

# Research on the Incentive Mechanism of New Generation Employees in Enterprises from the Perspective of Ability-based Management

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**Abstract:** *With the rapid development of social economy, the proportion of the new generation of employees in the enterprise employees is increasing day by day, becoming the main force in the workplace, and the management of the new generation of employees has become a crucial part of human resource management. Due to the distinctive characteristics of the new generation of employees, most of them are highly educated, pay attention to self-perception and the realization of self-value. The traditional incentive mechanism is difficult to play an ideal incentive role, so it is necessary to build a targeted incentive system. Ability-based management is a people-based management centered on human ability, which emphasizes the value of human ability in enterprise development. In recent years, more and more enterprises choose to integrate ability-based management ideas into enterprise management. Therefore, this paper combines the concept of ability-based management to analyze the current situation and existing problems of motivation for the new generation of employees in enterprises. It explores the incentive mechanism for the new generation of employees, offering reference and guidance for addressing the issues of incentive among the new generation of employees.*

**Keywords:** *Ability-based Management, New Generation of Employees, Incentive Mechanism*

## 1. Introduction

### 1.1 Research Background

With the rapid development of society, more and more new generation of employees begin to enter the workplace, and the new generation of employees gradually become the core force in the workplace. Due to the different growth background, compared with the traditional employees, the new generation of employees themselves have obvious characteristics. They usually have a higher level of education and knowledge, and they are eager to realize self-value in work and pursue personal growth and development. At the same time, they also pay more attention to the challenge and creativity of their work, hoping to gain more autonomy and decision-making power in their work.[1] Employee incentive is an important part of the practice of human resource management, especially in the current era background, the incentive to the new generation of employees is the top priority in enterprise management. However, due to the current employee structure of the enterprise has changed, the traditional incentive mode no longer meets the current needs of employees, and it is difficult to play the ideal incentive role. Therefore, enterprises need to change the traditional way of employee incentive and build an effective employee incentive mechanism according to the characteristics of the current new generation of employees.[2]

Ability-based management is a kind of human management with human ability as the core, which emphasizes the value of human ability in enterprise development. At present, the society is in the era of knowledge economy based on knowledge, intelligence and innovation ability. With the rise and development of knowledge economy, the ability of employees is regarded as the core resource in the development of enterprises. Managers pay more attention to the role of knowledge, intelligence, skills, practice and other factors in enterprise management.[3] In this context, more and more enterprises begin to pay attention to the idea of ability-based management in practice. The core of employee motivation is to stimulate the enthusiasm, initiative and creativity of employees, so that they can give full play to their personal ability and create greater value for the organization, while the ability-based management thought emphasizes the human ability as the core, which is highly consistent with the goal of employee motivation.[4] Therefore, combining the ability-based management with employee

incentive, from the perspective of ability-based management, it is crucial for enterprises to adopt effective management methods to better tap into employees' enthusiasm, initiative, and creativity, maximize their abilities, optimize organizational resource allocation, improve overall organizational performance, and achieve organizational goals.

Based on this, this paper will combine the idea of ability-based management to analyze the current incentive status and existing problems of the new generation of employees in enterprises, targeting this specific group. Based on this, corresponding measures and suggestions will be proposed to improve the incentive mechanism for the new generation of employees in enterprises, effectively enhance the intensity and effectiveness of incentives, and provide certain reference value for motivating the new generation of employees in Chinese enterprises.

## ***1.2 Research Significance***

### ***1.2.1 Theoretical Significance***

First of all, this paper can deepen the understanding of the characteristics and management status of the new generation of employees, new employees are significantly different from traditional employees in terms of growth background, values, career expectations and other aspects. In-depth study of its incentive mechanism is helpful to more accurately grasp the characteristics of the new generation of employees, understand their management status, and provide a theoretical basis for the formulation of targeted management strategies. Secondly, this paper discusses the incentive mechanism of the new generation of employees combined with the ability-based management thought, which is conducive to enriching the specific application of the ability-based management thought in enterprise management. Finally, human resource management is an important part of enterprise management, and employee incentive is one of the core contents of human resource management. The study of the incentive mechanism of the new generation of employees is helpful to enrich and improve the theoretical system of human resource management, and to provide enterprises with more scientific and more effective human resource management programs.

### ***1.2.2 Practical Significance***

This article analyzes the current situation of motivation for the new generation of employees in Chinese enterprises, identifies existing problems, and proposes countermeasures and suggestions based on the ability-based management thought. It provides reference and guidance for enterprises to establish a scientific and reasonable incentive mechanism, stimulate employees' work enthusiasm and creativity, enhance their loyalty and sense of belonging, and improve their work efficiency and quality. At the same time, through the study of the incentive mechanism of the new generation of employees, it can cultivate more high-quality and high-ability employees for the enterprise, and provide a strong talent guarantee for the sustainable development of the enterprise.

