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THE COST OF GENERATIONAL TENSION IN THE WORKPLACE

HOW DISCONNECTION IMPACTS RETENTION, PRODUCTIVITY, AND PROFITABILITY

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Executive Summary

Generational tension is a hidden but costly challenge in today's workforce. When employees from different age groups struggle to communicate and collaborate, organisations can face higher turnover and lower productivity. This paper draws on published research from Gallup, the London School of Economics, McCrindle, Allianz and Deloitte to show what the evidence says, where it is limited, and what leaders can do about it. Each figure is linked to its source at the foot of the page.

Introduction: The Hidden Cost of Generational Tension

Workforces today span up to four generations: Baby Boomers, Gen X, Millennials and Gen Z. This diversity brings valuable perspectives, but it also creates challenges in communication, leadership and teamwork. Many organisations underestimate what generational disconnection costs them in misunderstandings, disengagement and avoidable resignations.

This paper explores:

- What the research says about turnover costs and productivity.
- Where generations see friction at work.
- Practical strategies for building an intergenerational workplace where everyone can contribute.

Replacing an employee costs between one-half and two times their annual salary.[1]

Gallup, 2019

42% of employees who voluntarily left say their departure could have been prevented.[2]

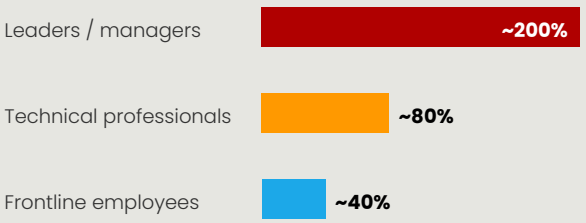
Gallup, 2024 (US)

Financial Impact of Generational Disconnection

Turnover and recruitment costs

- Gallup estimates that replacing a leader or manager costs about 200% of annual salary, a technical professional about 80% and a frontline employee about 40%.[2]
- Gallup puts the overall range at one-half to two times annual salary per person.[1]
- Recruitment alone costs Australian and New Zealand employers about $20,000 per hire.[3]
- In a US survey, 42% of people who left voluntarily said their employer could have prevented it.[2]

Estimated replacement cost (% of annual salary)



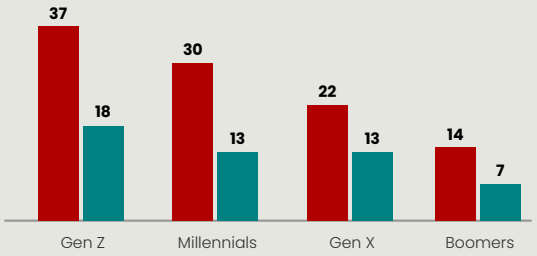
Gallup estimates, 2024. US data; Gallup does not publish the method behind these estimates.[2]

Productivity and retention

A 2024 study by the London School of Economics' Inclusion Initiative surveyed more than 1,450 UK and US employees in finance, technology and professional services.[4]

- 25% of employees reported low productivity. The share falls to 13% where the organisation has intergenerationally inclusive practices.[4]
- Employees whose manager is more than 12 years older were nearly 1.5 times as likely to report low productivity and nearly 3 times as likely to be extremely dissatisfied.[4]
- With inclusive practices, employees were twice as likely to be satisfied and 1.5 times less likely to be looking for a new job.[4]

Employees reporting low productivity (%)



Self-reported, UK and US, 2023 data. Associations, not proof of cause.[4]

Key Statistics

Only 10% of organisations say they are very ready to lead a multigenerational workforce, although 70% say it is important.[5]

Deloitte, 2020

Only 28% of Gen Z employees in Australia are very engaged at work, against 46% of Millennials and 42% of Gen X and Baby Boomers.[6]

