

Comparison between Generation X and Generation Y on the Preferred Retention Factors

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Abstract

In a rapidly changing business environment, organizations are facing a talent crisis dealing with high employee turnover. Changes in the composition of generations in the marketplace have led organizations to understand the majority generation who are already working, namely Generation X and Generation Y. It is important for organizations to know the generation composition and professional characteristics of their employees.

This study compares the Generation X and Generation Y on the preferred retention factors including development opportunities, leadership, job autonomy, work environment, and compensation. Data collection is conducted through a survey using questionnaire to 352 employees consisting of 116 employees of Generation X and 236 employees of Generation Y. Data Analysis is performed using Independent Sample T-test.

The study results show a significant difference between the mean score of Generation X and Y employees. The factors that have significant difference are development opportunities, job autonomy, work environment and compensation, while Leadership does not have a significant difference between those generations. This means organization needs to focus on differentiating the employee retention strategies for Generation X and Y related to development opportunities, job autonomy, work environment and compensation.

Keywords

Generation X, Generation Y, Employee Retention, Development Opportunities, Leadership, Job Autonomy, Work Environment and Compensation.

1. Introduction

A major business crisis is occurring over many organizations and world economies related to projections about talent deficit in worldwide, especially in Indonesia. This means that it is essential to have comprehensive understanding about the strategic workforce planning and supply in the rapid changing business environment.

Korn Ferry (2019) reviewed the global talent crunch (in the perspective of Indonesia) and revealed that Indonesia is already facing a talent crisis. The skilled worker deficit would reach 1.3 million by 2020 and worsened at a rate of 11.2% annually to 3.8 million by 2030. RGF International recruitment report in 2019 also stated that 71% of employees in Asia consider the talent shortage as their biggest challenge in the hiring process.

Meanwhile, Indonesia is facing a talent crisis and high employee turnover across industry. Mercer survey showed that the voluntary attrition rate stood at 8% in 2018 and decreased at 7% in 2019 across industries in Indonesia. This is a big challenge, especially for many companies that will face talent deficit and have potential problem in tackling employee turnover in the organization. The skilled labor shortages and high turnover rate problem mean that many organizations should make human resources strategy as key priority and consider how to retain the best talents.

Based on the 2020 national population census (Official News Statistics no. 07/01/th. XXIV, dated on January 21st, 2021), Indonesia has a population of 270 million people, consisting of pre-boomer generations (1.875%), baby boomers (11.56%), generation x (21.88%), millennials (25.87%), generation z (27.94%), and post-generation Z (10.88%). By referring to the composition of the Indonesian population, the majority population with productive age

that have already worked in marketplace are generation X and millennials.

Generation differences related to various work-related have been examined by many researchers. A study led by Kowske et al. (2010) identified Millennials reported similar levels of turnover intentions compared to Boomers and Gen Xers. Meanwhile, Park and Gursoy (2012) found that Millennials were found to be a more distinct group than Boomers and Gen Xers regarding to turnover intention. In fact, this study tries to deliver more evidence on generational differences in work attitude.

It is crucial for the organization to know the generation composition and the professional characteristic of their current employees. By knowing their professional characteristics, business leaders can know employee retention strategies based on the priorities of existing employees.

XYZ University is one of the leading education institutions in Indonesia. The percentage of employee composition in XYZ University is mostly in millennials (55%), followed by Gen X (29%), generation Z (15%), and baby boomers (1%). Acknowledging most employee composition of Gen X and Millennials as well as fluctuating turnover rate in the organization for the last four years, researchers proposed evidence on generational differences in employee retention. Therefore, this research focuses on the comparison between Generation X and Generation Y on the preferred retention factors.

1.1. Research Objectives

This study aims to compare two employee generations on their preferred retention factors. The factors that used in this study are based on existing literature which are development opportunities, leadership, job autonomy, work environment, and compensation. The unit of analysis are generation X and generation Y employees in XYZ University. The results should bring the detail comparison about generation X and generation Y on the preferred retention factors.

2. Literature Review

2.1 Generation X and Y

The concept of generation has been studied by many researchers from various viewpoints. Currently, there are several employee generations in workplace. In this research, the age groups are determined based the classification by Kapoor and Solomon (2011). (Table 1)

Table 1. Age Groups

No.	Generation	Year Born
1	Baby Boomers	between 1946 and 1964
2	Generation X	between 1965 and 1980
3	Generation Y	between 1980 and 1999

Many experts predict that there will be a change in the composition of employee generation in workplace in the future. The shifting in workforce generation group indicates that organization should understand the characteristics of each age group (Harlianto and Rudi 2021). The workplace will be occupied by Generation X and Y, representing as two most generations in many organizations.

