1 = not important at all, 5 = most important). Other questions included different background data that were used to describe independent characteristics of respondents and were either closed-ended (e.g., gender, students status, previous knowledge on motivation management, etc.) or open-ended (e.g. year of birth, years of working experience, etc.). Before the questionnaires were distributed to students they were tested by several student assistants that were asked to read the draft of the questionnaire and give their suggestions to make the final version more understandable to second year students. The estimated time for fulfilling the questionnaire was approximately 10 minutes.

As for the following phase of empirical research, students were asked to voluntarily fulfil the questionnaire in written form as a part of the topic that was discussed during the lectures. Questionnaires were distributed to students in 10 out of 20 groups of seminars at the second year of Bachelor of Business program. At the end of the collection phase a total of 249 students fulfilled the questionnaires, which makes a proportion of 31,80% of all second year students population. As the data collection phase was concluded a statistical analysis of the primary data with SPSS 18.0 followed. The independent characteristics of the respondents are given in a summary table below.

Table 2. Independent characteristics of respondents

Independent characteristics	Distribution
Gender	M – 41,10% F – 59,90%

Age	1993 or older ² – 5,5%
	1994 – 8,5%
	1995 – 65,20%
	1996 – 20,60%
Student status	With permanent, temporary or occasional employment – 27,10%
	Without permanent, temporary or occasional employment – 72,90%
Approximate number of years of working experience	Zero or less than one year – 74,40%
	One year – 13,20%
	Two years – 7,30%
	Three or more years – 4,9%
Approximate number of different employers	Zero employers – 54,10%
	One employer – 18,90%
	Two employers – 12,8%
	Three employers – 8,6%
	Four or more employers – 5,6%
Type of education in motivation management	Knowledge gained at university in a course or as a special topic in the course – 18,90%
	Knowledge gained outside university or via self-initiated learning – 18,10%
	No formal education gained on the topic at hand – 63,00%

As it can be seen from the table, 60% of the sample is comprised of female students which corresponds to the general structure of student population at University of Zagreb – Faculty of Economics and Business. The majority of respondents were born in either 1995 (65,20%) or 1996 (20,60%) which is in line with the general rule of Croatian population that enters university level education at the age of 18 or 19. As for the student status regarding work experience, only 27,10% of respondents stated that they had permanent, temporary or occasional jobs. With regard to the number of years working, 3/4 of respondents had either zero or less than a year of working experience which is line with the previously examined characteristic. Additionally, students reported working for one employer in 18,90% of cases, while additional 27,00% reported working for more than two employers so far. Finally, we were interested in exploring the level of knowledge on the topic at hand, if any, where the results revealed that 37% of students had some sort of knowledge on motivation management (gained either at university or outside university and by self-initiated learning), while the majority of them (63%) had no previous knowledge on motivation management.

After analyzing students' independent characteristics we were interested in exploring their perception of importance of different pay structure elements, as well as different nonmaterial motivation strategies. Additionally, we aimed at investigating differences in assigning importance to the previously mentioned motivation strategies with regard to respondents' independent characteristics, such as gender, student status and previous knowledge on motivation management. The results are shown in the next section.

² One respondent was born in 1989, two respondents in 1991, six respondents in 1992 and five respondents in 1993.

3.2. Research results

In the theoretical part of the paper we presented different motivation strategies that can be applied in the attempt to attract, engage and retain employees. Since the contemporary approach to motivating human resources is increasingly presented in the form of total reward model (TRM) we decided to apply the same model to our research design. Accordingly, respondents were asked to assign importance to different transactional and relational aspects of rewards. Results are shown separately for the previously mentioned types of rewards.

Table 3. Transactional compensation preferences of generation Y

Transactional element	N	Min	Max	Mean	Median	Mode	Std. Dev.
High base pay	249	2,00	5,00	4,26	4,00	4,00	,70
Off-the-job training	249	1,00	5,00	4,07	4,00	5,00	,96
Health benefits	249	2,00	5,00	4,28	4,00	5,00	,81
Retirement and security benefits	248	2,00	5,00	4,42	5,00	5,00	,73
Perks and benefits in terms of different services to employees	249	2,00	5,00	3,57	4,00	4,00	,94
Expatriate assignments	249	1,00	5,00	3,79	4,00	4,00	,98
Profit-sharing	248	1,00	5,00	3,56	4,00	4,00	1,00
Variable individual pay	249	1,00	5,00	3,90	4,00	4,00	,89
Variable group pay	248	1,00	5,00	3,34	3,00	4,00	,94
Child care	249	1,00	5,00	3,41	3,00	3,00	1,22

The analysis of the primary data collected among students revealed that out of 10 different pay elements, respondents assign the greatest importance to retirement and security benefits ($\bar{x} = 4,42$, $\sigma = 0,73$), followed by health benefits ($\bar{x} = 4,28$, $\sigma = 0,81$) and high base pay ($\bar{x} = 4,26$, $\sigma = 0,70$). The elements of the pay structure that were assigned the least importance (although with greater variability in data) were variable group pay ($\bar{x} = 3,34$, $\sigma = 0,94$) and child care benefits ($\bar{x} = 3,41$, $\sigma = 1,22$). As some variables show greater variability we were interested in exploring differences in preferences towards different pay elements with regard to respondents' characteristics. The summary table of various statistical analyses is shown in table 4.

