

Flexibilisation at the Workplace and its Impact on Leadership Methods in Germany / Leadership for the Generation Z

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Abstract

Tomorrow's workplace is going to be very different from today's nine-to-five office: The so called "Generation Z" (people who were born after 1997) is now entering the German labour market. These potential employees have grown up in a totally different political and social environment and have been very much influenced by technological progress. Web 2.0 and social media have not only created a whole new set of possibilities, they also have shaped the expectations on the workplace: Flexibility and individuality are a must. Indeed, the use of mobile data has made the former standard of a nine-to-five office obsolete: Theoretically employees can work wherever and whenever they want, individual arrangements can be easily realised. But are the German companies ready for this? In this paper the author will throw a light on the necessary leadership changes, which cover a whole range of implications. In order to do this, he will present the finding of a set of personal interviews with employees of the relevant age group. Also, he will check how German companies are dealing with these challenges and what their experiences are. A main point is the shift from "controlling workplace attendance" to a more content-related focus and result-oriented leadership and the creation of so called "objective agreements", which helps to formulate the goals to be reached at the work place. A major part of this paper therefore focuses on the process: How can these goals be defined? How can leaders monitor progress remotely and how does it shape the hierarchy in the company? The author will present several studies and surveys that underline the importance of these changes. Up to now nearly half of the German enterprises rely on result-oriented leadership, and the number is growing.

Keywords: Flexibilization at the workplace; Generation Z; Motivation; objective agreement; leadership.

JEL classification: M5

1. Introduction

Finding qualified personnel seems to be one of the biggest challenges on the German labour market: According to a representative company survey of the Institute for Employment Research (IAB) [INSTITUTE FOR EMPLOYMENT RESEARCH (INSTITUT FÜR ARBEITSMARKT UND FORSCHUNG / IAB) 2018 Representative Company Survey, <https://www.iab.de>] about 1,2 million job posts could not be filled in 2018. Companies of the automobile and engineering sector and in the manufacturing industry registered approximately 160.000 vacancies in the fourth quarter of 2018, which means the number increased by around a third in comparison with last year, claims the same survey. The reasons for this are manifold: First of all the number of people that enter the labour market has significantly decreased. Less and less graduates enter the market and the companies have to increase their efforts to attract them.

According to the „Labour Market Forecast 2030“ of the Federal German Ministry of Labour and Social Affairs [Labor market forecast 2030 A strategic forecast on the development of supply and demand in Germany („Arbeitsmarktprognose 2030 Eine strategische Vorausschau auf die Entwicklung von Angebot und Nachfrage in Deutschland“) Editor: Federal Ministry of Labour and Social Affairs Department Information, Publication, Editing 53107 Bonn July 2013] until the year 2030:

- the number of economically active persons (employed and unemployed) decreased by 2.9 million to 40.8 million;
- the number of employed persons decreased by 1.4 million to 39.2 million;

- the number of unemployed will fall by 1.4 million to 1.7 million.

Overall economic indication				
Year	2010	2020	2025	2030
Labor force (in 1000)	43.712	42.561	41.786	40.846
Employed persons (in 1000)	40.603	40.627	39.975	39.169
Unemployed (in 1000)	3.109	1.933	1.811	1.677
Unemployment rate (%)	7,1	4,5	4,3	4,1
Working hours (index)	100,0	99,9	102,0	104,0
Labor productivity (GDP / employed, index)	100,0	122,1	133,0	145,0

Table 1. Chart declining population at working age / Labor market forecast 2030 A strategic forecast on the development of supply and demand in Germany („Arbeitsmarktprognose 2030 Eine strategische Vorausschau auf die Entwicklung von Angebot und Nachfrage in Deutschland“) Editor: Federal Ministry of Labour and Social Affairs Department Information, Publication, Editing 53107 Bonn July 2013, page 5, http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a756-arbeitsmarktprognose-2030.pdf?__blob=publicationFile

„The forecast of the labor market up to the year 2030 clearly points to the challenges and efforts needed. If the concept of skilled workers is not pursued and the reforms are suspended, threatens a decline in the workforce of more than four million and a significant loss of growth. At the same time it becomes clear that the already met and planned

Steps can be effective and can largely absorb the demographic effect.

