Experiencing different generations in the hospitality workplace

An exploratory study into generational differences in the content of the psychological contract for workers in the hospitality industry

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ABSTRACT

High levels of turnover remain a challenge for the hospitality industry. Earlier research links turnover problems to psychological contract breach, and popular literature on generations suggests a new generation of workers is likely to further aggravate problems with turnover. This study explores generational differences in the content of the psychological contract in the hope to uncover factors that will keep this new generation of workers in the workplace. Results suggest that most stereotypes in the media should be treated with caution. The only differences found between generations included development opportunities and job content which were rated more important by Generation Y than previous generations.

Key words: psychological contract, generations, generational differences, hospitality industry, turnover
Introduction

A new generation of workers, often referred to as Generation Y, has been entering the hospitality industry for a few years now. More than a few employers are complaining about how self-centered, and uninvolved and uncommitted they are, with little interest beyond themselves (Martin & Tulgan, 2001; Van Spronsen et al, 2006; Twenge, 2007; Lancaster & Stillman, 2005). On the other hand, new entrants are reporting dissatisfaction with their first work experiences as they enter (Lub et al, 2001; Blomme, 2006; Blomme, Tromp, van Rheede, 2008) and they are voting with their feet (van Spronsen et al, 2006; Reijnders, 2003). Several studies found that the image of the industry as an employer is poor (Lub et al, 2003; Lub & Breuker, 2008) and the hospitality industry indeed has a poor reputation as a source for permanent employment, offering low pay, anti-social working hours, menial work and limited career opportunities (Barron, 2008; Walsh & Taylor, 2007; Kusluvan & Kusluvan, 2000; Baum, 2002; Lub et al, 2001; Wood, 1995). Even though these conditions are well-known dissatisfiers for hospitality workers, this is probably not the full story. Weaver’s findings (2007) indicate that people are often not very honest about their reasons for leaving, and his research suggested that bad management is often a reason for leaving.

With current demographic trends in the Western world creating a hot demand for new workers, the labour market is showing a power shift to employees (KPMG, 2007). In other words, employees get to choose what job they want to be in. Turnover levels are on the rise (Van Spronsen et al, 2006; Walsh & Taylor, 2007; Reijnders, 2003) and hospitality staff are increasingly leaving the industry for jobs in industries with better working conditions (Lub et al., 2001, Blomme, Tromp, van Rheede, 2008; Blomme, 2009b). This warrants research to better understand expectations of a new generation of workers entering the industry. What are their expectations? In what way are they different from previous generations of workers? Generation Y has been widely discussed and stereotyped in the popular media (Tulgan, 2003; Eisner, 2005; Howe & Strauss, 2007; Raines, 2003; Bontekoning, 2007; Lancaster & Stillman, 2005). With more Generation Y employees entering we may see a shift in our way of working as they reach a critical mass in the workplace (Tulgan, 2003). Surprisingly little academic research has however been done into generational differences in the workplace and even fewer studies focus specifically on the hospitality industry. The industry would benefit from a review of this issue: The hospitality industry will have to do their utmost to retain the talent and keep the industry alive (Barron, 2008).

Literature

As mentioned above, turnover is a problem for the hospitality industry. High turnover has a negative impact on the productivity and profits of an organization. Hinkin and Tracey (2000) and Hillmer, Hillmer, and McRoberts (2005) suggest that the costs of dealing with an employee who is leaving, by hiring and supervising a new replacement employee may cost as much as 70 percent of a year’s salary. Additionally, high turnover rates may lead to the destruction of the company’s implicit knowledge base (Coff, 1997), which is one of the key variables of the company’s knowledge base (Blomme, 2009a; Lado & Wilson, 1994). Therefore, research into antecedents of this turnover is warranted.
The understanding of staff turnover in relation to the employer–employee relationship is approached by many academics from the perspective of the psychological contract (Ten Brink, 2004; Shore & Coyle-Shapiro, 2003; Tekleab & Taylor, 2003; Rousseau, 1989). The psychological contract has been defined in many different ways (Conway & Briner, 2005), but some aspects have remained fairly constant from the definition of Rousseau (1989:123): “The term psychological contract refers to an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set reciprocal obligations.” The definition includes a contract between two parties and suggests measurement at the level of an individual’s beliefs. Whilst there is some debate as to including the organisation’s beliefs regarding the obligations (Conway & Briner, 2005), most research focuses on the employees’ beliefs regarding the organisation’s obligations. As the organization is an abstract entity, it would be very hard to ascribe individual beliefs to it. Persons representing the organisation could have beliefs regarding the obligations, but most employees do not perceive one person as ‘the organisation’ but rather ascribe the organisation with human qualities capable of reciprocation (Rousseau, 1989). Lacking to fulfill aspects of the psychological contract will lead to violation of the contract (also referred to as psychological contract breach), resulting in resentment and a sense of injustice of the employee (Conway & Briner, 2005; Rousseau, 1989). Robinson and Rousseau (1994) also found that violation of the psychological contract may lead to an increase in employee turnover.