Organization should understand the characteristics of Generation X and Y. According to Calloway (2018), the characteristics of generation X and Y can be divided by their workstyles and job expectations as can be seen in Table 2.

Table 2. Workstyles and job expectations of Generation X and Y.

	Generation X	Generation Y
Work styles	<ul style="list-style-type: none"> • Have great expectations of their needs • Willing to bargain for another opportunity • Meet the appropriate autonomy • Flexible for work arrangements • Multitaskers who like independence, greatly dislike micro-managing, and technology 	<ul style="list-style-type: none"> • Have high expectations about technology-driven in workplace • Pursue continuous advice about the quality of their job • Never view their own supervisors as subject matters experts because they

	<p>savvy</p> <ul style="list-style-type: none"> • Prefer to work independently 	<p>know where to obtain the Information needed for their job</p> <ul style="list-style-type: none"> • A team player
Job Expectations	<ul style="list-style-type: none"> • Need autonomy, prospects for growth and advancement, and flexibility in working schedules. • Independent environment • Importance of being capable to take care of themselves. 	<ul style="list-style-type: none"> • Need growth and advance that provide the meaningfulness of job desired

2.2 Employee Retention Overview

When employees leave the organization, it will be costly because organization can lose their investment in the employee knowledge. Therefore, it is very critical to identify employee retention factors in the organization. There are many studies that compare the retention factors between employee generations. Mathis and Jackson (2006) identified the retention determinants consisting of organizational components, career opportunities, job design and work, rewards, and employee relationship. While Kossivi et al. (2016) discovered the employee retention factors consisting of development opportunities, compensation, work-life balance, management/leadership, work environment, social support, autonomy, training, and development. This study combines the study by Mathis and Kossivi in defining the factors of employee retention and compare the factors between generation X and Y.

2.2.1 Development Opportunities

Many studies investigate development opportunities, which affect employee retention, and compares the factors between generations. Fernandez (2009) identified that there has been no statistically significant difference among the individuals of the two generations on beliefs related to career development. Mahoney (2015) discovered that Generation X who find professional development to be critical have greater affective and normative commitment than Generation Y. According to Chumba and Gachunga (2016), career development positively influenced retention of generation Y.

2.2.2 Leadership

Leadership become an affecting factor for employees' decision factor to stay in organization. Ennis et al. (2016) identified that the indirect effect of transformational leadership on employee turnover intention for baby boomers is stronger than that for gen X and Y. According to Simmons (2016), social change implications include organizational leaders by improving employee motivation and relationships to enhance the retention rates of Millennial employees. Chumba and Gachunga (2016) discovered that management style positively influences retention of generation Y.

2.2.3 Job Autonomy

Many organizations attempt to design job autonomy for their employees, and it appears to be an important factor in employee retention. Calloway (2018) discovered that the factors that should be sustained in retention for the Gen Ys are team-based opportunities, self-managing, the work teams, and continuous feedback from colleagues and supervisors.

2.2.4 Work Environment

Work environment as a factor of employee retention has been the subject of many studies. Ertas (2015) identified that the effect size statistics suggested small but major differences between Millennial and older workers, especially in their rankings of meaningfulness of work, skill development, and support for work-life balance. According to Ertas (2015), younger employees express a sense of a higher degree of support from their managers about work-life balance than senior employees. Westerman and Yamamura (2007) identified that if the goal preference is not accomplished in the work environment, the serious impatience and significantly increased mobility of younger generation employees will demonstrate itself in higher degrees of turnover and dissatisfaction.

2.2.5 Compensation

Many studies have examined the correlation between compensation with employee retention in organization. Chumba et al. (2016) identified that remuneration impacts the retention of generation Y employees. Employee's recognition is also a major element in retention of generation Y employees. Haynes (2011) discovered that compensation is effective and interesting for younger employees.

3. Methods

3.1 Research Design

This study uses a quantitative method. There are two types of research approaches used here, namely: (1) descriptive research, describing the characteristics of the respondents and its rating scale from the survey result using mean, mean difference, standard deviation, and frequency; and (2) comparative research, comparing one or more variables on two or more different samples to investigate the difference between those samples. This study compares between Generation X and Generation Y in the preferred retention factors. The retention factors include development opportunities, leadership, job autonomy, work environment, and compensation.

3.2 Research Framework

Referring to the problem statement and literature review, the research framework is illustrated in the Figure 1.