This forecast should therefore be an incentive to further strengthen the efforts of all design partners in the provision of skilled workers, and a long - term and to follow a systematic concept.“ [Labor market forecast 2030 A strategic forecast on the development of supply and demand in Germany (Arbeitsmarktprognose 2030 Eine strategische Vorausschau auf die Entwicklung von Angebot und Nachfrage in Deutschland), page 40, http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a756-arbeitsmarktprognose-2030.pdf?__blob=publicationFile]

Labor force by age and sex (in 1000)		change			
Age group and gender	number year 2010	2010-2020	2020-2030	2010-2030	number year 2030
Male, 15-19 years	891,1	-102,1	21,8	-80,4	810,7
Male, 20-24 years	1949,3	-298,5	-162,6	-461,1	1488,2
Male, 25-29 years	2218,1	-200,6	-193,5	-394,1	1824,0
Male, 30-34 years	2323,6	184,1	-327,0	-142,9	2180,7
Male, 35-39 years	2413,5	35,8	-151,3	-115,5	2298,0
Male, 40-45 years	3250,3	-892,4	255,2	-637,2	2613,1
Male, 46-49 years	3436,2	-1066,9	95,5	-971,4	2464,8
Male, 50-54 years	2899,2	150,7	-772,7	-622,0	2277,2
Male, 55-59 years	2351,9	711,1	-864,3	-153,2	2198,7
Male, 60-64 years	1300,8	546,7	322,5	869,3	2170,1
Male, 65-69 years	292,3	138,0	495,4	633,5	925,8
Male, 70-74 years	162,6	1,1	170,4	171,5	334,1
Male, 75+ years	0,0	0,0	0,0	0,0	0,0
Male, all ages	23489,0	-793,3	-1110,4	-1903,7	21585,3
Female, 15-19 years	737,0	-70,2	8,5	-61,7	675,3
Female, 20-24 years	1747,4	-247,3	-125,9	-373,2	1374,2
Female, 25-29 years	1970,4	-148,2	-133,2	-281,4	1689,0
Female, 30-34 years	1941,8	212,4	-190,3	22,1	1963,9
Female, 35-39 years	2020,2	110,6	-71,3	39,3	2059,5
Female, 40-44 years	2804,8	-679,3	214,0	-465,3	2339,5
Female, 45-49 years	3021,0	-864,0	92,7	-771,3	2249,7
Female, 50-54 years	2583,8	143,7	-644,5	-500,8	2083,0
Female, 55-59 years	2056,2	599,6	-684,5	-84,9	1971,3
Female, 60-64 years	974,5	455,8	287,0	742,9	1717,4
Female, 65-69 years	231,5	130,5	458,0	588,4	819,9
Female, 70-74 years	134,7	-1,4	185,1	183,6	318,3
Female, 75+ years	0,0	0,0	0,0	0,0	0,0
Female, all ages	20223,2	-358,1	-604,1	-962,2	19261,0

Tabel 2. The forecast of the labor market up to the year 2030 by age and sex (in 1000). A strategic forecast on the development of supply and demand in Germany (Arbeitsmarktprognose 2030 / Eine strategische Vorausschau auf die Entwicklung von Angebot und Nachfrage in Deutschland), 2013, page 40, http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a756-arbeitsmarktprognose-2030.pdf?__blob=publicationFile

At the same time technological progress has changed the world of work: Remote access via internet, digital conferences, collaboration via clouds and internet platforms have of course left their mark: The physical presence at the workplace seems no longer essential.

Regarding these aspects, it is no wonder, that the current generation of young people at the beginning of their work life have quite a different set of expectations and ideas – and the employers have to take a closer look, because there is a strong competition for the young academics of the so called “Generation Z”.

2. The starting point

But what is the Generation Z and how is it defined? According to the Pew Research Institute [Defining generations: Where Millennials end and Generation Z begins. Pew Research Center, Dimock, M. 2019. <https://www.pewresearch.org/fact-tank/2019/01/17/where-millennials-end-and-generation-z-begins/>] this term comprises the age cohort since 1997 (a view that is mostly shared by the scientific world, plus/minus one or two years) and stands in

contrast to the earlier Generation X (born 1965-1980) and Generation Y (born 1981 – 1996). Approximately 15 Million people belong currently to that generation in Germany [Von Babyboomer bis Generation Z, Martina Mangeldorf, Gabal,2015, Offenbach, page 13].

