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The Revolution of the Generation Y in the Economy

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Introduction

The interrelationship between population and economy has interested economists for ages. The present study focuses on the generations – especially the Y generation. On the basis of different empirical researches – carried out by sociologists and psychologists – we deal with the main characteristics of this generation, with their values, norms, attitudes and study their impact on the economy, both on the product market and the labour market. The aim of this article is to wake ideas and raise awareness of the importance of this matter, in the hope to inspire further researches in the field of theoretical economics.

Generation and economy

The interrelationship between population and economy has interested economists for ages. The demographic characteristics of a given population – e.g. its size, its rate of growth, its components according to gender, age and generation- as well as their changes have a

significant effect on the economy both at macro and micro levels. On the basis of the classical model of demographic transition¹, the European region is at the stage where both birth and death rates decrease. Furthermore, there are some European countries, such as Germany, Italy and most of the eastern and central European countries where the decrease of the birth rate is higher than that of the death rate. It leads to the acceleration of the ageing of the population, as well as to its stagnation and decrease. The natural decrease can be considered normal. The demographic processes in Europe are changing the structure of the population and the proportion of generations within it. Because of the changes, the analysis of the structure of the population according to generation is becoming more and more important.²

The definition of generation is the following: it is an empirical and emotional community with shared reference frames, which ensure its break from the past. Based on the work of sociologists and psychologists the following generations can be distinguished: traditionalists, born before 1946, baby-boomers, born between 1946 and 1964, generation X, born between 1965 and 1979, generation Y, born between 1980 and 1999, generation Z, born between 2000 and 2009, and α generation, born after 2010.³

The characteristics of these generations are different. These generation differences are not new phenomena. Each new generation tries to find its own place in the world. They look for new possibilities and identify their limits. The results of empirical researches show the acceleration of the generation change and the intergenerational shifts. The difference between consecutive generations increases and the generation gap is bigger than before.⁴ These processes have mostly been in the focus of sociologists and psychologists so far.⁵ The reason why they may get into the focus of economists' attention now is that it has been realised that the behaviour of economic agents, the changes in behavioural patterns, consumers' preferences, the learning process, their innovative and adaptive skills are influenced by generation differences according to the weight of each generation. This phenomenon also affects how each market works, what power relationships exist between market agents, the competitiveness of the economy, the possibility of development, as well as the structure of social, political and economic institutions.

From the aspect of active economic agents, the Y and the baby boomer generations are in the focus of our attention. Currently these two generations have the largest weight in the population. The baby-boomer generation leaves the labour market gradually, retires and they are followed by generation Y, whose significance is becoming more and more important

together with their values, attitudes as well as their economic behaviour and decisions. At the same time, in most European countries experience a significant immigration. The age-distribution of these migrants (they mostly belong to the young generations) intensifies this tendency. In the different regions of the world the structure of population varies, influencing regional competitiveness and the speed of potential growth rate.

Focusing on the economic effect of the generation shift, we are going to examine the most important characteristics of generation Y and their effects on consumer behaviour as well as on the labour market. The question is whether the effect of generation Y on the economy is bigger, or different from that of the previous generations. Is it relevant to talk about a revolution in the economic sense? What is the impact of the generational difference on the institutional structure?

The analysis of the economic behaviour of generation Y

The behaviour of economic agents is extremely complex and their emergence and change is going on in space and time. Environmental changes, technological development and the interaction between social and economic changes induced by them can be interpreted as co-evolutionary processes.

Technological-economic changes always take place in a given institutional structure influencing its direction and speed having a countereffect on the institutional frameworks themselves. This technological-economic change modifies the demands of agents, their preferences and value system, their attitudes, problem-solving methods, as well as their economic behaviour through the adaptive process. Those innovative adaptive strategies that prove to be effective get strengthened, spread around and cause significant changes in behavioural patterns. They have a countereffect on economic, legal and political institutions as well as on the following technical development.

Consequently, it would be important to see what factor affected the economic behaviour of generation Y. We have examined the most important environmental changes- without giving the full picture - that form the examined generation's behaviour fundamentally. From the changing environmental conditions, the ones that should be focused on, are the fast development of information and communication technologies. It is the first generation which has been socialised in this more and more, newer and newer technological solutions follow each other in faster environment, where the internet and cell phone determines their lives.

While becoming adults they see faster and faster accelerating change, which require flexibility, creativity and they have to adopt the required behavioural pattern fast. However young people know and can use the latest techniques than adults can, so following the older generations' example becomes questionable. The information available is endless, opportunities are multiplied. All this leads to the situation that they become uncertain of decision-making in contrast with their seeming self-confidence, so they will need external support. The networks created with their peers have outstanding roles in their lives. They help information exchange, solve problems and make the spread and dominance of more 'fashionable' behavioural patterns much faster than before.