Table 4. Differences in transactional pay elements preferences with regard to selected respondents' independent characteristics

Independent characteristic	Statistically significant differences	Statistical test
Gender	Profit-sharing	Mann-Whitney test
Student status	Off-the-job training Variable team pay	Mann-Whitney test

Knowledge on motivation management	Off-the job training	Kruskal-Wallis test
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The results of the non-parametric tests revealed only a small number of statistically significant differences in assigning importance to various transactional rewards. More specifically, it was shown that “gender” does not generate many differences in perceiving various elements of pay as more or less important, where only profit-sharing was found to be statistically significantly more important to men than women ($p = 0,003$). On the other hand, “student status” generated two differences that were statistically significant – namely, off-the-job training ($p = 0,008$) and variable team pay ($p = 0,015$) where in both cases perceived as more important by students with permanent, temporary or occasional job assigned. Finally, whether students had “previous knowledge” on the topic at hand made a difference in the case of off-the-job training ($p = 0,000$) where students that gained knowledge outside university or by self-initiated learning assigned more importance to it than those who gained knowledge at university and especially compared to those that had no knowledge on the topic. Next we show the research results on relational reward preferences.

Table 5. Relational compensation preferences of generation Y

Relational element	N	Min	Max	Mean	Median	Mode	Std. Dev.
Promotion opportunities	249	2,00	5,00	4,73	5,00	5,00	,56
On-the-job training	249	2,00	5,00	4,41	5,00	5,00	,67
Flexible working hours	249	2,00	5,00	4,01	4,00	5,00	,95
Employer's ethical business practices	248	1,00	5,00	3,72	4,00	4,00	,95
Employer's image	248	1,00	5,00	3,98	4,00	4,00	,85
Recognition	249	1,00	5,00	4,36	5,00	5,00	,81
(Elaborated) Career plan	248	1,00	5,00	3,83	4,00	4,00	,83
Interesting job	248	1,00	5,00	4,58	5,00	5,00	,69
Job security	249	1,00	5,00	4,48	5,00	5,00	,73
High-quality leadership	249	1,00	5,00	4,45	5,00	5,00	,67
Work-life balance	249	2,00	5,00	4,47	5,00	5,00	,72
Autonomy in performing tasks	248	2,00	5,00	4,13	4,00	4,00	,79
Teamwork environment	249	1,00	5,00	3,90	4,00	4,00	,84
Prestigious work position	248	1,00	5,00	3,85	4,00	4,00	,89
Participation in decision making	248	2,00	5,00	4,16	4,00	4,00	,75
Feedback information	249	1,00	5,00	4,29	4,00	5,00	,80

Several conclusions can be drawn from table 5. First of all, in comparison with the transactional rewards presented in table 3, it is evident that respondents generally assign more importance to non-material rewards. Additionally, less variability is present in the respondents' preferences as all standard deviations are below 1, and are evidently lower than in the case of material rewards. As for the more specific conclusions, highly graded relational rewards (mean value approximately 4,5 or higher) are as follows: promotion opportunities ($\bar{x} = 4,73$, $\sigma = 0,56$), interesting job ($\bar{x} = 4,58$, $\sigma = 0,69$), job security ($\bar{x} = 4,48$, $\sigma = 0,73$) and work-life balance ($\bar{x} =$

4,47, $\sigma = 0,71$). On the other hand, none of the examined relational elements had mean value less than 3,5 (as was the case in transactional rewards), with employer's ethical work practices being assigned least importance ($\bar{x} = 3,72$, $\sigma = 0,95$). Again, as for the more detailed analysis of different subgroups we performed several tests, for which summary is given in the next table.

Table 6. Differences in relational elements preferences with regard to selected respondents' independent characteristics

Independent characteristic	Statistically significant differences	Statistical test
Gender	Recognition Job security High-quality leadership Work-life balance Feedback information	Mann-Whitney test
Student status	On-the-job training Recognition Teamwork environment Participation in decision making	Mann-Whitney test
Knowledge on motivation management	Promotion opportunities On-the-job training Teamwork environment	Kruskal-Wallis test

Again, non-parametric statistics reveals more statistically significant differences in assigning importance to relational rewards than in the case of transactional rewards. More specifically, it was shown that women assign greater importance than men to the following non-material elements: recognition ($p = 0,036$), job security ($p = 0,001$), high-quality leadership ($p = 0,009$), work-life balance ($p = 0,002$) and feedback information ($p = 0,047$). When it comes to student status, it appears that students with permanent, temporary or occasional job assigned more importance to on-the-job training ($p = 0,017$), recognition ($p = 0,008$), teamwork environment ($p = 0,033$) and participation in decision making ($p = 0,019$). Finally, the knowledge on motivation management indicated three statistically significant differences where those students that gained knowledge outside the university or by self-initiated learning assigned more importance to promotion opportunities ($p = 0,036$), on-the-job-training ($p = 0,003$) and teamwork environment ($p = 0,025$). Next we discuss research results and conclude with recommendations for future research.

