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CHAPTER 2

Introduction

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Society is changing and the result is continuous alterations in the patterns of society, work and consumption. On the one hand, the birth rate is falling sharply in the most developed countries, while continuing to remain steady or rising in developing countries. On the other, migratory movements are beginning to be more than a question of necessity to become an option for self-improvement, an assumable risk or simply, an opportunity for new experiences. Immigrants do not only join the lower segments of the job market; increasingly they are also occupying positions of responsibility in business.

Similarly, the ageing of the world population is forcing us to take a new look at the concept of “the old person” (over 55) and to replace the idea of *burden ageing* with that of *ageing well*. The graphs clearly show that we are set for exponential growth in ageing over the coming years, especially when the baby boomers reach retirement age (1946-1964; in Spain, 1957 to 1977). Old people (or “seniors”) are taking on new roles in society and demanding new products and services tailored to their physical needs, which will keep them integrated in society—of which they are the largest age group.

Baby boomers over 55 are accepting new ways of understanding life, society and the world. They have lived with major hardships, in a time of general economic boom, have seen first-hand the development of new technologies and have grown to maturity in an era of more liberal moral, ethical and religious convictions than their parents. All of this has led to a change in the way society sees its old people.

Finally, younger generations are growing up in secure surroundings (in every sense of the word) and mostly appear to lack a sense of responsibility and deep-rooted commitment: they change jobs frequently, demand improvements in their working conditions for lower productivity; the rate of singletons is rising among Generation X and is even higher in Generation Y; they are finding new leisure and spare time activities, etc.

Notes

The new generations, therefore, tend to be indifferent to work and unengaged with the firm where they work, making them market mercenaries, constantly changing company, with all that involves. These features do not appear to be in any way diluted among the Net generation, who view technological tools as extensions of their own anatomy and see work as a form of leisure, of building social relations and an opportunity for travel and experimentation.

Sensitivity to population ageing, which has featured in the news for somewhat over five years now, has been accompanied by considerable debate on the phenomenon of immigration. The United States has spearheaded all matters related to immigration, implementing policies—for good or ill—that led it to play host to people from all nations, creeds and races. The result is that most European countries, which have experienced an exponential rise in immigration over the

last decade, now look to the US as either a model to be imitated or an example that can be used so as not to repeat the same mistakes.

This influx has been variously seen as a danger, a risk, an opportunity or a challenge for governments of all hues; what nobody can deny is that the influx of immigrants has helped prevent the birth rate plummeting in these host countries. Furthermore, many of these immigrants have found their way to top positions in businesses. As a result, their consumption patterns and their cultural roots have changed dramatically; in order to understand this situation and see the trends that will govern tomorrow's society, it is essential to understand this development among the new arrivals.

The increase in single people among the younger generations, the new seniors, who refuse to accept the same limitations of age as the previous ("silent") generation, immigrants with financial resources and a shortage of young people... all of these factors are creating a new scenario which needs to be analysed if we are to understand what is happening and anticipate the commercial needs these changes will produce over coming years. We need to define the new products, new services, new markets and new patterns in distribution and advertising if we are to turn these changes into business opportunities. Of all these segments, this publication will be looking particularly at the new consumer groups of senior citizens and immigrants, viewing them as a non-uniform target group, whose differences need to be accepted, but who have certain common features that need to be understood.

Population ageing offers some very attractive business opportunities, in that as a segment, older people hold out certain important advantages: they receive an income free of fixed expenses (such as mortgages, childcare, etc.) and they have plenty of spare time. However, it is important to bear in mind that the Pay-As-You-Go¹ pension model, which has become common in developed countries, is no longer sustainable. As a result, we cannot think about how our old people will spend their money and how they can generate greater benefit for society if we have not guaranteed a secure and stable system of payment, both in the domestic area and in terms of impact on national GDP.

Along the same lines, although for decades it was felt that a person ceased to play a useful role in the workplace at 65 or even earlier, companies are now increasingly looking for ways to develop a sustainable employment model that will guarantee productivity of all employees in their tasks and offer them greater opportunities throughout their career. In this sense, we will speak about "knowledge management".