At the first glance Generation Y and Z have a lot in common: They both grew up with the Internet, digital innovation is an integral part of their lives. A life without Google, YouTube and Instagram? Impossible! Computers, the internet and Social Media have shaped not only their consumption and leisure behaviour, but also their conception of education and work. Financially both generations are better off than their parents' generation.

But for the Generation Z the influence of the new digital world is substantial. The so called “digital natives” who grew up with a smartphone in hand, as puts it the Harvard Business Review [How to Market to the iGeneration, Harvard Business Review, Joan Schneider, May 06, 2015, <https://hbr.org/2015/05/how-to-market-to-the-igeneration>], sometimes are aptly named iGeneration (aka iGen). Economically they grew up without any concerns, very often in small families with abundant funds and extensively cared for. As to communication and education style, many live in families, that see the relationship between Parents and children rather as a partnership than a top-down-hierarchy.

As a result, many members of the generation Z find it difficult to follow orders or execute orders without knowing the background. On the other hand, the Generation Z wants clear structures, safe jobs and a strict separation between work and leisure. Relying big compensation packages is not enough anymore: In order to attract promising graduates, companies now have to offer the right mixture: “It’s all about “me” for iGens – which is not necessarily a negative, but means brands and organizations need to work harder to understand their interests, hobbies, and goals, then deliver custom experiences” writes⁶ Joan Schneider.

3. The survey [Survey (by Laurentiu Hauser) conducted during the job fair LZ Karrieretag in Frankfurt am Main at the Goethe University on 23.06.2018 (<https://en.xing-events.com/LVWCLUL.html>) and Triesdorf Connect 2018 in Triesdorf at the Weihenstephan-Triesdorf University), on 27.11.2018-28.11.2018.]

The question is: How to deal with the new generation at the workplace? Are the German companies ready for this? How will the new generation fit into the existing structures? And what exactly are their expectation at to the workplace? Radical changes in the German School and university system in the last 10-15 years, like the Bologna process to align the German educational system with the rest of Europe and the reduction of school years from 13 to 12 have also big repercussions: Instead of a 26 years-old M.As., German bosses now face 22 year old B.A.s when looking for now staff – and get to meet the new generation much earlier!

In order to understand the motivation and mindset of this generation, the author has conducted a survey among 200 members of the age range 20 to 24 during a job fair for university graduates in October and November 2018 aiming at graduates of business studies. All of them had either recently graduated or were at the end of their B.A. studies and were looking for employment. A part from the standardized questions as cited in table below, there was also a short interview of five-minutes, where the respondents could freely express their thoughts on future employment.

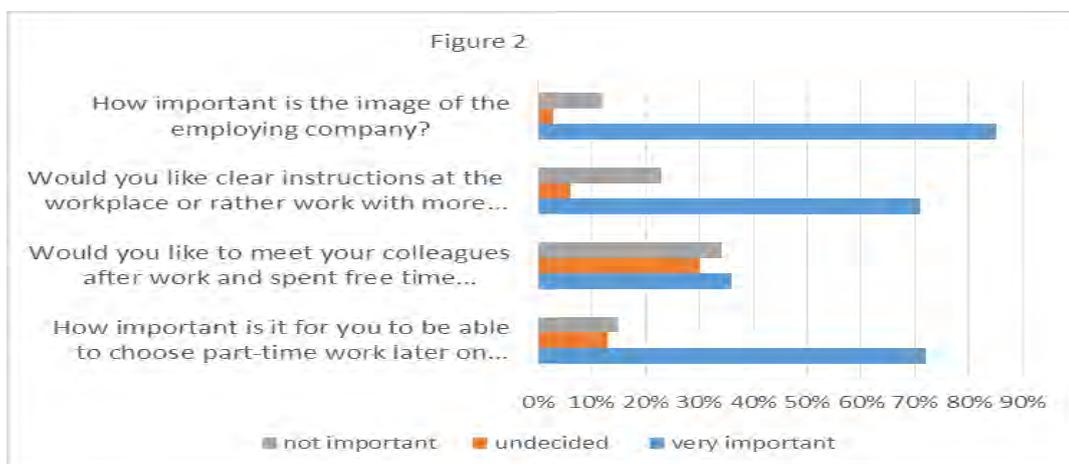
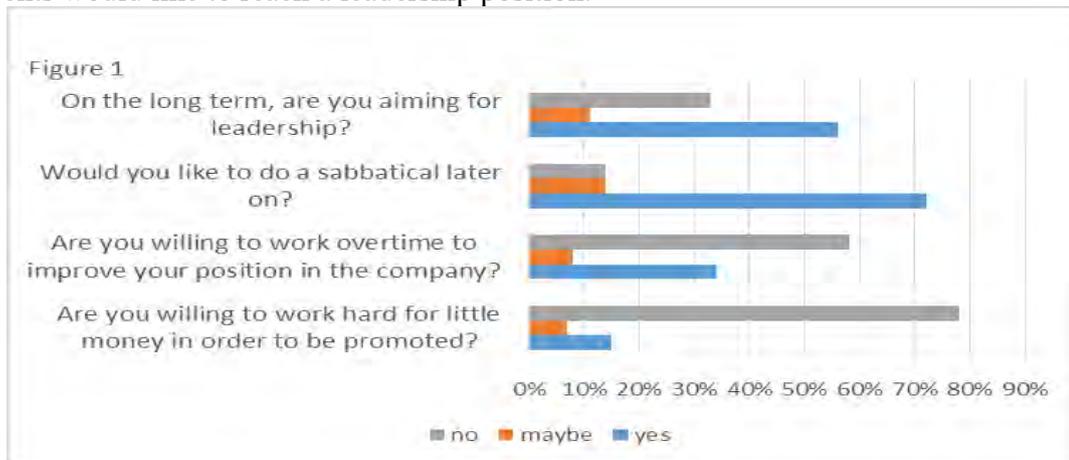
The questions were:

1. Are you willing to work hard for little money in order to be promoted?
2. Are you willing to work overtime to improve your position in the company?
3. Would you like to work at the company (office), at home or in a mixed model?
4. Would you like to work full-time or part-time?

5. How important is it for you to be able to choose part-time work later on during your career?
6. Would you like to do a sabbatical later on?
7. What are the most important factors when choosing a work place – tick 3 (flat hierarchies, remuneration, good relation with the manager, compatibility with family life, career opportunities, working hours)
8. Would you like to meet your colleagues after work and spent free time together?
9. On the long term, are you aiming for leadership?
10. Would you like clear instructions at the workplace or rather work with more individual responsibility?
11. How important is the image of the employing company – and in what regard?

4. The findings

One of the most important findings was the strong self-confidence of the graduates: Working for little money in order to be promoted or to get a good start was not an option for 78%. Today's graduates know that most companies are urgently looking for new talents and expect a high salary and good working conditions without over-time: Only 34% were willing to work additional hours. While in the past graduates applied for jobs at a company, now it seems the other way round and the company is the applicant. Flat hierarchies, a good salary and the compatibility with family life are the most important factors when choosing a work place. No wonder, that leadership seems less attractive to this generation: 56% of the respondents would like to reach a leadership position.



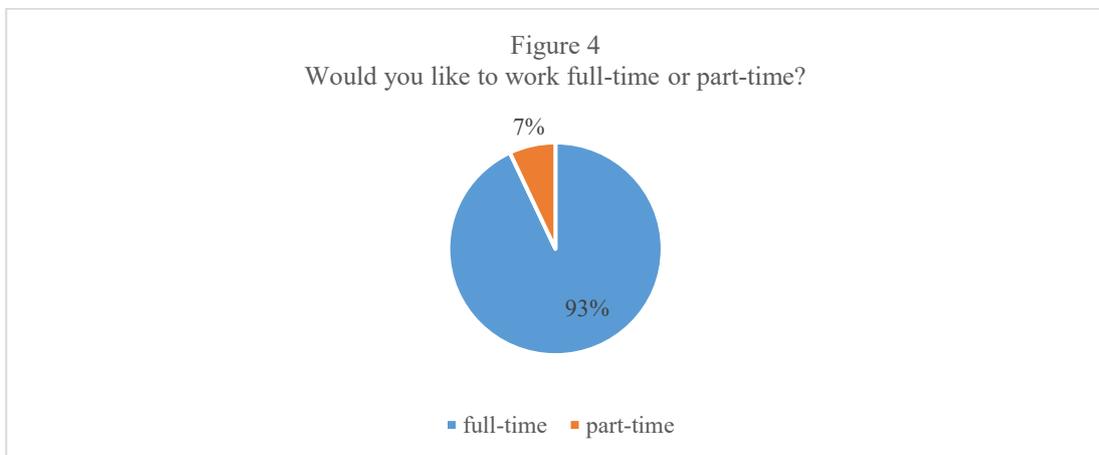
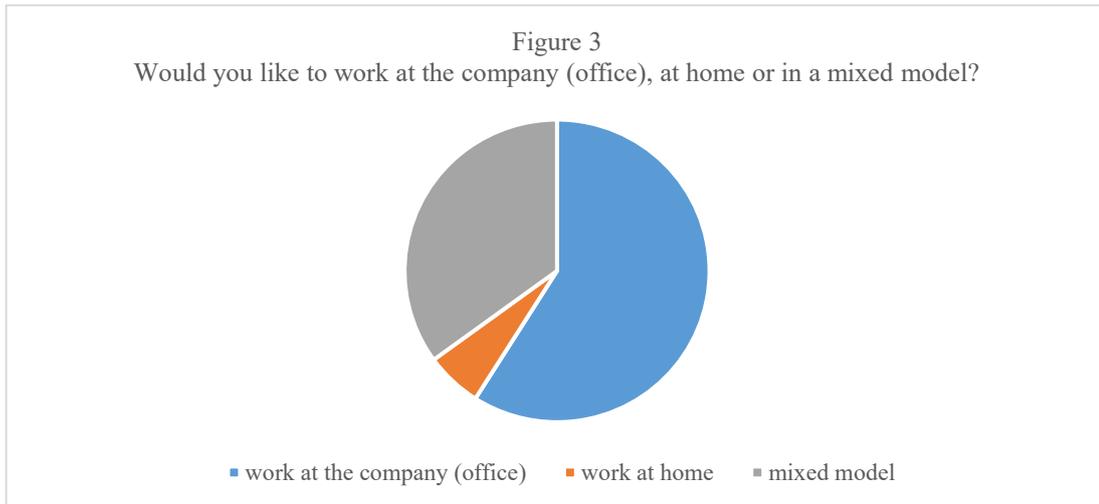


Figure 1-4 Survey (by Laurentiu Hauser) conducted during the job fair LZ Karrieretag in Frankfurt am Main at the Goethe University on 23.06.2018 (<https://en.xing-events.com/LVWCLUL.html>) and Triesdorf Connect 2018 in Triesdorf at the Weihenstephan-Triesdorf University), on 27.11.2018-28.11.2018.