Many authors have described a change in the content of the psychological contract over the last few decades, mainly relating it to changes in society and industries (De Meuse & Tornow, 1990; Schalk, 2005; Ten Brink, 2004). Before the 1980’s, most experienced a stable relationship with their employers, whereby job security and promotion were offered in return for hard work and loyalty. Since then, organisations have had to deal with increasingly changing environments and competition. As a result, job security and stability were exchanged for development opportunities and employability (Herriot & Pemberton, 1996; Hiltrop, 1996). This has drastically changed the dynamics of the employer–employee relationship. Others have suggested age to be a moderating variable for outcomes of the psychological contract (Freese & Schalk, 1995; Bal, 2009).

In this study we explore differences between generations in content of the psychological contract. Van Dijk (1997) covers a broad set of frequently–used elements of the psychological contract in his questionnaire. He distinguishes the following eleven variables in the psychological contract: job content, development opportunities, job security, atmosphere, intra-organizational mobility, work–family balance, autonomy, salary, performance–related pay, clarity about the task and promotion opportunities.

Although popular publications on generational differences in the workplace never seem to refer to the concept of psychological contract, many authors use terminology related to dimensions of the psychological contract to clarify differences between generations. First, however, how can we define a generation? A generation can be defined as “a group of people or cohorts who share birth years and experiences as they move through time together, influencing and being influenced by a variety of critical factors” (Kuppersschmidt, 2000; Howe & Strauss, 1991,
Mannheim (1972) posits that specifically experiences in one’s formative phase (age 17–25) determine one’s values and behaviour. Mannheim (1972) also suggests that the more critical life events take place, or the more dynamic the environment in which a generation grows up, the greater the differences will be between generations. In dynamic environments older generations are suggested to have more difficulty adapting to these changes, whilst new generations, in their formative phase would adapt to changes much easier.

The existence of the phenomenon of generations has been a topic of hot debate in social sciences. Core issues for opponents lie with the interdependence between age or life-stage effects and generational effects, as well as tenure or experience that could offer an alternative explanation for generational effects (Giancola 2006; De Meuse et al, 2001; Macky, Gardner & Forsyth, 2008). Essential to the concept of psychological contract is the ongoing nature of it (Conway & Briner, 2005), thus suggesting that people’s expectations alter as they grow older and more experienced. Howe and Strauss (1991, 2007) do agree that people’s values and expectations change as they move into a new stage in life, but also suggest that each generation does so in their very own way, which supports Mannheim’s hypothesis that values of a generation are set during the formative phase. Kupperschmidt (2000) also claims that generations have “relatively enduring values” and that they develop generational characteristics within their cohort, even though individual generations obviously exist.

In today’s workplace a distinction is often made between four generations, generally known as Traditionalists (born <1945), Baby Boomers (born 1945–1964), Generation X (born 1965–1980) and Generation Y (born after 1980) (Eisner, 2005). For the purpose of this article the focus will be on the last three generations, namely the Baby Boomers, Generation X and Generation Y as these form the vast majority of the workforce in the hospitality industry. Although some variation exists on the exact naming of these generations and the classified start and end dates of each of these generations, there is a general descriptive consensus among academics and practitioners regarding these generations (Eisner, 2005; Martin & Tulgan, 2001; Raines, 2003).

