

# Attractiveness of Cafeteria Systems as Viewed by Generation Z

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**Abstract**—Contemporary conditions force companies to constantly implement changes and improvements, which is connected with plasticization of their activity in all spheres. Cafeteria systems are a good example of flexible remuneration systems. Cafeteria systems are well-known and often used in the United States, Great Britain and in Western Europe. In Poland, they are hardly ever used and greater flexibility in remuneration packages refers mainly to senior managers and executives. The main aim of this article is to research the attractiveness of the cafeteria system as viewed by generation Z. The additional aim of the article is to prioritize using the importance index of particular types of cafeteria systems from the generation Z's perspective, as well as to identify the factors which determine the development of cafeteria systems in Poland. The research was conducted in June 2015 among 185 young employees (generation Z). The paper presents some of the results.

**Keywords**—Cafeteria, generation X, generation Y, generation Z, flexible remuneration systems, plasticization of remuneration.

## I. INTRODUCTION

**P**RESENT companies are forced to look for new competitive advantages because of globalization and constantly growing competition. Remuneration is an extremely important tool used in reaching current and long-term objectives and increasing company's competitiveness [1], [2]. Cafeteria systems are good examples of remuneration which, when used properly, can contribute to the success of every enterprise.

Flexible salary systems have become a kind of response to constant changes in economy and the necessity to function in dynamically changing enterprises. They constitute a sphere which is a source of untapped opportunities for Polish enterprises in the process of building their uniqueness. They can be expressed in e.g. the individualization of remuneration packages, when the employees themselves actively participate in the creation of their own salaries (cafeteria), and they meet the needs of both sides of the employment relationship - the employee as well as the organization.

In the United States [3], in Great Britain or Western Europe, cafeteria systems are well-known and often used. In Poland, they are hardly ever used and greater flexibility in remuneration packages refers mainly to top managers and executives [4], [5].

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## II. CAFETERIA SYSTEMS AS A FLEXIBLE FORM OF SALARY

The concept of remuneration is ambiguous and could mean e.g. salary (in a narrow sense), or both financial and non-financial incentives (in a broad sense). Increasing flexibility is a tool to motivate employees through salaries. Flexible remuneration in its narrow sense, means adjusting its level to changes in the level accepted as criteria for them being set up. Variability can mean an upward or downward change in the level of wages [6], [7].

In a broad sense, flexible remuneration refers to the system. It represents an increase of flexibility in adapting to change micro- and macro-environmental conditions, that is possible during mitigating or reducing law regulations (e.g. decreasing rate of employees who are covered by collective labour agreement). It involves also a greater flexibility in creating a structure of packages and each component of this remuneration system. There are different flexible remuneration concepts: Wages for the effects, payment-by-achievement, payment for skills/competencies, payment based on market research and cafeteria systems [5].

The idea of flexible remuneration systems refers to both benefits for employees and non-financial incentives obtained as part of the cafeteria. In literature cafeteria is equivalent to flexible benefits system [7], [8]. This way of understanding the essence of flexible salary systems seems too narrow, as it refers only to one manifestation of flexible payment systems.

American literature often mentions the concept of flexible payroll which is defined as a form of cafeteria which allows employees to be responsible for some health and care services in the form of tax advances being drawn from salary for this purpose [9].

Cafeteria remuneration has developed mainly in the US, where the salaries are relatively high. The set value is predetermined. Its aim is to meet the needs and wants of individuals. It gives them the opportunity to select the elements which are the most desired by the employees. All of the abovementioned components give the system a participatory dimension. The choice and application of non-financial rewards is determined mainly by cultural factors, both connected with company's and society's culture. Thus, cafeteria is a flexible system, where the employees are actively involved in creating their own remuneration package. The basic difference between cafeteria and remuneration package is that the former is chosen by the employee at his discretion, and the latter is imposed. The access to each particular element of cafeteria should be well-known, fully accepted and presented in a clear and understandable way to each employee. However, leaving the choice to the employee

does not entail complete freedom, as it should be emphasized that it is the employer who decides what privileges and of what value are to be presented to the employee. It is necessary to update all remuneration factors e.g. every year. Their proportion in total package can also be changed. The procedure of using the service consists in free creation of menu of attractive benefits, where the specific offer, expressed in the terms of money or points form is at the employee's disposal.

The possibility of choosing the benefits is a perfect solution in cases connected with fitting the benefits to personal needs, especially in those enterprises that provide employment to significantly demographically-diverse profile of employees. Enterprises highly interested in implementing this kind of remuneration are: innovative, rapidly growing, showing respect to employees and allowing them a lot of leeway and treating them as individuals.

In Poland, there are only few enterprises or selected professional groups where cafeteria systems are effective. First of all, they include companies which meet the basic needs, such as financial security. Thus, the priority managerial task is to identify the target group – mostly managers and top management which can take advantage of the cafeteria system.

