



## Surviving the Generational Clash

**How society can avoid fragmentation as generations blame one another for these precarious times.**

The demographic change of ageing populations brings challenges on several fronts. Some of the questions raised are about how to finance retirement systems or how to best develop the talent and skills needed in a changing economy. In many developed countries a clash of generations seems to be emerging, encompassing inequalities in wealth and uneven access to adequate entitlements to pensions, as well as different work practices and divergent perspectives in corporate life amongst boomers, Gen Xers and millennials.

Generational differences regarding attitudes, work behaviour and life choices are symptoms of wider economic trends. The context for the younger generations is very different than that of their parents or grandparents. The well-documented generational divide in terms of wealth accumulation is so large that in the **United Kingdom** some young people say they would rather have grown up in an earlier time. This may be the first time in industrialised history, save for periods of war or natural disaster, that the income of young adults has **fallen** so much in comparison to the rest of society.

Why does it matter? Diverging generational expectations and aspirations are likely to affect public policies. The behaviour and political preferences that these dissimilar expectations convey ultimately transform the nature of organisations and work in a society. Moreover, if

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intergenerational conflict over political matters becomes corrosive, it may hamper economic prosperity. The Brexit referendum, for example, showed marked differences between young people who preferred that the U.K. remain in the European Union and those older British who voted to leave.

### **Millennials are adaptable, not evil**

Younger generations like millennials (born between 1985 and 2000) behave differently in the workplace because the workplace has changed. Yet many stereotypes (unsupported by scientific evidence) lead to unproductive **organisational conflict** between generations and even discrimination. This is reflected in the proliferation of books bashing millennials as an entitled and disloyal generation or cases of ageism in Silicon Valley where older workers are unable to find jobs.

In reality, more than any personality trait, the behaviour of people at work and beyond is largely driven by the organisational, institutional and economic context.

If fewer young people now **visualise** staying with a single employer, it does not mean they are lazy or disloyal. Expectations about careers are changing (even if career patterns across the generations are **shifting slowly**), in part due to evolving work practices and more precarious career prospects.

Although they may go elsewhere after only two years, millennials do like stable jobs but they must **adapt** to the new world of work. Job hopping could also be the result of how promotions are increasingly based on lateral moves instead of climbing the ladder vertically. In the 1970s and 1980s, young people understood the principle of slowly moving up the corporate ladder, but this path is no longer readily available.

It may seem that millennials want to be informed all the time, even about **strategic company** matters that are above their pay grade. This doesn't mean they are an entitled generation, but rather that they grasp the importance of information. The nature of work is changing, with fewer hierarchies and more open collaborations. While boomers grew up with hierarchies in which role and structure defined who they were, millennials grew up in the world of social networking.

### **The challenge of “Generation Risk”**

Economic cycles such as the Great Recession have a direct impact on the work and life outcomes of generations. Many millennials who were trying to enter the labour market in developed countries like Spain, Portugal or Greece right after 2008 may have **lost critical productive years** given the lack of opportunities and labour-market regulations which made it easier to fire young workers before the older generation. Bad outcomes in early adulthood have persistent negative **consequences** on future earnings.

Structural trends in the context of technological change and globalisation inspire the label “Generation Risk” for millennials. Although educational levels are much higher than for previous generations, the labour market looks degraded with the rise of the gig economy and overseas outsourcing of jobs. Employment and organisational practices fuel existing inequalities, particularly eroding the bargaining power of unskilled people as wages have stagnated for decades. Even for workers within the **same occupations**, there are growing disparities in earnings across generations. Therefore, when choosing a career, millennials need to factor in more randomness than their parents' generation which had greater certainty about compensation and promotions. Even pension systems are being privatised and transferring risk to workers – whereas older generations still had access to final-salary schemes.

Since the young are more likely to fill the ranks of the “precarariat”, given the lack of access to the property ladder and a potentially declining access to secure and stable jobs, millennials have a sense of generational togetherness. Even though people in

each generation are diverse – and younger generations are more so in the era of globalisation and multiculturalism – generations still form a common identity because cohorts of people share common traits and values by virtue of similar experiences. Their values, attitudes and knowledge are shaped by wider economic trends (including new organisational practices and ways of working) and by evolving social structures, power and technology.

### **The political perils of fragmented identities**

Economic hardship can affect political preferences of whole generations, particularly since experiences like the Great Recession can be carried forward in memory. The Silent Generation that grew up during the Great Depression and World War II valued financial security very highly. This was the time when most welfare states in industrialised countries matured. Youngsters who grow up **believing** that success in life depends more on luck than effort may prefer more government redistribution (at the expense of a pro-market stance). Changes in culture across generations can affect the whole philosophy of the corporate world in terms of key issues such as employment relations or shareholders, and reshape the social contract.

The risk is that different segments of society become fragmented, split by different values and political preferences, in part the result of unequal economic outcomes. The generational divide is one case, but there are other demographic groups facing *disenfranchisement* and thus also becoming fragmented. Fragmentation is costly for societies when political processes become antagonistic and destructive, leading to bad policies and populist movements that do not necessarily favour the very people supporting them. In the United States, working-class Americans voted for a political party that proposes tax reforms benefitting the top 0.1 percent. It is clear by now that such **‘trickle-down’** policies often do not work. Fragmentation is fuelled by social identities that pursue diverging values; such identities are generational but also cultural – the white, working-class who voted for Donald Trump have always been culturally delineated.

### **Let's speak to each other**

Achieving prosperity that is shared evenly across generations, and across all segments of society, requires policy actions beyond tax and benefit changes. Yet, because of the uniqueness of experiences faced by different generations, policies that worked well in the past will not necessarily work well in the future. Reforms to education systems, more in line with new ways of working, and active labour market policies need to tackle new employment challenges. Discussions about a

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**universal basic income** and welfare reform seek to re-invigorate the social contract in an age of profound and increasing inequalities, including generational ones.

Nevertheless, real engagement across all segments of society is needed to ensure policies lead to inclusive economic growth. Bad policies are the result of unproductive conflict in values across generations. Often conflict arises because of **poor communication** between generations. Indeed, millennials seem to hold different values. In a globalised world, they are perhaps the most diverse group of young adults ever and, for this reason, they have a reputation for having adopted more progressive, forward-thinking values. The reality is that millennials agree with older generations when it comes to the value and legitimacy of work, the role of government in helping the poor and the inefficiency of government intervention. We must now better understand each other and align with our greater, common objective as a society to achieve prosperity.

Greater participation of young people in the political process can help overcome the generational divide. Millennials are arguably less partisan and politically active than previous generations. Thus the institutions that structure their lives really have not transformed while the rapidly-changing world suggests that they must. In this context, it would not be a bad idea that millennials truly become “Generation Me Me Me”, as they are often wrongly portrayed. By asserting their needs, they may avoid becoming “Generation Risk”.

***Eduardo Rodriguez-Montemayor** is a Senior Research Fellow in INSEAD’s Economics and Political Science Department and is the Lead Researcher of the **Global Talent Competitiveness Index**.*

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