Table 1

<table>
<thead>
<tr>
<th>Generation (years after Eisner, 2005)</th>
<th>Formative experience</th>
<th>General values/qualities</th>
<th>Work values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Boomers 1945–1964</td>
<td>Post-war prosperity</td>
<td>Loyal, tolerant, creative, self-absorbed, optimistic, want it all, idealistic</td>
<td>Workaholic, innovative, advancement, materialism</td>
</tr>
<tr>
<td></td>
<td>Largest generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Anything is possible, prosperity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation X 1965–1980</td>
<td>Globalization, economic crisis, latchkey kids, divorces, downsizing</td>
<td>Sceptical, individualistic, less loyal, entrepreneurial, flexible</td>
<td>Materialism, balance, self-supporting, work-life balance, fun, want constant</td>
</tr>
</tbody>
</table>
Baby Boomers (born 1945–1964)

Baby Boomers are currently the largest generation in the workforce, although they will be overtaken by Generation Y over the next ten years. The current literature (Smola and Sutton, 2002; Eisner, 2005, Lancaster & Stillman, 2005; Kupperschmidt, 2000) suggests that Baby Boomer employees value job security and a stable work environment. Other descriptions of this generation include loyalty to an organisation, idealism and ambition. They are also suggested to be focused on consensus building and mentoring. Lastly, they are suggested to be very sensitive to status (Kupperschmidt, 2000).

Generation X (born 1965–1980)

People belonging to Generation X are generally characterised as cynical, pessimistic and individualist (Smola and Sutton, 2002, Kupperschmidt, 2000). They are also considered to be entrepreneurial, comfortable with change, and less loyal to an organisation. Instead, they are viewed as independent and, as a result of an economic crisis in their formative years, more likely to leave a job in search of more challenging options, higher salaries. They are said to have a lack of respect for authority (Howe and Strauss, 2007) and a strong focus on, and difficulties dealing with, work–life balance.

Generation Y (born >1980)

This generation is described as being very comfortable with change and less attached to job security (Tulgan, 2003, Eisner, 2005). Generation Y is further typified as valuing skill development and enjoying challenging work. Comparable to Baby Boomers, they are also considered to be optimistic, driven, goal oriented and demanding of the work environment (Boschma and Groen, 2007; Smola and Sutton, 2002). Also, they are viewed as enjoying collective action.

Another question arises; do hospitality employees look for different things in their jobs than those in other industries? Although this question is not the focal point of this study, an attempt will be made to describe content of the psychological contract for hospitality employees. Walsh and Taylor (2007) did a study in which they approached alumni and asked them what “they
wanted from their jobs”. Respondents’ answers included: growth opportunities, challenging jobs, learning opportunities, (financial) compensation, work–life balance, personal satisfaction, respect and joy. Another study, by Chen and Choi (2008) focused on generational differences in work values for hospitality in the hospitality industry and also looked at what work values were most important to hospitality managers. Using a ranking method, they identified comfort and security, professional growth, personal growth and work environment as the four most important value dimensions for hospitality managers. Out of these four, dimensions of personal growth and work environment also scored significantly differences when measuring between generations.

**Purpose of the study**

As mentioned earlier in the article, surprisingly little research was done connecting generational differences to the construct of psychological contract. This study thus serves an exploratory purpose first and foremost. Shortly stated, the purpose of the study is to examine differences between generations in the way they perceive their psychological contract with their hospitality organisation. In detail, the study aims to:

- Measure differences between generations in their perceived employer obligations
- Provide a better understanding of the perceived employer obligations of hospitality workers
- Suggest possible strategies to deal with these expectations and potential differences

Given the descriptions found in the review, and reflections of those in psychological contract dimensions, a few tentative hypotheses can be drawn up:

- **H1a**: Baby Boomers value job security more than other generations
- **H1b**: Baby Boomers adhere more value to status than other generations
- **H2a**: Generation X value autonomy higher than other generations do
- **H2b**: Generation X value work–family balance higher than other generations, or at least higher than Baby Boomers
- **H3a**: Generation Y value job content higher than other generations
- **H3b**: Generation Y value personal development higher than other generations

**Method**

Data was collected from employees from an international hotel chain. Over a period of four weeks from December 2008–January 2009, interviewers visited a total of 6 hotels in the economy and luxury segment to hand out questionnaires. With consent of the General Managers, staff was asked to participate and given time to fill in the questionnaire during work hours, in the presence of a research assistant in a private area of the hotel. All data was collected anonymously.

The instrument is a questionnaire based on a validated questionnaire by Ten Brink (2004) who in turn based her questionnaire on Van Dijk (1997). The first section contains general questions and asks the respondent to provide information on age, gender, job level (operational, middle management, top management), and number of years with the organisation. The second section contains questions on the psychological contract and more specifically on perceived
employer obligations. Variables include job content (3 items), development opportunities (5 items), job security (1 item), atmosphere (7 items), intra-organizational mobility (3 items), work-family balance (3 items), autonomy (3 items), salary (3 items), task description (3 items) and promotion opportunities.