Elderly people now account for 25% of the Spanish population and yet are largely ignored by businesses: firstly, because they represent a heterogeneous target group in terms of income, health and forms of cohabitation, and secondly, because they still spend less than other younger age groups. This is changing, however, at a dramatic rate, due to an increase in "*mileuristas*" (people earning

¹ Defined as the formula whereby people in employment (of working age) pay for expenditure on pensions.

under €1000 a month) in the younger group and early retirement among older people. The latter group will account for most spending on quality goods and services in coming decades.

In terms of immigration, one look at the statistics shows that the birth rate among immigrants is considerably higher than among the local population. Nonetheless, this can only marginally slow down a process which now seems unstoppable: population ageing. Given that immigration is not going to slow down, but will instead continue to provide influxes of (skilled and unskilled) human capital, of great interest to business, it seems incongruous that no global system of social welfare contributions has yet been developed, with a pension system that would guarantee payment after retirement to those who have worked in more than one country. It seems imperative to try to develop a model that will respect any citizen's decision to emigrate to another country for whatever reason.

Immigrants account for approximately 10% of the Spanish population and the trend is for this growth to continue. This segment **has increasing purchasing power** and greater capacity to demand high quality products and services. Companies therefore need to adapt to these changes or better still, anticipate them, in order to gain a competitive advantage.

In order to help readers understand properly the specific circumstances and limitations of the different generations mentioned here, we offer this very relevant and contextualized description offered by José Manuel Casado, partner of Accenture, in his excellent article "Sopa de Letras para la Dirección", in December 2007.

Silent generation: with their sense of resignation and discipline, silently and uncomplainingly repeating the same movements like automatons (hence the name), they were the inspiration behind Charlie Chaplin's *Modern Times* in 1936, which showed the desperate conditions in which the lower classes of the silent generation had to work during the Great Depression. Conditions were very harsh, driven by industrial efficiency and mass production. They suffered in disciplined silence at work, grew up in a period of great economic instability and saw how their parents and elder siblings took up arms in the wars or received help under the Marshall Plan. Perhaps for all of these reasons they tended to stress **stability** and the quest for the yearned-for welfare state.

Baby boomers: this generation comprises several million people born between 1946 and 1960. They are major shoppers and compulsive consumers; liberated parents, the only thing they fear today is any word connected to age. In the US the group they number more than 80 million people; they enjoy excellent health and considerable purchasing power. Mature Americans control around of 50% of all spending in the country. As a rule, they stay in the same company throughout their career. Their **values are material:** money, ownership, etc. In their day they were part of the group that so preoccupied the business world—yuppies; they were educated in the referential model of economic success as an end in itself, savings, total

availability and sacrifice, in the purest Calvinist sense. Their work was essentially manual and technology played a secondary or tangential role. Perhaps for this reason, 50 is considered as the break-off line for major computer illiteracy. These are workers who began typing their reports with two fingers on noisy typewriters, and were accustomed to paper and storage and all that world. Later they came in contact with the tape-drive computers, and then floppy disks, and now they are familiarising themselves with DVDs, pen drives, USB cables, and so on. This generation currently holds most of the top posts and the have values, beliefs and principles that are very different to those of subsequent generations. In any case, their imminent retirement will further aggravate the lack of skilled workers. In the US, for many companies the retirement of the baby-boomer generation will mean the loss of an important number of experienced workers in a very short period of time. The aerospace and oil industries, for example, are set to lose half of their engineers over the next five years. Over the same period, over half of the people in the top positions in the 500 largest companies in the US will leave.

Generation X: comprises those born between 1961 and 1972; media experts; compulsively turned off by ideology; alternative; formerly **rebels and now a major economic force**. They were responsible for the demise of such sayings as "Children should be seen and not heard" and they put an end to the use of the formal *Usted* form when addressing parents or grandparents.