## ***1.3 Definition of Relevant Concepts***

### ***1.3.1 Ability-based Management***

Ability-based management is a kind of people-oriented management as the core content, and it is a new stage of people-oriented management development.[5] By adopting effective methods, it maximizes the potential of people, so as to maximize the value of ability, and take the ability of people as the driving force of organizational development, so as to achieve the goals of organizational development and organizational innovation. Ability-based management, as a management mode of management value pursuit and incentive means, mainly includes four aspects: taking ability as the primary management object, taking ability as the management concept, taking improving people's abilities as the primary goal of management, and taking improving and utilizing abilities as the main incentive means.[6]

### ***1.3.2 New Generation of Employees***

The new generation of employees refers to the new generation of employees who were born after 1990 and are now working.[7] In the background of China's reform and opening up, the new generation of employees is a generation greatly influenced by a series of technological products such as the Internet. In today's enterprises, the new generation of employees have gradually become the main force of China's labor market. Due to the different growth environment and background, the new generation of employees have distinct characteristics in their behavior and thinking mode compared with the

traditional employees. Firstly, the new generation employees are generally highly educated and more willing to constantly accept new knowledge and have strong learning ability; secondly, the new generation employees have strong self-esteem, desire to be recognized and high self-realization needs; finally, the new generation employees have clear cognition and planning for their career development, attach importance to the expression of personality, and diversify their own needs.

## **2. Analysis of the Incentive Status Quo of the New Generation of Employees**

### **2.1 Single Incentive Mode**

At present, the incentive methods and types provided by Chinese enterprises are relatively few, the means are single and lack of pertinence, mainly focused on material incentive, is still the traditional incentive system based on salary and welfare and job promotion, ignoring the incentive effect of non-material incentive for the new generation of employees.[8] Traditional material incentives can stimulate the enthusiasm of employees to a certain extent, but with the lengthening of employees' working hours, simple material incentives can no longer fully meet the needs of employees, and employees will tend to pursue higher-level needs, especially the new generation of employees with diversified needs. Material demand is the basic, enterprises need to pay attention to meet the spiritual pursuit of employees under this premise, use non-material incentives to effectively stimulate the internal motivation of employees, and help employees to achieve a higher level of value pursuit. The current incentive methods of the enterprise are lack of individualization and differentiation, which is difficult to meet the diversified needs of the new generation of employees, and cannot effectively stimulate the enthusiasm, initiative and creativity of employees. The current new generation of employees want incentives to meet their personalized needs, such as flexible working hours, more autonomy and the realization of self-worth.

### **2.2 The Lack of Competitiveness of the Salary System**

For enterprises, the salary system is an evaluation of the performance quality of the new generation of employees, and the extension of employees' potential cannot be separated from scientific and effective incentive measures. At present, most enterprises in China adopt the traditional salary system, and the salary composition mainly includes the basic salary, performance bonus, post subsidy, etc. Among them, the basic salary, as the main part of the employee salary, will be adjusted with the change of the position and rank, and the basic salary is fixed.[9] Performance bonus is based on the work performance of the employees, and it is paid through the performance appraisal. It belongs to the floating salary, but it accounts for a relatively small proportion in the salary system. At present, the salary system of most enterprises in China has the problem of low proportion of variable salary to total salary, and variable salary is not well linked to the personal performance of the new generation of employees. The new generation employees are influenced by growth background and environment, mostly pursue differentiation, especially pay attention to the fairness of the organization. They believe that their efforts are not proportional to the salary they receive, and there is a situation of unequal pay for the same position, which leads to employee dissatisfaction with the salary system and affects the work enthusiasm of the new generation of employees. As a result, employees may develop a negative attitude towards work, and traditional salary systems are difficult to truly motivate them.

### **2.3 Imperfect Performance System and Poor Incentive Effect**

At present, the performance system of most domestic enterprises is not perfect, and the performance appraisal method is still determined by the subjective judgment of managers, and the leaders of each department have the absolute control over the performance evaluation and salary distribution of employees in the department. The management makes its own subjective judgment on the daily performance of the employees, and its objectivity and rationality are questioned. At the same time, the current performance system lacks the two-way communication and feedback between employees and leaders, and the assessment indicators selected in the assessment are not scientific and reasonable enough.[7] The new generation of employees do not know the actual situation of their performance appraisal, think that the performance appraisal lacks fairness and objectivity, the existing performance appraisal system cannot meet the needs of employees. As a result, the new generation of employees lose work enthusiasm, reduce work enthusiasm. In addition, the performance appraisal of most enterprises is a mere formality, and the implementation of performance appraisal has not achieve the

expected effect of formulating performance appraisal.