Participants were asked to answer questions using a 5-point Likert Scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The reliability of the scales was tested by means of Cronbach’s alpha. Data was analyzed using Statistical Package for the Social Science (SPSS for Windows, versions 15.0 and 17.0).

Findings

A sample of 181 valid responses was collected from the six hotels, representing a 72% response rate from the intended sample. Forty-five percent of all respondents are male, fifty-five was female. The ages of the respondent ranged from 17–59 (M=36.1; SD=12.1). Respondents were evenly distributed over the three Generations (Gen Y thirty-four percent, Gen X thirty-two percent, Baby Boomers thirty-four percent). The majority of the sample worked at an operational level (69%) and middle management (30%) with only two General Manager participating (1%). Cumulatively speaking, twenty-five percent of the respondents had been with the organisation 1 year or less, thirty-five percent two years or less, fifty-five percent five years or less. The remaining forty-five percent had worked with the organisation between five and thirty-three years (M=8.0; SD=8.7)

<table>
<thead>
<tr>
<th>Sample N=181</th>
<th>N per hotel</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel 1</td>
<td>34</td>
<td>21</td>
<td>22</td>
<td>21</td>
<td>48</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Hotel 2</td>
<td>34%</td>
<td>Gen Y</td>
<td>Gen X</td>
<td>Baby-Boomers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel 3</td>
<td>32%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel 4</td>
<td>34%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel 5</td>
<td>32%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel 6</td>
<td>34%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation (%)</td>
<td>Age</td>
<td>36.1</td>
<td>12.1</td>
<td>17–59</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years with the organisation</td>
<td>8.0</td>
<td>8.7</td>
<td>0–33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job level (%)</td>
<td>Operational</td>
<td>Middle mgt</td>
<td>Top mgt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>69%</td>
<td>30%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Three of the hotels were located in the greater area of Amsterdam and the other three were located in smaller cities in the eastern part of the country. No significant differences were found between the hotels, not on generic data, or on psychological contract dimensions. This would suggest that hotel type or location does not form an intervening variable when testing for generations against psychological contract dimensions. The data was also controlled for gender
as an intervening variable; no significant differences were found between males and females on psychological contract dimensions. Also, no effect was found for job level.

For the second section on employer obligations/psychological contract a Principal Component Analysis was performed to explore the underlying dimensions (variables). The correlation matrix was first examined, followed by the Kaiser–Meyer–Olkin measuring of sample adequacy (0.843) and Bartlett’s test for sphericity (sig. <0.01). All three procedures support the use of factor analysis. Correlation matrices confirm the initial dimensions of the validated questionnaire. Then, a Cronbach’s alpha reliability test was run for all variables and different generations. The reliability of the scales (variables) are deemed “acceptable” to “good”, ranging from 0.69 to 0.89.

Mean scores reveal that dimensions of job security, job content, autonomy, work atmosphere and development opportunities were rated most important by hospitality workers, although it should be noted that differences in scores were rather small. This result is in line with results of Walsh and Taylor (2007) and Chen and Choy (2008) who measured different but related constructs. Only Job Security topping out as most important can be considered a discrepancy with these studies. This could however be attributed to the period of data-collection that took place as hotels were experiencing very low occupancy rates as a result of a worldwide recession and were laying off staff to reduce costs. Interesting in these findings is the relatively low rating of variables such as salary or work–family balance. Earlier studies looking at the industry’s employer image suggested these variables as reasons for leaving, yet in these results they are not considered top priority. In Table 3 you will find the rankings for all the different variables.

<table>
<thead>
<tr>
<th>Variable/dimension</th>
<th>Mean score</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Security</td>
<td>4.23</td>
<td>.71</td>
</tr>
<tr>
<td>Job Content</td>
<td>4.19</td>
<td>.51</td>
</tr>
<tr>
<td>Autonomy</td>
<td>4.14</td>
<td>.51</td>
</tr>
<tr>
<td>Work Atmosphere</td>
<td>4.13</td>
<td>.47</td>
</tr>
<tr>
<td>Development Opportunities</td>
<td>4.10</td>
<td>.51</td>
</tr>
<tr>
<td>Salary</td>
<td>3.99</td>
<td>.61</td>
</tr>
<tr>
<td>Clear Task Description</td>
<td>3.94</td>
<td>.58</td>
</tr>
<tr>
<td>Performance Pay</td>
<td>3.80</td>
<td>.87</td>
</tr>
<tr>
<td>Intra-organisational mobility</td>
<td>3.88</td>
<td>.65</td>
</tr>
<tr>
<td>Work–family balance</td>
<td>3.82</td>
<td>.78</td>
</tr>
</tbody>
</table>