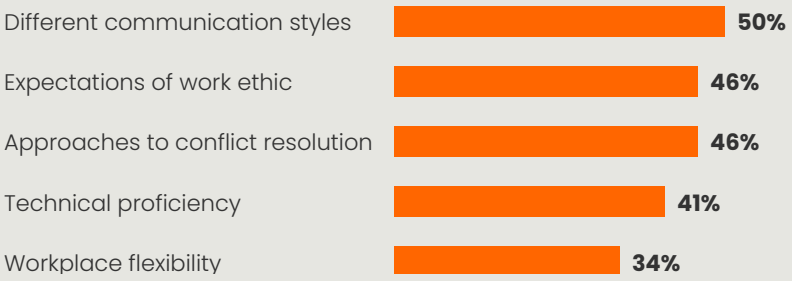
Allianz Australia, 2022

1. Gallup, "This Fixable Problem Costs U.S. Businesses $1 Trillion", McFeely and Wigert, 13 March 2019. gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx
2. Gallup, "42% of Employee Turnover Is Preventable but Often Ignored", Tatel and Wigert, 9 July 2024 (survey of 717 US employees who left voluntarily, ±5 points). gallup.com/workplace/646538/employee-turnover-preventable-often-ignored.aspx
3. ELMO, 2024 HR Industry Benchmark Report (HR professionals in Australia and New Zealand). elmosoftware.com.au/wp-content/uploads/2024/03/ELMO-2024-HR-Industry-Benchmark-Report.pdf
4. Jolles and Lordan, "GENERATIONS: Unlocking the Productivity Potential of a Multigenerational Workforce", LSE Inclusion Initiative with Protiviti, 2024. lse.ac.uk/tii/assets/documents/lse-generations-survey-report-global.pdf
5. Deloitte Insights, "The postgenerational workforce: From millennials to perennials", 2020 Global Human Capital Trends, 15 May 2020. deloitte.com/us/en/insights/focus/human-capital-trends/2020/leading-a-multi-generational-workforce.html
6. Allianz Australia, "The Workplace Wave" (YouGov, 1,550 employees, 3–15 August 2022). allianz.com.au/business-insurance/workers-compensation/the-workplace-wave/change-disrupting-the-workforce.html

Understanding the Generational Divide in Today's Workplace

Each generation has distinct experiences that shape its workplace expectations. When McCrindle asked 1,001 Australian workers what makes intergenerational teams hard, the most common answers were about how people work together, not about skills.[1]

Challenges of an intergenerational team (% selecting)



McCrindle, 2024. Respondents could select all that applied; top five shown.[1]

These differences are not usually about conflicting values. They are about priorities and unspoken assumptions, and when they are left unmanaged they create frustration and inefficiency.

The Path to an Intergenerationally Thriving Workplace

The Five Characteristics of High-Performing Intergenerational Teams

Positive Interaction – People initiate and sustain cross-generational conversations that go beyond tasks, and hold positive sentiment toward colleagues of other generations.

Connection – Employees feel a sense of belonging with colleagues of all ages, reducing silos between younger and older workers.

Interdependence – Different generations don't just work side by side; they need each other to succeed.

Accommodation – A thriving workplace culture isn't built on one generation's preferences alone.

Empowerment – Employees of all generations feel valued and enabled to contribute.

Key Insight

Thriving workplaces are not just multigenerational, they are intergenerational: people of all ages benefit from collaboration, knowledge-sharing and leadership across generations.

Key Statistics

Seven in ten US workers say they like working with generations other than their own.[2]

Workers who have had a mentor are more likely to say older workers make the workplace more productive (83% vs 65%).[2]

AARP Research, 2019

1. McCrindle, "Cultivating healthy intergenerational teams", 2024 (online survey of 1,001 Australians aged 18–67, 14 June–4 July 2024). mccrindle.com.au/resource/report/cultivating-healthy-intergenerational-teams-report/
2. AARP Research, "Mentorship and the Value of a Multigenerational Workforce", G. Oscar Anderson, January 2019 (online survey of 1,000 US workers, November–December 2018). aarp.org/pri/topics/work-finances-retirement/employers-workforce/multigenerational-work-mentorship/

Practical Strategies for Leaders

1. **Assessment and awareness** – The first step is understanding where generational challenges exist in your own workplace.
2. **Structured mentoring and knowledge transfer** – Cross-generational mentoring shares institutional knowledge while younger employees bring fresh perspectives.
3. **Leadership development for multigenerational teams** – Training managers to lead across generations addresses the factor the LSE study found most closely tied to productivity.[1]
4. **Customised intergenerational consulting** – Every workplace faces unique challenges, and benefits from a tailored approach.

The Case for Addressing Generational Tension

- Replacing a person costs one-half to two times their salary, so each avoidable resignation is a direct cost.[2]
- In the LSE study, organisations with intergenerationally inclusive practices had fewer employees reporting low productivity (13% against 25%).[1]
- Only 6% of surveyed organisations strongly agreed that their leaders are equipped to lead a multigenerational workforce, so there is room to improve.[3]



Joe Azzopardi
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Conclusion & Call to Action

Generational disconnection is holding many organisations back, but the good news is that it is solvable.

By applying structured intergenerational engagement strategies, leaders can work towards higher retention, stronger collaboration and greater innovation. Now is the time to take proactive steps toward a generationally inclusive workplace.

Let's start the conversation. Book a consultation to explore how we can help your organisation build a thriving, intergenerational workforce.

Evidence note: much of the research cited is self-reported and from the US or UK. It shows associations between practices and outcomes, not proof of cause.

1. Jolles and Lordan, LSE Inclusion Initiative with Protiviti, "GENERATIONS", 2024 (1,450+ UK and US employees). lse.ac.uk/tii/assets/documents/lse-generations-survey-report-global.pdf
2. Gallup, 13 March 2019. gallup.com/workplace/247391/fixable-problem-costs-businesses-trillion.aspx
3. Deloitte Insights, 15 May 2020. deloitte.com/us/en/insights/focus/human-capital-trends/2020/leading-a-multi-generational-workforce.html