#### ***2.4 Outdated Training Content and Lack of Pertinence***

At present, the staff training content lacks systematic and comprehensive, which is limited to traditional content. Different from the traditional employees, the new generation of employees generally have a good educational background and cultural level. They are often resistant to the boring content of the training[10] The new generation of employees hope to learn and absorb new knowledge, new methods and new skills in the training. They often hope to learn the skills that can be actually applied to work and effectively improve work efficiency in the training, so as to pursue the realization of self-value. At the same time, the training method is too single and simple, only pay attention to written materials, lack of interaction and practice with employees, employees only passively receive training. The enthusiasm and participation of employees in training are low, making it difficult to achieve motivational effects through effective training.

#### ***2.5 Unclear Promotion Mechanism and Lack of Promotion Opportunities***

The new generation of employees pay more attention to the realization of self-value, and have a clear plan for their career development, hoping to be promoted smoothly in the enterprise and realize their personal value. At present, many enterprises in China have not yet formed a complete and strict promotion system, and the promotion mechanism of enterprises is not clear. Some enterprises are vague when formulating promotion mechanisms, and there are no specific conditions and standards for promotion. As a result, the new generation of employees do not know how to work hard, have no clear goals and cannot measure whether their efforts are seen and recognized, which reduces their work enthusiasm.[11] Some enterprises are too rigid in formulating the promotion mechanism, only valuing the length of service and post level, ignoring the potential and development space of the new generation of employees, the promotion mechanism lacks flexibility. At the same time, for the new generation of employees, the suitable positions are often limited, and the competition between them is extremely fierce.

#### ***2.6 Ignoring the Incentive Effect of Corporate Culture***

Corporate culture is the soul of an enterprise. The dynamic corporate culture can stimulate the enthusiasm of the new generation of employees, and ensure that the development goals of employees are consistent with the development goals of the organization, so that they can better devote themselves to the complicated work. An enterprise with excellent organizational culture can drive employees to form a sense of responsibility and service consciousness, which can effectively stimulate their work motivation and enthusiasm, and create the source power of the enterprise. At present, many managers of small and medium-sized enterprises do not pay enough attention to the construction of organizational culture.[12] In particular, small and medium-sized enterprises are most likely to ignore corporate culture, they generally believe that the improvement of technology, extend the efficiency is more significant than the establishment of corporate culture. Many small and medium-sized enterprises still adhere to traditional management concepts, overlooking the incentive role of corporate culture within the organization. This leads to a misalignment between employees' values and the company's development philosophy, and may even result in a situation where they deviate from it.

### **3. Content Design of Incentive Mechanism for New Generation Employees from the Perspective of Ability-based Management**

#### ***3.1 Build an Ability Centered Incentive Mechanism***

Enterprises should enhance the current incentive mechanism for the new generation of employees, establish an ability-based incentive mechanism, and encourage employees to continuously improve their knowledge, intelligence, skills, and practical innovation abilities.[13] Meanwhile, enterprises should enrich employee incentive methods, combining material incentives with non-material incentives, and provide employees with multi-level, diversified incentive means. Enterprises should provide targeted incentives to the new generation of employees based on their characteristics and needs, thereby achieving effective motivation. Enterprises should establish and improve the incentive mechanism, link the salary of employees with their work performance, reflect their ability and value, and combine with

the degree of work contribution assessment, which can not only stimulate the work enthusiasm of employees, but also help the enterprise to implement the development strategy.

### ***3.2 Formulate a Scientific Salary System***

Traditional employees pursue stability and are conservative, while the new generation of employees is different from traditional employees. They dare to take risks and are good at seizing opportunities. Facing external opportunities, they will choose high-paying jobs first. Therefore, enterprises need to pay attention to the compensation incentive of the new generation of employees. Enterprises need to develop a highly competitive salary system, set up different ability levels according to the ability level of employees, and set up corresponding incentive measures for each level.[9] Enterprises should reasonably consider the position level, working ability and working performance of employees, formulate a scientific salary level, open the salary gap between employees, encourage employees to improve their salary level by striving to improve their own abilities, and stimulate the enthusiasm and creativity of employees. Enterprises can combine the personalized needs and preferences of employees to set up unconventional benefits, such as flexible working hours, free entertainment, etc., which can strengthen employees' recognition and belonging of the enterprise, improve employees' self-efficacy, and stimulate their motivation to work.[14] At the same time, enterprises need to pay attention to the compensation fairness when formulating the compensation system, and establish an open and transparent compensation system, which should include both internal fairness and consider external competition.