### III. THE DIFFERENCES IN MOTIVATION AND REMUNERATION SYSTEMS FOR GENERATION X, Y, Z

In the subject literature, we can encounter a division of generations into the following categories: traditionalists (born

between 1925-1945), Baby Boomers (born between 1946 – 1964), generation X (born between 1965–1980), generation Y (born after 1980) and Z generation (born after 1995) [10], [12].

One of the challenges faced by modern managers from generation X is an effective management of generation Y, i.e. employees who are under 30. The differences between generation X and Y in understanding norms and values or in the perception of the world are significant, that is why the process of motivating and rewarding should be completely different [12], [13].

Generation X was born before 1980 and is represented by thirty-year-olds for whom work has been most important. Their education had place within the traditional framework of teaching, with blackboards, white chalk, the traditional piano as well as paper manuals whereas people born in the middle and at the end of the 80s, „Ys”, do not live to work but work to live. They are young people brought up in the world of new technologies, for whom there is no life without computers, smart phones and the Internet. For generation Y, such things as, among others, flexible working hours, results-related remunerations, and chances of promotion are important. They do not use libraries, paper newspapers or writing by hand. On the other hand, they use keyboards and the Net very efficiently, where they can find answers to all their questions (Table I) [11].

TABLE I  
GENERATION DIFFERENCES [12]

<b>Traditionalists (1925-45)</b>	<b>Baby Boomers (1946-64)</b>	<b>Generation X (1965-80)</b>	<b>Generation Y<sup>1</sup> (1981-99)</b>	<b>Generation Z<sup>2</sup> (1995-ongoing)</b>
<i>Priorities:</i> loyalty, focusing on history, anxiousness	<i>Priorities:</i> optimism, a hierarchy of values and life strategy, stabilization	<i>Priorities:</i> carefulness, interest in innovation, but based on quantitative data	<i>Priorities:</i> life around media and flash, participation in experiments, life-long learning, relative closeness of peers	<i>Priorities:</i> being global, social, visual, and technological. The employer should provide them sufficient visual and acoustical privacy through physical separation or enclosure. They require special space to work: equipped with appropriate technology and communication support tools, with
<b>Traditionalists (1925-45)</b> At work: worship of heritage, resistance to changes, a method „through trial and error”, unnecessary communications, pension claim	<b>Baby Boomers (1946-64)</b> At work: interest of development and career, money as a value, need of recognition and prestige (function, post, own office), resistance to changes at work = a loss of own position, difficulties in pulling together in turbulent environment, occasional communications, development – only when influences on promotion or salary rise, well-deserved pension	<b>Generation X (1965-80)</b> At work: change-orientated, changeable career (every few years), award for progress at work means „freedom” in decision-making and management, being always on the go, relax when retired, need of regular communications (different forms), self-development (courses) as a source of career planning	<b>Generation Y (1981-99)</b> At work: a few tasks made simultaneously (a few careers) choice of work, that is only interesting and in accordance with interests. Work is not the most important as being in different projects/tasks. Requirement of feedback and constant learning, lack of retirement plan.	<b>Generation Z (1995-ongoing)</b> Wi-Fi, convenient access to electricity, video, fixed and mobile whiteboards, monitor arms and trackable surfaces. The space should reflect the personality, image and brand of the organisation. <i>At work:</i> they are the most connected, educated and sophisticated generation ever. In general, they are characterized by: - appreciation for order, structure - strong work ethic, - value sense of predictability - in their lives. <i>Work behaviors:</i> - may value practical career choices, - less developed face-to-face social and conflict resolution skills, - leaders with online collaboration, - susceptible to distractions. They will favor a “legible” planning layout with clear circulation, visual access and obvious intent of space. They also need space for mentoring, heads down focus work and blended online or face-to-face collaboration.

<sup>1</sup> Generation Y has many names: Millennials, Generation Next, Generation Why?, iPod Generation.

<sup>2</sup> Generation Z has many names: Post-Millennials, the iGeneration, Founders, Plurals, Homeland Generation.

Apart from generations mentioned above, we need to remember about the group of employees who has just come to the market— Generation Z (born after 1995). Nowadays, information regarding Generation Z in professional literature seems to be quite scarce and the dominating widely available sources are blogs on the Internet [14], [15], but it is necessary to focus on them right now – because they become conscious workers with certain motivation’s requirements from their employers. The generation Z is often seen as lazy employees who are not interested in any precise activities, physical and mental effort – they do not create anything new, do not protest and do not have any opinion. The characteristic phenomenon for generation Z is so-called slacktivism (slacker plus activism). They are passive in all activities, often limited to clicking the like button on Facebook. They are not interested in the world and other people, and spend their free time only with friends. Mobile and computer are their communication tools, so they feel “blind” without online connection. Not understanding their attitude and way of thinking by future employers can cause conflicts and clashes in a team.