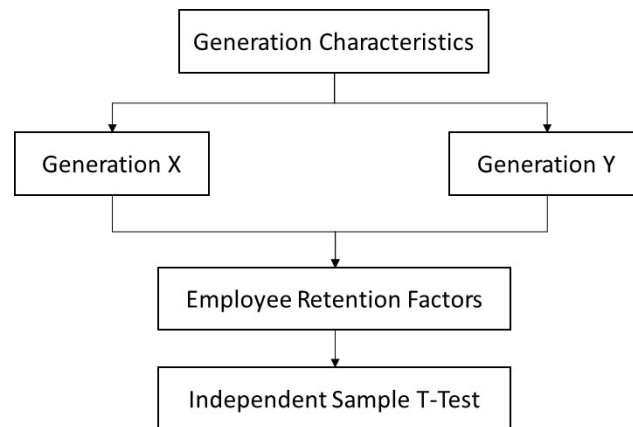


Figure 1. Research Framework

3.3 Research Hypotheses

The research hypotheses are as follows:

- H1: There is significant difference between Generation X and Y on Employee Retention
- H2: There is significant difference between Generation X and Y on Development Opportunities
- H3: There is significant difference between Generation X and Y on Leadership
- H4: There is significant difference between Generation X and Y on Job Autonomy
- H5: There is significant difference between Generation X and Y on Work Environment
- H6: There is significant difference between Generation X and Y on Compensation

3.4 Research Methodology

The statistic method uses the Independent Sample T-test to compare the means between two groups (Generation X and Y) on Employee Retention Factors, including development opportunities, leadership, job autonomy, work environment and compensation. This study is conducted in several steps, namely: (1) designing questionnaire instrument based on the research framework, (2) deciding the respondent sample, (3) conducting online survey, (4) conducting Validity and Reliability Test, (5) processing data with Independent Sample T-test using SPSS Software, and (6) interpreting and analyzing the data.

3.5 Data Collection

Data collection method in this study uses survey through questionnaire with Likert Scale (1-5). The questions are designed based on the research framework and literature review. The targeted respondents are employees from generation X and Y at XYZ University. Based on the information from Human Capital division, the employee population is 1.750 employees. Non-probability sampling method is conducted by using Slovin equation, so the targeted respondents are $n = \frac{1.750}{(1+(1.750 \times 0.05^2))} = 326$ respondents.

4. Results and Discussion

This part describes the analysis result and interpretation of the data processing. The Independent Sample T-test is used to compare the retention mean score of the Generation X and Y employees at XYZ University. The employee retention factors studied are development opportunities, leadership, job autonomy, work environment, and compensation.

4.1. Respondents' Profile

The online survey results show that there are 116 respondents of Generation X employees and 236 respondents of Generation Y employees at XYZ University. The following Table 3 shows the respondent's profile based on several characteristics:

Table 3. Respondents' Profile

Characteristics	Categories	Generation X		Generation Y	
		N	%	N	%
Gender	Male	59	50.86%	112	47.46%
	Female	57	49.14%	124	52.54%
Education	High School Equivalent	8	6.90%	11	4.66%
	Diplomas	2	1.72%	9	3.81%
	Undergraduate	49	42.24%	140	59.32%
	Master	44	37.93%	72	30.51%
	Doctoral	13	11.21%	4	1.69%
Tenure	< 1 year	5	4.31%	71	30.08%
	1 - 3 years	4	3.45%	36	15.25%
	4 - 6 years	12	10.34%	64	27.12%
	7 - 10 years	25	21.55%	31	13.14%
	> 10 years	70	60.34%	34	14.41%
Job Function	Finance	12	10.34%	20	8.47%
	Information Technology	5	4.31%	27	11.44%
	Marketing	9	7.76%	33	13.98%
	Human Resources	20	17.24%	37	15.68%
	Academic	23	19.83%	38	16.10%
	Operations and Support	47	40.52%	81	34.32%

4.2. Independent Sample T-test

Prior to proceed the Independent Sample T-test, researcher conducted a test of homogeneity with an F-test (Lavene's test) for employee retention factors between Generation X and Y.

- If the results show the same variance ($p > 0.05$), so researchers use Equal Variance Assumed.
- If the results show the same variance ($p < 0.05$), so researchers use Equal Variance not Assumed

The results of F-test (Lavene's test) and Independent Sample T-test are shown in following Tables 4 & 5.