### ***3.3 Improve the Performance Appraisal System***

Establish a scientific and reasonable performance appraisal system, clarify the assessment indicators, combine the characteristics of the new generation of employees, formulate targeted assessment indicators, take the ability of the employees, to ensure that the assessment results can truly reflect the performance of employees.[7] At the same time, enterprises can choose to implement differentiated assessment. For employees of different ranks and positions, the assessment indicators and weights should be changed accordingly. Ensure the fairness and justice in the performance appraisal, and the appraisal results should be open and transparent, so that employees can understand their performance. In addition, it is also necessary to strengthen the communication and feedback with employees. Enterprises should establish an effective performance communication mechanism, broaden the communication channels between managers and employees, give timely feedback and recognition to employees' work performance and ability improvement, and ensure that employees know their own work performance and improvement direction. Through regular performance review meetings, face-to-face communication, telephone, email, etc., timely feedback of employees' work performance, guide them to improve their work, improve their work performance and work efficiency.

### ***3.4 Build a Complete Training System***

Enterprises should pay attention to the career development patterns of the new generation of employees, formulate corresponding training plans and goals based on the individual development plans of different employees, and provide them with targeted training courses, with the ultimate goal of effectively enhancing their work capabilities. Enterprises should provide diversified training and learning opportunities, and encourage employees to participate in external training and seminars, so as to broaden their horizons and improve the comprehensive quality and skill level of employees.[15] Enterprises can broaden employees' work areas and experiences by arranging cross-departmental job rotations, in order to meet the needs of employees at different stages of their careers. Meanwhile, enterprises can adopt a combined model of traditional offline training and online training to provide employees with flexible and convenient skill training courses.

### ***3.5 Expand the Promotion Channels***

Enterprises should establish a set of perfect and fair promotion system, pay attention to employees' personal growth and career development needs, and provide strong support for employees to realize their personal value. In order to meet the needs of the new generation of employees to pursue personal value and realize personal development, the enterprise needs to set clear promotion conditions and broaden the promotion channels. Ability-based management takes the ability of employees as the core, which fits with the needs of the new generation of employees to pursue personal growth and

development.[14] Enterprises should develop promotion conditions based on the specific characteristics of employees, focusing on factors such as their work ability and performance. This will enable them to feel cared for and supported by the company, stimulate their work enthusiasm, and meet the needs of employees at different stages of their careers. At the same time, enterprises should establish an open and transparent promotion mechanism. Fair promotion system can make the new generation of employees have a sense of fairness, stimulate and mobilize the work enthusiasm of them, so as to promote the long-term development of the enterprise. Enterprises also need to work with the new generation of employees to develop personal development plans, clarify their goals and paths for improving their abilities, provide promotion opportunities and job adjustments based on their ability levels and performance, provide necessary resources and support, and achieve better career development through improving their abilities. [16]

### **3.6 Establish an Ability-based Corporate Culture**

Corporate culture is the key factor to enhance the core competitiveness of the organization and maintain the cohesion of the organization. Excellent corporate culture can enhance the organizational identity of employees, and pass on the values of the enterprise to the employees, so as to improve the work enthusiasm of them, and strengthen their loyalty. The enterprise needs to establish an ability-based corporate culture, and establish the value of "the able is glorious, the able is promising".[11] An ability centered corporate culture can make the new generation of employees feel fair within the organization. The corporate culture subtly influences employees, fostering their identification with the organization, stimulating their work enthusiasm, better integrating them with the enterprise, and effectively motivating employees.

## **4. Research Conclusion**

The new generation of employees is the core force of the future of the enterprise and the driving force of the development of the enterprise. Their quality and ability will directly affect the future development of the enterprise. While they bring value to the enterprise, enterprise management will also face more complex challenges, which require enterprises to continue to explore according to their own actual situation. The discussion on the incentive mechanism of the new generation of employees has also become a topic that enterprises pay more and more attention to. Ability-based management is a kind of human-centered management with human ability as the core. It emphasizes that we should pay full attention to and develop the ability of employees in the management, which is highly consistent with the characteristics of the new generation of employees. Therefore, ability-based management has an important role and value in the incentive of new generation of employees, and it is of great practical significance to study the incentive problem of new generation of employees around competent management.

This article analyzes the current situation of motivation for the new generation of employees in enterprises, and identifies the problems that exist in their motivation systems. The main issues lie in the following aspects: single incentive method, a lack of competitiveness of the salary system, imperfect performance system, outdated training content, an unclear promotion mechanism, and the neglect of the incentive effect of corporate culture. Based on this, this paper, in combination with the ability-based management philosophy, proposes corresponding countermeasures and suggestions, mainly including the following six aspects: building an ability centered incentive mechanism, formulating a scientific compensation system, improving the performance appraisal system, building a complete training system, expanding the promotion channels, and establishing an ability-based corporate culture. In the future, when building employee incentive mechanisms, enterprises should fully consider the application of ability-based management, in order to stimulate their work enthusiasm and creativity, which is conducive to cultivating more high-quality and capable employees for the enterprise, providing strong talent guarantee for the sustainable development of the enterprise, and improving the overall competitiveness of the enterprise. This has important practical significance and value.

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