Representatives of generation X mostly choose remuneration for individuals as contribution – related pay, competence related pay or skill based pay.

For Y managers, the most important in pay is both for individuals and contingent pay for teams, but the most interesting is competence related pay, skill based pay and achievement-based pay. Y managers focus on the idea of work-life balance; therefore, they prefer such benefits like gym membership cards, group health insurance etc. – factors which play the leading role when selecting an employer. So, we can say that cafeteria systems are a vital issue for Ys.

The generation Z represents a generation of only children, individuals, who have problems with team work. They constitute a group of most individualistic experts. The freedom is a significant value for them, fun at work, willingness to change here and now. They are more mobile than Ys and expect flexibility from the employer, including such aspects as place, time, and form of work, as well as form of remuneration. They are the up-ages with influence beyond the years. Their family is their secure base. What is more, at work they are early adopters, the brand influencers, the social media drivers and the pop-culture leaders. During studying, they have planned to be pioneers, not merely settlers in a career. Additionally, approximately 72% of them have already thought about starting their own business in high schools. It is expected that generation Z will take multi-tasking to a brand new level. Challenges are what they love the most. Their attitude can be summarized by the phrase “they don’t represent the future, they create it.” Only implementation of a cooperation model between employer and generation Z with precisely established remuneration system, can be a solution to an effective and successful team work. To sum up, they should be motivated by benefits that influence work-life-balance and allow them achieve goals in diverse teams [12]. The next important tool is matching the proper flexible system to the needs and wants of generation Z.

#### IV. CAFETERIA SYSTEMS IN ENTERPRISES IN POLAND – EMPIRICAL RESULTS

In Poland, cafeteria systems are practiced rarely and they are treated as flexible benefits, not as systemic solutions. A study conducted on a sample of 2000 enterprises in Poland has shown that 25.4% of companies implemented cafeteria systems [5]. Cafeteria systems including non-financial benefits are the most popular among those companies which introduced a possibility of individually selecting the benefits (Table II).

They are mostly used by top managers and managers (32,2%), rarely by low managers and experts (19,5%). The new form of cafeteria is the one which includes leisure time and health (15.2%). Among top managers and managers, less than 5% of respondents use cafeteria which includes leisure time (Table II). Cafeteria systems, including material benefits are applied mostly by top management. High-level managers and average managers receive mostly cafeteria which includes health and leisure time.

TABLE II  
 CAFETERIA SYSTEMS IMPLEMENTED IN LEADING POLISH ENTERPRISES [5]

Forms of Cafeteria	Top Managers	Managers and Experts	Office Workers	The Rest
	% of responses			
Cafeteria systems, including non-financial benefits (car, mobile phone etc.)	23.2	13.0	3.8	1.6
Cafeteria systems including medical insurance and leisure benefits	4.9	2,7	3.8	3.8
Cafeteria systems, including financial benefits	3.8	3,8	2.2	1.6
Cafeteria systems are not applied	61.1			
No response	13.5			

The results of research prove both greater participation and more extensive salary menu for managers than for the remaining groups of employees. HR managers with top managers try to make the cafeteria and flexible benefits more and more attractive, but they still give small choices of salary packages. These systems are hardly ever implemented, and if they are used, they are limited to the possibility of individual choice of benefits in kind.

#### V. CAFETERIA AS AN ALTERNATIVE TO REMUNERATION OF GENERATION Z: EMPIRICAL RESULTS

##### *Methodology of the Research*

The main aim of the research, whose results are presented in the present article, was to carry out an evaluation of attractiveness of the cafeteria systems as seen by generation Z.

The following detailed aims were set:

- evaluation of flexible benefit attractiveness,
- defining the determinants of cafeteria systems implementation in Polish companies.

The research was conducted in June 2015 at 3 Economics Universities in Toru , Bydgoszcz and Gda sk. The research was conducted among 185 extramural students who are

employed, and born after 1995. The paper presents only a part of the results.

The respondents were asked to prioritize selected cafeteria systems following the rule: 0 - unimportant factor, 1 - important but not crucial factor, 2 - a crucial factor. In order to hierarchize them, an importance index was used.

### Empirical Results

According to the respondents, the cafeteria system which includes work-life-balance elements constitutes the type of cafeteria with biggest meaning (importance index 0.46). Next place in the hierarchy is taken by the cafeteria systems which include financial benefits (car, mobile phone etc.) (0.36), as well as cafeteria which includes health systems (gym, pool, spa weekends) (0.31). Cafeteria systems which include non-financial benefits were considered as the least important (importance index 0.15) (Fig. 1).