Table 4. Group Statistics

	Generation	N	Mean	Std. Deviation	Std. Error Mean
Employee Retention	Gen X	116	3.9440	.78787	.07315
	Gen Y	236	3.3496	.95072	.06189
Development Opportunities	Gen X	116	4.3138	.57133	.05305
	Gen Y	236	4.1356	.58368	.03799
Leadership	Gen X	116	4.0791	.53999	.05014
	Gen Y	236	3.9607	.57331	.03732
Job Autonomy	Gen X	116	4.1554	.56733	.05267
	Gen Y	236	3.9974	.54993	.03580
Work Environment	Gen X	116	4.1219	.50055	.04648
	Gen Y	236	3.9547	.62250	.04052

Compensation	Gen X	116	3.9810	.58024	.05387
	Gen Y	236	3.6805	.70990	.04621

Table 5. Result of Independent T-test on Generation X and Y

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Employee Retention	Equal variances assumed	9.112	0.003	5.821	350	0.000	0.59439
	Equal variances not assumed			6.203	270.672	0.000	0.59439
Development Opportunities	Equal variances assumed	0.418	0.518	2.711	350	0.007	0.17820
	Equal variances not assumed			2.731	233.222	0.007	0.17820
Leadership	Equal variances assumed	0.602	0.438	1.856	350	0.064	0.11837
	Equal variances not assumed			1.894	241.465	0.059	0.11837
Job Autonomy	Equal variances assumed	1.844	0.175	2.508	350	0.013	0.15806
	Equal variances not assumed			2.482	222.525	0.014	0.15806
Work Environment	Equal variances assumed	6.023	0.015	2.520	350	0.012	0.16724
	Equal variances not assumed			2.712	277.755	0.007	0.16724
Compensation	Equal variances assumed	12.110	0.001	3.955	350	0.000	0.30053
	Equal variances not assumed			4.234	273.912	0.000	0.30053

4.2.1 Comparison between Generation X and Generation Y on Employee Retention

For Hypothesis 1, Equal Variance not Assumed was used. The result shows that there is a significant difference between Generation X and Generation Y on employee retention mean score (0.000, $p < 0.05$). This is consistent with Park and Gursoy (2012), showing that Gen Y employees have significantly greater intention to leave their organizations than older generations when feeling a lack of energy and problem in mental toughness at works. Ertas (2015) also found that Gen Y employees significantly show higher turnover compared with their older colleagues.

4.2.2 Comparison between Generation X and Generation Y on Development Opportunities

For Hypothesis 2, Equal Variance Assumed was used. The result shows that there is a significant difference between generation X and Y on development opportunities mean score (0.007, $p < 0.05$). This is in line with Mahoney (2015), stating that Generation X workers who discovered professional development to be crucial had greater affective and normative commitment than millennial workers. Chumba and Gachunga (2016) also found that career development positively influenced retention of generation Y workers.

4.2.3 Comparison between Generation X and Generation Y on Leadership

For Hypothesis 3, Equal Variance Assumed was used. The result shows that there is no significant difference between generation X and Y on leadership mean score (0.064, $p > 0.05$). This is not in line with Simmons (2016), stating that leaders increase retention rates of Gen Y employees by improving employee motivation and enhancing interactions.

4.2.4 Comparison between Generation X and Generation Y on Job Autonomy

For Hypothesis 4, Equal Variance Assumed was used. The result shows that there is a significant difference between

generation X and Y on development opportunities mean score (0.013, $p < 0.05$). There is no previous research which shows that there is difference between Generation X and Y on Job Autonomy.

4.2.5 Comparison between Generation X and Generation Y on Work Environment

For Hypothesis 5, Equal Variance Not Assumed was used. The result shows that there is a significant difference between generation X and Y on work environment mean score (0.007, $p < 0.05$). This result is in line with Ertas (2015), showing that the importance of work, skill development, and support for work-life balance has small but significant differences between Gen Y and older employees.

4.2.6 Comparison between Generation X and Generation Y on Compensation

For Hypothesis 6, Equal Variance Not Assumed was used. The result shows that there is a significant difference between generation X and Y on compensation mean score (0.000, $p < 0.05$). This is consistent with the research result by Chumba and Gachunga (2016), showing that remuneration influences the retention of Millennial employees. Haynes (2011) also found that compensation is effective younger workers and attract them.

5. Conclusions and Future Research

- There is a significant difference between employee retention mean score between Generation X and Y employees.
- Employee retention factors that have significant difference are development opportunities, job autonomy, work environment and compensation, while leadership does not have a significant difference between those generations.
- The lowest mean score difference for employee retention factor is compensation for both Generation X and Y. This means the expectation of both generations has not been full filled by the organization.
- Both Generation X and Y have intention to leave the job in the near future, but Generation Y tends to have less intention to stay in the organization.
- Since leadership does not have a significant difference between Generation X and Y, therefore future research should attempt to analyze further about leadership effect as retention factor between those generations.

6. Recommendations

- Organization needs to focus on differentiating the employee retention strategies for Generation X and Y related to development opportunities, job autonomy, work environment, and compensation.
- The leadership approach in the organization will give the same impact between Generation X and Y. Thus, there is no need to have different strategy related to leadership.
- Organization needs to address the fulfillment of compensation expectation for Generation X and Y. Thus, it needs to evaluate the compensation policy.

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