

**CDSSES 2020****IV International Scientific Conference "Competitiveness and the development of socio-economic systems" dedicated to the memory of Alexander Tatarkin****PERCEPTION OF THE ECONOMIC REALITY OF THE YOUNGER AND OLDER GENERATIONS**

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**Abstract**

Most countries are facing an aging society, as fertility declines while life expectancy increases. In this context, the society's essential goal is to establish and develop productive relations between different generations. One of the aspects of such relations is the common perception of economic reality. The study aims to identify differences in perception of economic reality between the younger and older generations. The main tool was the Economic Attitudes Questionnaire. The conducted study (N=400) revealed differences between the younger and older generations in nearly all the economic spheres: employment, consumption, savings, investment, entrepreneurship, and others. On the one hand, the differences can be explained in terms of socio-psychological features of the age: life experience, conservatism, cautiousness, and rationality of the older generation, and the focus on the future, optimism, unawareness of their strengths, and determination of the younger generation. On the other hand, vivid differences indicate a different economic picture of the world shared by individuals of two age groups, leading to misunderstandings and conflicts. Recommendations for business and state-owned companies are presented based on the research results.

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*Keywords:* Economic attitudes, economic behaviour, perception of economic reality, the young generation, the older generation



## 1. Introduction

The phenomenon of the ageing population is unprecedented in human history, causing dramatic changes in needs and opportunities, which can lead to significant consequences for employment, savings, consumption, economic growth, asset value and budget balance (Bloom & Luca, 2016; Maresova et al., 2016).

Most countries are facing an ageing society as fertility declines while life expectancy increases. The older generation plays an increasingly important role in society, including in the economic sphere (as consumers, employees, investors, entrepreneurs). On the other hand, some younger people are not ready for such changes. According to a number of authors (Teixeira et al., 2017; Vogel et al., 2017), ageing of the population poses significant economic risks to the socio-economic development of countries.

In this context, intergenerational interaction issues based on similarities and differences of views and behaviour have become particularly relevant. The important aspect of these relationships is the shared perception of economic reality by the younger and older generation.

## 2. Problem Statement

In recent years, economic science has actively explored objective indicators (predictors) of the economic behaviour of the elderly people, such as the size of their pensions (Cheng et al., 2018; Pak, 2020), saving rate (Ye & Post, 2020), socio-economic status (Shi et al., 2014; Samuel et al., 2020), gender characteristics (Aziz et al., 2016; Bielawska, 2019; Shi et al., 2014), health condition (Shi et al., 2014; van Zon et al., 2020) and others.

At the same time, the subjective (psychological) factors that affect older people's perception of economic reality (Bonsang & Costa-Font, 2020; Estrada et al., 2010), as well as the comparison of their economic picture of the world with similar parameters, are much less common among younger people (Huang, 2013). However, understanding these differences (and similarities) is what provides approaches to many of the economic problems of the ageing society. In this context, the study of features of perception of economic reality by different generations is of great scientific and practical importance.

The reflection of economic reality takes place in the economic mind of the individual and group (Deyneka, 1999). There are different scientific points of view on the nature and structure of economic mind, but most scientists admit that economic attitudes are its essential element (Zabelina et al., 2019).

## 3. Research Questions

The following questions have been formulated during the literature review:

1. Which economic attitudes are the most evident among young people?
2. Which economic attitudes are the most evident among the older generation?
3. What are the peculiarities of the younger and older generation's perception of economic reality?

#### 4. Purpose of the Study

The study aims to identify similarities and differences in economic attitudes between the younger and older generations.

#### 5. Research Methods

The primary tool was the Economic Attitudes Questionnaire (Deyneka & Zabelina, 2018). The questionnaire is designed to examine the main economic attitudes. The current version of the questionnaire consists of 23 statements that characterize different areas of economic behavior: proprietor (attitude towards money, property, savings, and investment behavior), consumer, entrepreneur, and hired employee. Respondents were asked to assess the degree of agreement with the statements on the 7-point scale (1 - absolutely disagree, 7 - fully agree).

The sample consisted of 192 young people aged from 18 to 35 years (average age 22.8) and 208 people of pensionable age from 47 to 91 years (average age 65.8) living in the Urals region of the country.

#### 6. Findings

To find out which economic attitudes are the most prevalent among young people, as well as to determine the adequacy of their distribution, descriptive statistics of the economic attitudes of this age group have been calculated (Table 1).