Also life no longer exclusively centers around work: While 93% of the respondents were looking for full time employment, more than 70% wanted the option to work part-time later on during the career, more than half was open for the idea of a sabbatical. Most importantly, they want the part-time option also for leadership positions. Obviously the generation Z also wishes a clean cut between work and leisure: Meeting colleagues after work on only appeals to 35% of the respondents.

Most interesting were the remarks during the free interview at the end of the short survey: “Working is fine, but should be pleasant. I certainly don’t want any stress or over-time” says one 22-year old. “I don’t mind responsibility, as long as it does not affect the working hours” says another young woman. Both insist, that working is a necessity, but the “real” life happens in the family and with friends. There also does not seem to be a strong bond with the employer: “If I don’t agree with the company politics, I will look for a new job” states one graduate. More than 85% of the respondents were clearly looking for a company with a clean image as to sustainability and diversity.

5. What are the implications for traditional leadership?

Obviously, the members of Generation Z have quite clear views on how the workplace should look like. With traditional leadership methods it will be difficult to reach the young generation. These are the most important implications:

5.1 Flexible work locations

Thanks to digital clouds, broadband internet access and virtual conferences it is not only possible to work from everywhere in the world, the Generation Z also wants to use these possibilities. Currently about 40% percent of German employers offer a home office option. Due to practical reasons many follow a mixed model with one or two days at the home office and the rest of the week at the company. Usually this option is offered to proven employees after a few years of service. In 2018 11% of all employees work fully or partially from home. In a European context this number is relatively low: In Austria the percentage of home workers is 15%, in Denmark it reaches even 25% [FRANKFURTER ALLGEMEINE 26.02.2018 Homeoffice immer beliebter <https://www.faz.net/aktuell/beruf-chance/beruf/homeoffice-bereits-bei-40-der-unternehmen-praxis-15468784.html>]. Not only will the Generation Z expect to be offered home office models, but also the possibility to adapt these to changing life situations.