The other significant environmental change is connected to globalisation. As a result of globalisation, western lifestyle is spreading fast and is getting integrated efficiently into the local economic agents' behaviour. Because of globalisation, economic competition is intensified, there is an urgent need for innovation. Companies are searching for those consumers who have purchasing power, can easily be influenced and want to keep pace with changes. It is the short-term thinking which is enhanced both in consumption and production. Companies tend to sell 'feelings' rather than products. (There is an increasing ratio of immaterial goods connected to a physical product.)

This generation has grown up in a relatively peaceful social and economic environment in Europe. But family for them is significantly different from those of previous generation. The size of an average family decreases due to the decrease in birth rate and the increase in divorces. The maternal age extends, mothers have become more educated and work full-time. They have less time to raise children. As compensation, generally parents are more permissive and they buy everything their children want.

It also must be emphasised that this generation has been brought up on commercial TV channels. On the basis of the suggested behavioural patterns and system of values, anyone could be a celeb in a very short time. Among celebs it is not achievement that is important, but simply to stand out of the crowd.

In Central - Eastern Europe the change of the political regime was an important factor, which brought dramatic formal and informal institutional changes with itself and resulted in huge contradictions between the old and the new system of values.

The main characteristics of generation Y⁶

Individualism is a value of this generation and their own personalities are in the focus, in many cases to the disadvantage of others. They are continually connected to their social network, while they have low social but high virtual interaction. Peer groups have a strong effect on them and they move from local offline connections towards open, online and international networks. They can easily adapt to multicultural circumstances, which shows that they have higher tolerance level. They search for recognition and fame, and require feedback. They are more socially conscious people, but they are more sceptical of authority too.

They have a high degree of self-confidence, they are more optimistic and more comfort-loving. They would like to enjoy the present, that's why they don't want to wait for things and often say that they deserve certain things. They highly appreciate freedom, formality-free working atmosphere and rules. They have a strong need for and interest in technology and they have developed a desire for information. They deal with more than one thing at the same time, so they are able to divide their attention.

Holistic thinking gets stronger at the cost of logical-analytical, linear thinking. The direction of changes is exactly the opposite of the one at the time of the emergence and spread of literacy. Still, its significance is at least as big as that of the previous one. This generation concentrates on one thing for a short time, they have a short attention span, their attention gets from one task to another and then back, they are impatient and find less lively actions boring. They have a weaker desire for in-depth knowledge and are less interested in professional matters. The content of knowledge has changed dramatically since they know where and how to find the necessary information.

Non-traditionalism is typical of them and they do things differently from how things were done in the past.

The difference between sexes is more and more vague. Women's equality is natural, their gender does not restrict their expectations. This generation thinks that they can be successful without a family or children. However, they are not feminist in the traditional sense. They get married in their twenties and have children in their thirties.

Despite the above-mentioned shared characteristics, we cannot consider this generation as a homogenous group. Within the generation differences may be high. The situation of those left behind the average is getting worse and worse, becoming hopeless (e.g. on the labor market, satisfy their needs in lower levels).

And now we can study what the economic effect of the generational component could be on the set of values, preferences and behavioural traits. Could they cause revolutionary changes in the field of economy?

Generation Y as consumers - HOMO CONSUMERICUS

The members of the generation Y become consumers much earlier.⁷ They represent a significant purchasing power since they have more available income or rather, they spend their, or their parents' money more freely than any of the previous generations.

They would like to follow the trends dictated by celebs as soon as possible. They like products that show their individuality and their belongingness at the same time. They are not loyal to a single brand, they easily change from one to another, although brands are important for them. A stronger focus on individualism results in an increase in emotional and individualistic preferences. They have an important role in the consumer decisions of the family and often direct them. At the same time, they need parental advice in connection with their more important consumer decisions but turn to their peers if it is about less significant decisions. As a result, consumer decisions are more and more similar to business decisions, since they move from individual decisions towards group decisions and use advisers.

Their use of the media is significant, since they turn to the internet almost all the time. Because of this, the informational monopoly of companies has already significantly decreased. Market power turns towards consumers and makes the opinion and experience of their peers accessible immediately. This process cannot be controlled by companies and their consumer behaviour cannot be influenced so easily. They buy what they want and when they want, and comfort is more important in their decisions than price.