**Table 1.** Descriptive statistics of economic attitudes of the younger generation

Economic attitude	Mean	Asymmetry Statistics	Asymmetry Standard error	Excess Statistics	Excess Standard error
Rationality of purchases	3.6719	.105	.175	-.544	.349
Customer satisfaction	3.9167	.122	.175	-.787	.349
Willingness to save money	4.9115	-.461	.175	-.623	.349
Confidence in the future thanks to savings	3.1042	.411	.175	-.583	.349
Financial literacy	3.5417	3.313	.175	26.697	.349
Consumer activity	4.7344	-.437	.175	-.803	.349
Willingness to invest	3.4896	.311	.175	-1.128	.349

Activity and rationality in the banking sector	4.4688	-.357	.175	-1.034	.349
Distrust in banks, irrationality	3.3403	.345	.176	-.376	.350
Cognitive economic activity	2.7865	.825	.175	.111	.349
<b>Significance of independent economic achievements</b>	<b>6.0156</b>	<b>-1.632</b>	<b>.175</b>	<b>2.464</b>	<b>.349</b>
<b>Economic ambitions</b>	<b>5.5365</b>	<b>-.992</b>	<b>.175</b>	<b>.382</b>	<b>.349</b>
Negative attitude towards entrepreneurs	3.1146	.584	.175	-.384	.349
Real estate activities	3.9375	-.004	.175	-1.203	.349
<b>Financial optimism</b>	<b>5,1823</b>	<b>-.623</b>	<b>.175</b>	<b>-.413</b>	<b>.349</b>
Priority of money over vocation	3.9844	-,083	.175	-,877	.349
Significance of financial status	4.6667	-.407	.175	-.449	.349
<b>Awareness of irrational consumption</b>	<b>57760</b>	<b>-1,138</b>	<b>.175</b>	<b>.835</b>	<b>.349</b>
Financial illiteracy	4.7031	-.407	.175	-.997	.349
Social responsibility of wealth	4.2135	-.127	.175	-.799	.349
Priority of money over health	3.5104	.302	.175	-1.024	.349
<b>Avoiding debt</b>	<b>5.7708</b>	<b>-1.530</b>	<b>.175</b>	<b>1.940</b>	<b>.349</b>
Preference to take loans	1.9479	1.665	.175	2.396	.349

Based on the analysis of the average ratings presented in Table 2, it can be noted that the most significant economic attitudes (in bold) for the elderly people are the desire to save and independent economic achievements. The older generation, as well as the younger one, is aware that most goods and services are forced by advertising and tend to avoid debts and loans. In addition, the older generation

acknowledges their lack of financial literacy and supports the social responsibility of the rich towards the poor.

The answer to the third question on the specific peculiarities of the perception of economic reality among the younger and older generation requires a comparison of economic attitudes and determination of the significance of differences. In order to choose an appropriate method of statistical processing, it is necessary to determine the adequacy of distribution. The distribution corresponds to the normal type if for the corresponding variable absolute values (by module) of asymmetry and excess do not exceed their standard errors. Analyzing the data presented in Tables 1 and 2, we can conclude that the distribution for nearly all attitudes is deviating from the normal, therefore a non-parametric criterion (Mann-Whitney U-criterion) was used to analyze the differences.

**Table 2.** Descriptive statistics of economic attitudes of the older generation

<b>Economic attitude</b>	<b>Mean</b>	<b>Asymmetry Statistics</b>	<b>Asymmetry Standard error</b>	<b>Excess Statistics</b>	<b>Excess Standard error</b>
Rationality of purchases	4.8798	2.932	.169	2.976	.336
Customer satisfaction	3.0971	.756	.169	-.130	.337
<b>Willingness to save money</b>	<b>5.2206</b>	<b>-.781</b>	<b>.170</b>	<b>-.729</b>	<b>.339</b>
Confidence in the future thanks to savings	3.2927	.393	.170	-1.060	.338
Financial literacy	3.4341	.,323	.170	-1.128	.338
Consumer activity	3.9709	.001	.169	-1.460	.337
Willingness to invest	2.5072	1.140	.169	-.052	.337
Activity and rationality in the banking sector	3.7438	.151	.171	-1.511	.340
Distrust in banks, irrationality	4.0534	.019	.169	-1.508	.337
Cognitive economic activity	3.4589	.352	.169	-1.226	.337
<b>Significance of independent economic achievements</b>	<b>5.4354</b>	<b>-1.113</b>	<b>.168</b>	<b>-.069</b>	<b>.335</b>