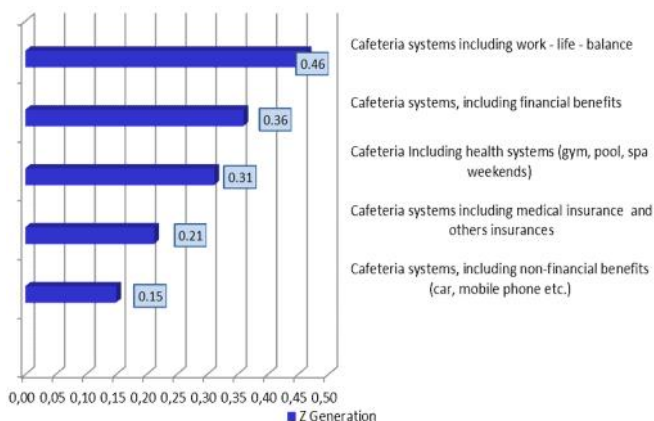


Fig. 1 Attractiveness of cafeteria systems as viewed by generation Z (importance index)

Generation Z focuses especially on work-life-balance, which is the result of the fact that the respondents are represented by young people who appreciate their free time among their friends, pursue their passions and follow their hobbies etc. Moreover, cafeteria systems which include financial benefits have a crucial meaning, because generation Z is at the start of their career, that is why it needs financial resources for the implementation of its passions. Finances are not the aim on their own but they are the tool to maintain "the balance". It is newsworthy that the traditional benefits such as a car, a mobile phone, notebooks etc. have no impact on the generation Z. It may be the result of the fact that young people are "eco - friendly" nowadays and for them it is fashionable to ride a bicycle or other environmentally friendly means of transport instead of driving a car. Nowadays, cell phones and laptops are no more luxury goods. They are common goods which are not a motivator especially for generation Z.

The respondents were asked to identify the determining factors of cafeteria systems implementation and to prioritize them following the rule: 0-unimportant factor, 1-important but not crucial factor, 2- a crucial factor. In order to hierarchize them, an importance index was used.

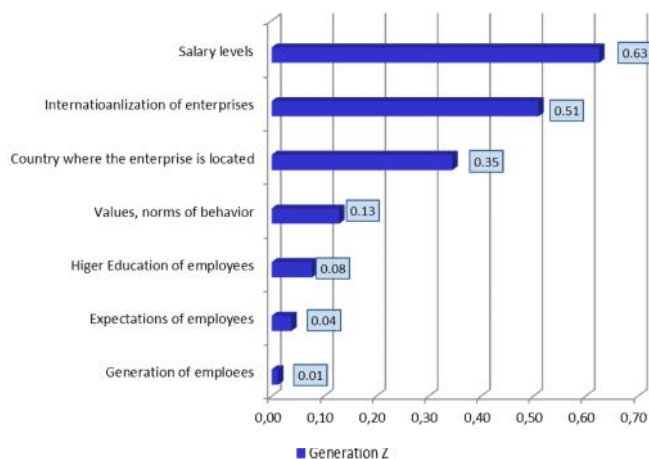


Fig. 2 Factors determining the implementation of cafeteria systems as viewed by generation Z (importance index)

According to our research, the most vital factors which determine the cafeteria systems in an enterprise are salary levels (importance index 0.63) and internationalization of enterprises (importance index 0.51), as well as country where the enterprises is located. The least important, according to the respondents, is the generation (importance index 0.01) (Fig. 2).

### VI. CONCLUSION

In terms of increasing competitiveness, especially in the high skilled labour potential, making the salary systems more flexible is a necessity. Cultivating traditional customs in that matter can lead to being left with a single option of employing people who were rejected by international companies.

Nonetheless, flexible remuneration systems have many negative consequences as well. Salary inequalities, that are a result of making salary more flexible, can give a rise to uncertainty, conflicts, disturb order in human relations, breed reluctance to some groups of employees (low-skilled or peripheral workers).

Cafeteria, which seems to be a very attractive tool, especially for generation Z, can also be a risk for traditional salary because the possibility of selection can increase the subjective value of labour. This matter becomes more interesting in conditions of relatively high salary, where the fund of easily decision is high. Its implementation is impossible without good valuation of the individual components of the menu, clear and systematic communications between employer and employee and high skills in management of own, sophisticated portfolio.

Generation Z is optimistic about flexible remuneration systems as represented by cafeteria system. What is more, it is seen as a chance to make the motivation systems more attractive. Cafeteria system which includes work-life-balance and cafeteria systems which include financial benefit are both the types of cafeterias which are most important for Generation Z. What is more, not only the type of cafeteria systems is important, but also the possibility of choosing these benefits.

The development of flexible remuneration systems, including cafeteria systems seems to be unavoidable. Looking for the best competitive edges and cost savings in times of growing salaries will undoubtedly force such solutions.

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