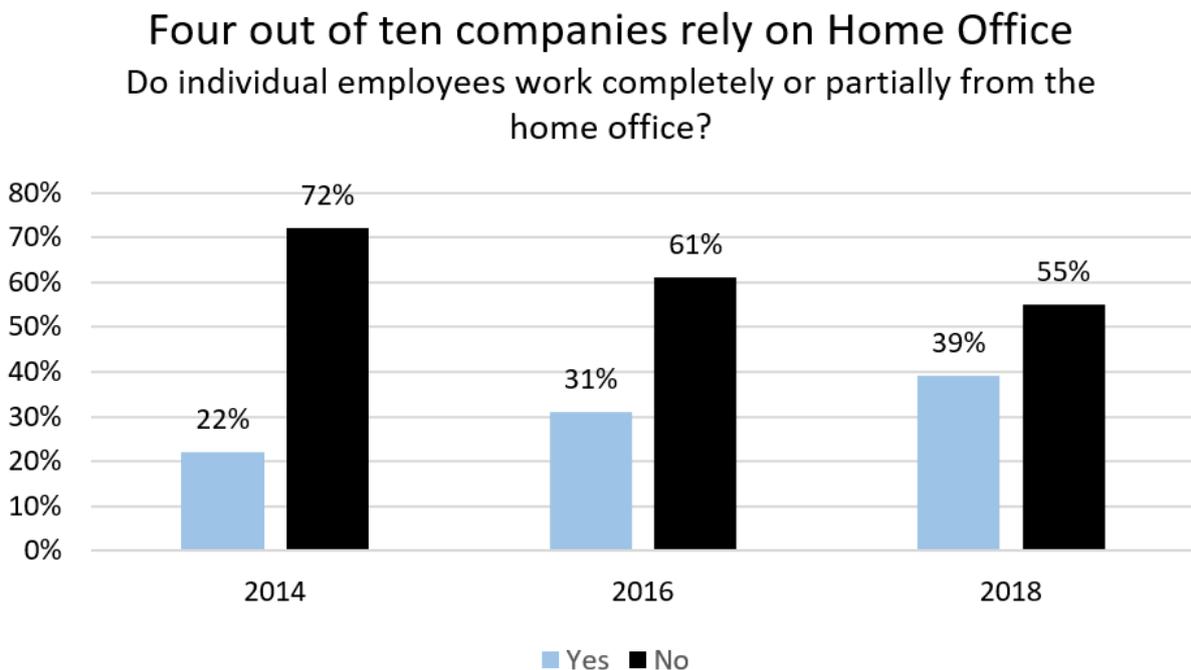


Figure 5 *Four out of ten companies rely on home office* (Vier von zehn Unternehmen setzen auf Homeoffice) Source: BITCOM, 18.01.2019 <https://www.bitkom.org/Presse/Presseinformation/Vier-von-zehn-Unternehmen-setzen-auf-Homeoffice>

5.2 Flexible working hours

Theoretically flexible working hours are already part of the German workplace: According to the Federal Statistical Office 39% of all Germans work in part-time, which is a huge increase on the last decade (see table). Although this seems to be a large percentage, German employers will have to get even more flexible, especially concerning management positions: For many iGens a four-days-week is no reason to stay at the lower end of the corporate ladder. The same is true for management overtime: In 2018 33,6 % of the German employees worked 6 to 10 hours overtime per week, 10,7% worked up to 20 plus and more [KAISER, TOBIAS 09.04.2019 Warum die Deutschen so viele unbezahlte Überstunden machen <https://www.welt.de/wirtschaft/karriere/article191567559/Ueberstunden-Die-Deutschen-machen-mehr-Ueberstunden-als-andere-Europaeer.html>]. The new generation will be less willing to sacrifice leisure time for their company.