Economic ambitions	3.6617	.220	.172	-1.366	.341
Negative attitude towards entrepreneurs	4.0000	-.004	.170	-1.555	.338
Real estate activities	2.9073	.758	.170	-.904	.338
Financial optimism	2.4585	1.142	.170	.055	.338
Priority of money over vocation	3.6893	.131	.169	-1.359	.337
Significance of financial status	3.5388	.297	.169	-1,161	.337
<b>Awareness of irrational consumption</b>	<b>5.2584</b>	<b>-.867</b>	<b>.168</b>	<b>-.514</b>	<b>.335</b>
<b>Financial illiteracy</b>	<b>4.6763</b>	<b>-.459</b>	<b>.169</b>	<b>-1.446</b>	<b>.337</b>
<b>Social responsibility of wealth</b>	<b>4.5714</b>	<b>-.396</b>	<b>.171</b>	<b>-1.350</b>	<b>.340</b>
Priority of money over health	2.4369	1.158	.169	.149	.337
<b>Avoiding debt</b>	<b>5.6986</b>	<b>-1.360</b>	<b>.168</b>	<b>.231</b>	<b>.335</b>
Preference to take loans	2.0773	1.700	.169	1.634	.337

The results of the comparison between the economic attitudes of the younger and older generations are presented in Table 3.

**Table 3.** Results of the comparison of economic attitudes of the younger and older generation

Economic attitude	Older generation (mean rank)	Younger generation (mean rank)	U	p
<b>Rationality of purchases</b>	<b>234</b>	<b>163</b>	<b>27082</b>	<b>0.000</b>
<b>Customer satisfaction</b>	<b>174</b>	<b>226</b>	<b>14555</b>	<b>0.000</b>
<b>Willingness to save money</b>	<b>211</b>	<b>185</b>	<b>22075</b>	<b>0.019</b>

Confidence in the future thanks to savings	202	195	20303	0.579
Financial literacy	196	202	19070	0.588
<b>Consumer activity</b>	<b>181</b>	<b>218</b>	<b>16049</b>	<b>0.001</b>
<b>Willingness to invest</b>	<b>169</b>	<b>233</b>	<b>13468</b>	<b>0.000</b>
<b>Activity and rationality in the banking sector</b>	<b>180</b>	<b>216</b>	<b>16016</b>	<b>0.002</b>
<b>Distrust in banks, irrationality</b>	<b>214</b>	<b>182</b>	<b>22832</b>	<b>0.005</b>
<b>Cognitive economic activity</b>	<b>215</b>	<b>184</b>	<b>22926</b>	<b>0.007</b>
<b>Significance of independent economic achievements</b>	<b>190</b>	<b>212</b>	<b>17944</b>	<b>0.049</b>
<b>Economic ambitions</b>	<b>151</b>	<b>244</b>	<b>10171</b>	<b>0.000</b>
<b>Negative attitude towards entrepreneurs</b>	<b>218</b>	<b>178</b>	<b>23593</b>	<b>0.001</b>
<b>Real estate activities</b>	<b>170</b>	<b>228</b>	<b>13937</b>	<b>0.000</b>
<b>Financial optimism</b>	<b>132</b>	<b>269</b>	<b>6140</b>	<b>0.000</b>
Priority of money over vocation	191	208	18114	0.142
<b>Significance of financial status</b>	<b>168</b>	<b>232</b>	<b>13399</b>	<b>0.000</b>
Awareness of irrational consumption	192	210	18294	0.112
Financial illiteracy	204	195	20777	0,421
<b>Social responsibility of wealth</b>	<b>209</b>	<b>185</b>	<b>21916</b>	<b>0.030</b>
<b>Priority of money over health</b>	<b>165</b>	<b>235</b>	<b>12854</b>	<b>0.000</b>
<b>Avoiding debt</b>	<b>214</b>	<b>186</b>	<b>22877</b>	<b>0.008</b>

Preference to take loans	194	205	18766	0,277
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The results of the comparison of economic attitudes of the younger and older generations showed that there are significant differences in most measured parameters of perception and attitude to economic reality (marked in bold). The most striking differences were observed in the parameter of financial optimism. While most young people absolutely agree with the statement "I am sure that my income level will increase in the near future", the majority of the older generation expressed disagreement with it. This fact can be explained by both objective (reduced probability of new sources of income in older age) and subjective reasons (self-confidence, hope for a successful professional future, lack of negative experience among young people). However, this fact may also indicate a lack of alternative income for the older generation, such as passive income from various investment instruments.

The older generation is more rational about making purchases as they are more attentive to conditions and prices before buying anything. However, they are less satisfied with the consumer sphere's personal situation: they are less inclined to agree with the statement "I am glad that I can afford to buy almost anything I want". At the same time, young people are more involved in consumption - they are more likely to compare and experiment with different stores to get the most out of it. The same applies to bank and real estate services, which can be explained by more excellent responsiveness and flexibility of thinking at a young age and greater sensitivity to technological developments (e.g. use of Internet banks). This is also indicated by the lack of trust in financial institutions and banks, which is significantly higher among the older generation. The fact that older people do not completely understand or cannot independently deal with various banks' proposals may increase distrust in these institutions. This leads to the belief that banks should not be trusted and that it is useless to expect something good from them.