Before shopping, they collect information and have a significant consumer knowledge. Trust is very important for them. They only purchase the products of the company that they trust. If the company tries to tell them what to do, they turn their backs to it immediately. They mostly spend their income on themselves and have moderate responsibility for others. They are

conscious consumers. Generation Y has been socialised into a world where debt is used rather than savings to finance consumption.

Generation Y at the labour market

Generation Y is increasingly entering the job market, so their influence on business life in the next decades will be higher and higher.⁸

The search for job is more and more similar to consumer decisions. The job seekers have clear preferences (career opportunities, work–life balance, income). They gather information about potential jobs, weigh alternatives and form judgement before personally meeting the employer. The role of emotional decisions is more and more important. They find the image and reputation of the company important. They are willing to work for a company for an even lower salary if it increases their social status within the group. These are mostly multinational companies located in big cities. The role of colleagues' information is important in their decisions.

They are well-educated, have more than one profession, command of foreign languages, so they are flexible work force. Companies are now well aware of the fact that the role of colleagues in competitiveness is much more important than earlier, so their position at the labour market is favourable. They work for more companies at a time and self-fulfilment is very important for them. They would like to reach self-fulfilment primarily through work and not in their family as the previous generation did. This generation is not loyal to their employer and is more open to change workplaces.

Clearly defined tasks and short instructions are very important for them and at the same time they reject formality. They require interactivity and the use of technical devices at work. The dividing line between free time and work time is getting unclear. They work at home in their free time but they chat, and use Facebook in work time. Their networks of relations are more independent from their workplaces.

How can we make use of this knowledge in our theoretical models?

In the field of information economics we have to take into consideration how well-informed economic agents are, the monopolistic power based on the possession of information decreases, which has an impact on economic agents' decisions. Signaling models should be expanded on the basis of the features of the labour market. Companies with their cost-based

pricing move towards the direction of value-based pricing in their price determining behaviour.

An other theoretical field where we can use this knowledge is that of social welfare. Determining the social utility function, we have to take into consideration the weight of different generations in social system of preferences.

When we study the dynamic processes of economy, the factors influencing diffusion have to be modified in innovational models according to the learning process of this generation.

When modelling the expected economic behaviour, we should take into consideration the differences between generations as well as the homogeneity within a given generation. The models about economic development could be expanded on the basis of the characteristics of generations in connection with productivity.

In the field of business economics the change in business management, business strategy should be analysed together with the relevancy of organisational responses given. All of these open a wide perspective both in the field of theoretical and empirical researches.

Summary

Based on this article, can we talk about the revolution of generation Y in economy? The answer is yes. Their effect is more significant than that any other generations because of their weight within the population, their quick and creative adaptation to a changing social-technical-economic environment. The facts that they are the age-group primarily affected by migration and that their ratio in the population of the target countries increases, also increase their importance. Due to the ratio of generation Y in the population, it is supposed that there will be generational immigrants from the previous and the following generations too, as a result, the spread of their behavioural pattern will step over the boundaries of generations.

Conclusion

Environmental changes, technological development and the interaction between social and economic changes induced by these can be interpreted as co-evolutionary processes. As a consequence of these co-evolutionary processes the preference and value system of economic agents, their attitudes, problem-solving methods, their economic behaviour will be modified. In this article focusing on Generation Y we proved the importance of the analysis of the

structure of population along generations, which opens a new field in theoretical economics. Pointing out the new opportunities we intend to give bases for further researches.

¹Thompson S. Warren, *Encyclopedia of Population*. 2. (New York: Macmillan Reference. 2003), 939–40.

² Baggallay, Saffron (2011): How Population Distribution Will Influence Our World In To The Future, 2011. nov. 3
www.tomorrowtoday.co.za/2011/11/03/ (13.04.2012)

³ Karl Mannheim, „The problem of generations”, in „*Essay on the sociology of knowledge*” ed. Paul Kecskemeti, (New York: Oxford University Press, 1952), 276-320.

⁴Robert Half, *Survey Generation Y, A new generation in the workforce*
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⁵ Glen H. Elder Jr. Time, „Human Agency and Social Change: Perspectives on the Life Course”, *Social Psychology Quarterly*, 57, (1994): 4-15.

⁶ Rebecca Huntly, *The World According to Y: Inside the new adult generation* (New South Wales: Allen & Unwin, 2006) & Tari Annamária, *Y generáció* (Budapest: Jaffa Kiadó, 2010)

⁷ Anders Parment, *Generation Y in Consumer and Labour Markets* (New York: Routledge, 2012), 112-117.

⁸ *Ibid*, 117- 135. & Johnson Controls: *Generation Y and Workplace Annual Report 2010. Global WorkPlace Innovation*, Haworth and iDEA, (2010).