Table 3: Ratings of dimensions of the psychological contract by hospitality workers

Next, One-Way Anova analyses were used to identify differences in psychological contract variables between the three generations. Although analysis at item level showed many significant differences between generations, at a underlying level of variables or dimensions of the psychological contract only showed significant differences between generations for two variables: Job Content (F=5.84, df=2, sig=.003) and Development Opportunities (F=6.22, df=2, sig=.002).
Further analysis of these two variables using Least Squared Differences test (LSD) revealed that Generation Y valued job content significantly higher than Baby Boomers. Also, Generation Y valued development opportunities significantly higher than both Generation X and Baby Boomers. These results are in line with Tulgan’s (2004) findings. No significant differences were found on job security, autonomy, work atmosphere, salary, clear task description, performance pay, intra-organisational mobility and work–family balance.

Referring back to our hypotheses, we can state that only Hypotheses 3a and 3b were accepted. For all the other hypotheses, results indicated no significant differences. The question remains if job content and development opportunities should be considered generational effects or more a result of this group being at the start of their career and therefore having these issues high on their priority list.

In other words, the results suggest that differences between generations suggested by the popular media could not be confirmed when matching these against psychological contract dimensions. This is in line with Macky, Gardner and Forsyth (2008) and Jorgense (2003) who suggest that current knowledge of generational differences has predominantly risen from the qualitative experiences of the authors and seems to lack empirical rigour.

Limitations

There are some limitations in this study. First and foremost, the cross-sectional design of the study means that generations are approached at different stages in their life. This leaves the question if one measures generational effects or life-stage effects. This problem is common to the field of generation researchers and new methodology should be developed to overcome this problem. The issue here is that only truly longitudinal studies over a period of roughly 50 years would truly give indications if generation differences exist. For now, this approach remains the realm of historians and their results have little predictive impact for management implications of new generations entering the workforce.

Another problem could be the interpretation of the questions. The vocabulary used in the questions could have different meanings to different generations, distorting the validity of the answers that respondents give.

Lastly, the study is limited by its sample. The sample size, though sufficient for analyses, is relatively small. This means that some effects may be found, but failed to reached to significance in such a small sample. After all, at an item level, a range of significant differences were found for this sample. Also, data were collected from one hotel chain, and although results were controlled for effects between hotels, centralized organisational values could impact the results.

Conclusions

The purpose of the study was to examine if generations differed in the way they perceive their psychological contract. Given the relatively consistent stereotyping in the popular literature,
one would expect to find results indicating a difference in content of the psychological contract for different generations. This study however generally failed to uncover such differences, suggesting that psychological contract values remain fairly constant over generations. Only development opportunities and job content were rated as significantly more important for Generation Y. Although this is in line with Tulgan’s findings (2004), an alternative explanation could be found in the phase of their careers that this generation Y is in. The results suggest that popular stereotypes about generations should be treated with caution. The results would also suggest that HR policies would not need to be adapted to fit a specific generation’s needs though a revision of policies is clearly in place given the turnover figures in this industry.

Next, the study tentatively aimed to provide a better understanding of the perceived employer obligations of hospitality workers. The results suggest that for hospitality workers in this sample job content, autonomy, and work atmosphere were most important. Surprising results were the relatively low ranking of salary and work–family balance, two areas of conflict often reported for hospitality workers and often suggested to be related to turnover. Further research is needed to see if the rating of importance for psychological contract items can be repeated in further studies. Lastly, job security was rated as most important. This result is not really in line with neither the literature on generations nor the psychological contract literature. The sudden onset of the financial crisis and the massive lay–offs at the time of data-collection do however provide a logical explanation for this result.

The results indicate that, though a thorough review of HR practices is needed in the light of staff turnover numbers, there is no immediate need for customization of policies from a generational perspective. Given the lack of information on the topic of generational differences in psychological contract in a hospitality setting and the severity of the turnover problem, further research is needed and should include linking these concepts to commitment and turnover intentions.

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