At the same time, people of pensionable age are more eager to save money and make savings for the future compared to young people. Despite this, their confidence in the future, thanks to these savings, is as low as that of young people. Overall, the willingness to invest their own money in various financial projects (business, securities, etc.) is low in both groups, yet it is significantly higher among young people in comparison with older people. This may also be due to the fact that respondents in both groups evaluate their level of financial and investment literacy equally low.

Both age groups respect the independent economic achievements of other people, but for the younger generation, personal economic achievements are more valuable. Young people also have stronger economic aspirations and ambitions as they want to lead a better life in financial terms than most people. This may be due to the longer time horizon at a young age and the lack of life experience (mistakes) when it seems that there is a long way to go to make significant financial progress.

It is interesting that the older generation has more cognitive economic activity than young people, who have very low rates. The older generation is more eager to be aware of the economic life of the country and the world and to look for relevant information and discuss economic news. Young people, on the other hand, almost completely ignore this information, probably considering it useless for them. Perhaps this is also due to the low level of financial and investment literacy, as well as the population's unreadiness to act as investors.

Generally, all respondents are neutral about the moral qualities of entrepreneurs, they do not approve or criticize them, although the younger generation is still more positive in their opinions. This may indicate that young people are more inclined to associate themselves with entrepreneurs than older people.

In both groups about half of the respondents agree that rich, well-off people should spend part of their money on charity, but older people are more inclined to share the belief that social responsibility is the cornerstone of wealth. It is likely that this attitude tends to develop with age.

It is important to emphasize that both groups have a very negative attitude towards loans as this method of purchasing goods has probably proved to be unsuitable. Despite the fact that in both groups people tend to avoid debts more often, young people still find it easier to borrow money for themselves. This fact can be related to the older generation's greater rationality in economic behavior.

It is important for young people and older people to work according to their vocation to be able to use their potential, skills, and abilities in the workplace. However, as opposed to older people, young people are more willing to sacrifice their health for high wages.

## **7. Conclusion**

The study revealed differences between young and older generations in nearly all economic spheres: employment, consumption, savings, investment, entrepreneurship, and others. On the one hand, these differences can be explained in terms of socio-psychological features of age: life experience, conservatism, cautiousness, and rationality in the older generation, focus on the future, optimism, unawareness of their strengths, and determination in the younger generation. On the other hand, vivid differences reveal a different economic picture of the world for both age groups, which can lead to misunderstandings and conflicts.

The identified peculiarities of the younger and older generation's perception of economic reality suggest a number of recommendations.

1. Recommendations in the professional and working environment. Employers should differentiate the tools for motivating employees according to their age. Employees of older age are attracted by sustainability and earnings (salary) that allow them to accumulate savings on a regular basis, social guarantees, transparency, clarity of performance indicators, the presence of long-term goals, and plans of the employer. On the contrary, young people are attracted by the possibility of additional earnings, risky ambitious projects where one can show entrepreneurial spirit. However, it is essential for both age groups of employees that the tasks correspond to their professional and personal vocation and are interesting for them personally, and this becomes more important than financial gain. In other words, it is necessary to assess the employee's professional preferences when recruiting him adequately.

2. Recommendations for business (including financial) companies. Financial companies should organize their services into segments: develop deposit proposals for pensioners and investment proposals for young clients. Representatives of food companies, where most clients are people of retirement age, should build advertising on the principles of rational persuasion (showing economic benefits). It is not worth counting on the greater attractiveness of buying goods on loan, perhaps other alternative ways to pay for major purchases should be considered. If the company's target audience is mainly the young

generation, then marketers need to constantly study the conditions and prices of competitor companies and introduce new practices of service, corresponding to the level of activity of its consumers.

3. Recommendations for state institutions. Since the overall picture of the economic situation is seen by respondents as unstable and does not provide confidence in the future, measures should be taken to stabilize the economy. It is necessary to arrange courses on financial literacy for both young and older people. It is important to make these educational programs not dull, but interesting and practically oriented, especially for young participants. Besides, it is recommended to create groups and forums where people can continue to communicate after training and support each other in the use of different financial instruments. Emphasis should be placed on creating a positive image of the entrepreneur as a person with extraordinary abilities and positive moral qualities (social entrepreneurship). It is important to provide not only informational but also financial support to start-up entrepreneurs (interest-free loans, minimum taxes, etc.), but one should not expect much involvement from the older generation.

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