Generation Y: born between 1972 and 1982. They might be considered to be a subset of Generation X, albeit with their own identity. Positive retro style; they dance to swing, rap, big band, live outdoors, indulge in "*botellón*" (outdoor teenage drinking parties), etc. They know that they were born into a falling population and raised in times of economic uncertainty, and this makes them more independent. Their idea of loyalty is different to their parents'; loyalty is to oneself, not the company. The appearance of this generation and the net generation is enough to drive most human resources managers crazy (nearly all of them are themselves still baby boomers. They have been brought up in a time of technological progress and economic prosperity; most have received a very carefully scheduled education from their parents—school, sports, languages, extracurricular activities, etc.)—and they have been lavished with care, convenience and help to reinforce their self-esteem. As workers they have a strong voice of their own and a great deal of self-confidence in the business world, putting all their professional needs and convictions on the table. They are more egocentric than the members of any previous generation; they have a confidence and an optimism which comes from knowing what they need. They are both rebels and realists, and have seen some of the economic uncertainties and working experiences of their parents (the baby boomers): high and lows in prosperity, business restructuring, redundancies, etc. These generations base their principles on more post-material values. They are known as **talents on account of their more creative mentality**; as employees they are more committed to their work and their profession than to the company. They have different values and needs, tend to be better trained and informed, use knowledge as a lever for employability, and seek to improve not only in get more pay and recognition, but also as a form of self-affirmation and personal fulfilment.

Millennium Generation, Net Generation or Screen Generation: born into an entirely globalised world in which online Indian, Iranian and Mexican professionals

form part of the same market. Just as their parents dominated the economic, social and political world, the Net Generation will dominate the future. They are more sure of themselves, oriented towards sharing and teamwork. The millennium generation consists of babies born between 1982 and 2002. They are technological wizards, very highly educated and multicultural. They are constantly bombarded with messages from the media; they have used the Internet as a guidebook for their career and their education, they have purchasing power, they dance to cheerful, lively music and they live virtual lives through a screen. Lovers of wellness and the gym, they tend to wear large headphones, with a laptop under their arms, and frequently use designer glasses; they are often to be found sitting on the ground in a park using their Blackberries to stay in contact with friends who may be anywhere in the world, sending them a photo they've just taken with their digital camera as they listen to all the best music on their iPod. Nonetheless, working with these people does pose some problems, as a result of their privileged childhood: they are unwilling to perform the mechanical or second-rate jobs normally reserved for rookies; perhaps because they have been very spoiled and have had a very programmed upbringing with help, they seem very accustomed to getting their own way; they are very ambitious: the economic euphoria of the 1990s, which they enjoyed as teenagers, and the fact that they grew up in a affluent society, may be the reasons why their wage expectations are very high from the outset. Like their immediate predecessors, they express their dissatisfaction clearly and freely, without fear, because at home they have been brought up in an environment of total freedom of speech. It is they who work the TV remote and choose holiday destinations, where to eat out at the weekend, what school to study in, etc. They are used to being consulted about any family decision and to having their opinions taken into account, and as a result they do not easily accept imposition, and will rebel against it. They have been brought up in a family democracy and know no other system of government; as a result they are not prepared to accept "do this because I say so" type arguments.

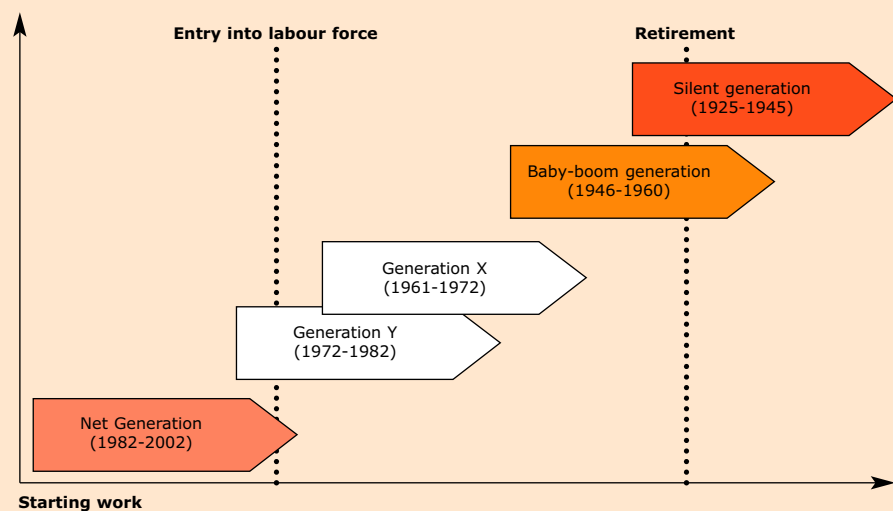


Illustration 1. Workforce generations.

Source: José Manuel Casado, "Sopa de Letras para la Dirección" (article), Accenture, 2007.