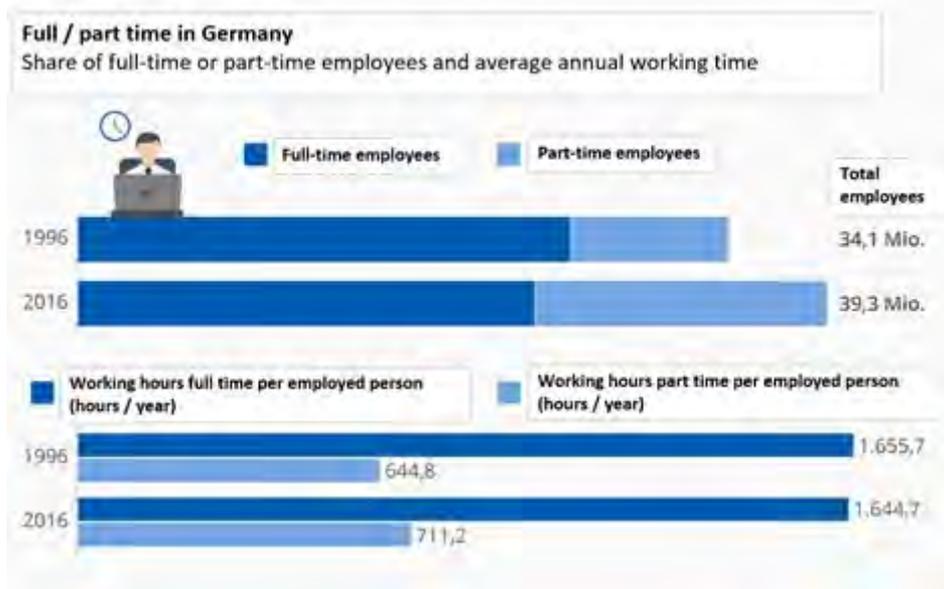


Figure 6: Currently app. 61% of the German workforce work full time, 39 percent part time.
 Source: Dyfed Loesche, 19.07.2017 Voll- und Teilzeitarbeit in Deutschland, Source: Federal Statistical Office Institute for Employment Research

5.3 Flat hierarchies

“Gen Zers are used to collaborating and being involved in making decisions, and they clearly want this trend to continue in the workplace” [What Gen Z Gets Right About Organizational Hierarchy <https://blog.insideoutdev.com/what-gen-z-gets-right-about-organizational-hierarchy>] states a survey by InsideOut Development from the year 2019. Certainly, employers will not be able to expect the subservient behavior, that was characteristic of a work newbie a few decades ago. The members well educated members of the Generation Z are well aware, that it can be extremely difficult a replacement.

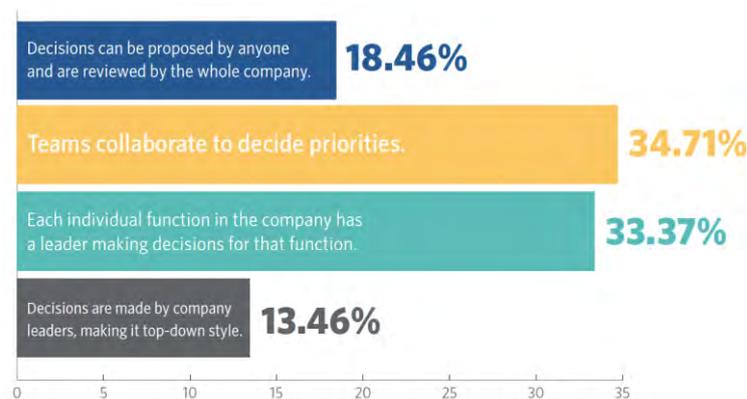


Figure 7: How do you think organizational hierarchy should work?
 PIVOT POINT InsideOut Development 14.03.2019 *What Gen Z Gets Right About Organizational Hierarchy* <https://blog.insideoutdev.com/what-gen-z-gets-right-about-organizational-hierarchy>

5.4 Generous rewards

The pecuniary expectations of the generation Z are an area where the differences with the earlier generations are extremely big. The willingness, to work their way up and endure “hard times” in order to get a career going are, as the survey showed clearly, very low. Although the iGens don’t expect riches, they want an appropriate salary – and they want it now!

5.5. It's the image, that counts

Making profit and creating a stable work place with reasonable possibilities of advancement and good salaries: That used to be enough to be an attractive employer in the past. For the Generation Z though the image of the employer is a decision factor: Does the company stand for sustainability? Is it a diverse workplace? Does it engage in social projects? And even more, the iGens expect to be part of the decision process. “In other words, their work needs to fit into their holistic view of life and happiness and they have to identify with it. That is why they will not work for a company that does not represent the values that they believe in or businesses that do not walk the talk” [GLOBOKAR, LIDIJA 20.09.2018 The Two-Way Street Of Leadership <https://www.forbes.com/sites/lidijaglobokar/2018/09/20/the-two-way-street-of-leadership/#ddfe03b5b025>] says Lidija Globokar from the Forbes. Looks like the German employers are in for a big change!

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