4. Discussion and conclusions

Research implications

Generation Y in Croatia grew in quite unique circumstances. It witnessed the breakup of Yugoslavia and formation of Croatia as an independent state (1990), war of independence (1991-1995) as well as the transition to market economy and country's *westernization*. By the time millennials started to enter the workforce (end of 1990) Croatia was an independent state, preparing for EU membership (candidate since June 2004) and a growing European economy.

Since 1990 the Croatian economy has undergone several expansion and contraction periods. In terms of business cycles, the beginning of 1990s can be characterized as a recession period. The first recession ended in mid-1994. The second recession began in 1999, and the third in the last quarter of 2008 (Cerovac, 2005, Krznar, 2011) and has just ended in 2015. Croatia is currently faced with an unemployment rate of 17,2% (Croatian Bureau of Statistics, 2015) and Generation Y comprising 41,57% of the total number of unemployed persons.

Current research indicates that Generation Y prefers intrinsic over extrinsic compensation. The data drawn from the sample of Generation Y in Croatia confirms this finding. However, we must emphasize that the economic conditions in Croatia are very different from the economic context experienced by other nations that participated in such research and that this finding is almost surprising. Furthermore, Generation Y in Croatia grew up in the context that is significantly different than in these countries. Interestingly, in the set of transactional rewards, benefits (health and retirement and security) are even more important than the level of base salary. Additionally, although theory usually considers variable pay as an important motivational factor, for Generation Y in Croatia it is the least preferred transactional reward.

Within the set of relational rewards explored as a part of this research, we confirmed the importance of promotion opportunities, interesting job and work-life balance. Besides aforementioned factors, another relational reward that was given very high rating is job security. Although job security has been found to be important motivational factor by previous research as well (e.g. Dries, Pepermans & De Kerpel, 2008) this finding can be assigned specifically to current economic situation in Croatia (high unemployment rate).

Generation Y is not necessarily a homogenous group. Our research has shown that there are some statistically significant differences in reward preferences depending upon respondents' independent characteristics, namely gender, work experience and previous knowledge/education on motivation. Women assign greater importance than men to several relational rewards: recognition, job security, high-quality leadership, work-life balance and feedback information. Only profit-sharing was found to be statistically significantly more important to men than woman.

Practical implications

Recommendations for HR managers. Several conclusions and recommendations for HR managers stem from the research results explained in section 3. As for the general perception of importance of different **transactional pay elements**, it is recommendable to HR managers to put special emphasis on perks and benefits while designing pay strategy. Additionally, as generation Y is obviously concerned about security, it is advisable to tailor-make perks and benefits in terms of retirement and health as these were the highest graded material elements in our research. Although variable and group pay that depends on either team or organizational success was not perceived as important by our respondents, our research does imply that men favor more profit-sharing than woman. As the results also indicated that students with work experience assign more importance to variable team pay it seems that there is a strong relationship between experience world and the perception of importance of individual and team

contribution to organizational performance. It is therefore advisable to HR managers to create sense of awareness between potential and new employees that performance pay is of crucial importance for organizational success and therefore individual success as well. Finally, among experienced individuals off-the-job training is among the most important indirect transactional rewards. Since we are living in the knowledge age, and especially for the organizations that build their competitive advantage on knowledge technologies, it is recommended to design different modalities of education and training outside the organization.

The **relational aspects** of motivation and reward management indicate that Generation Y is dominantly interested in promotion opportunities so careful career planning for those individuals is a must in HR activities. Additionally, although promotion is a prerequisite for motivation and consequently job satisfaction, work-life balance is a factor that has become central and very specific for Generation Y individuals. In that sense, HR directors are advised to delicately plan and execute work activities in order to allow employees to maintain the balance between the work obligations and private life, especially in case of women who have assigned more importance to that relational element than man. Besides work-life balance, women have generally indicated more inclination towards recognition, feedback information and high-quality leadership. All these factors should be taken into account while designing specific HR policies and activities, especially given the fact that women are increasingly entering the workforce as highly-educated individuals. It is necessary to emphasize that young Generation Y individuals with working experience highly favor on-the-job training, teamwork and participation in decision making so recommendation for HR managers would be to investigate different forms of training that this generation would prefer more over other forms (perhaps, more e-learning), and to implement more teamwork design to their work tasks. Finally, as leadership quality is probably crucial in all previously mentioned activities, it should be noted that this generation expects from their leaders to be able to apply a more “coaching” style of leadership as well to be able themselves to demonstrate the knowledge and skills they ask from Generation Y individuals.

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