

HUMAN RESOURCES

## Will Gen Z & Gen Y Save the Economic Day?

by David Salisbury



*A new generation of young people is entering the labor market with stronger footing than the Millennials. They will soon represent one of the largest economic groups worldwide.*

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Young people of Generation Z (born between 1997 & 2012) and Generation Y (between 1980 & 1996) are soon to have spending potential comparable to the GDP of entire countries according to recent studies. Their buying power is expected to exceed \$500 billion. Bloomberg suggests that Gen-Z will surpass Millennials in 2019 as the most populous generation, comprising roughly 32 percent of the total. Gen Z's population alone looks to be 78 million by 2034. As the two cohorts join the American workforce, they could prove a giant burst of money to the U.S. GDP, consumption, wages, and housing.

# The Numbers Game

The potential power of these two cohorts for the U.S. economy could be significant, delivering the kind of “youth jolt” that the Boomers were famous for. In a survey taken by Morgan Stanley, among Gen Z and Gen Y, there exists a significantly brighter outlook for the U.S. in the coming decades than previously thought. As Gen Y and Z combine in the workforce, these two outsized generations could power higher consumption, wages, and housing demand - all pillars of GDP growth. In addition, these new projections on labor-force growth could also mean a rosier outlook for Social Security and Medicare solvency, offering investors an overall bullish view for the U.S. between the 2020s and 2040s. This may mean a different perspective on the road ahead for policymakers.

In housing, supply has been historically high with growth in apartment stock (as measured in Basis Point (bps) units where 1 bps = 0.01% of interest rate change) accelerating to 1.8% in Q1 of 2018, compared to less than 50 bps in 2012. However, over the medium-to-long term these dynamics will likely shift. To keep up with housing needs, the National Apartment Association estimates the U.S. will need to add 4.6 million apartment units by 2030.

## A Leg Up

Seemingly, Gen Z is entering the workforce on firmer financial footing than Millennials did, with a stronger job market and college costs that are less burdensome as the new crop of students are more frugal and cautious with their higher education plans. In a Washington University study, 74 percent of college students in 2018 said they chose schools based on cost. 28 percent also say they will attend community college to keep costs down. 8 percent plan to attend vocational schools. Meanwhile, intentions to attend public and private colleges have declined, with 41 percent going to public college and 12 percent going to private college.

In addition, Gen Z sees technology and healthcare as the most desirable industries to work in, and, in fact, both sectors are expected to be growth drivers for jobs in the coming decades. No surprise, the survey also found Gen Z to be far more tech-savvy than its predecessors, with 60% saying they have been using smartphones since the age of 14.

This same survey found no generational divide between Millennials and Gen Z, with both groups sharing broadly similar views on education and values. This implies that, alongside the continuous support for population growth, there will be no fundamental generational gap as Millennials relinquish their dominance to Gen Z. According to the upcoming CMR article **“Are You Ready for Gen Z in the Workplace?”** generation gaps can create misconceptions, particularly in the workplace, which can weigh on productivity. Generational or cohort differences in traits occur because the pervasive cultural values and practices change over time. While Gen Z share many traits with the Millennial Generation, they also bring in new patterns of behavior. Managers today would be well-served to not only learn about the unique characteristics of the upcoming generation and how they’re shaped by their experiences, but also begin thinking about ways to foster their healthy integration into their organizations.

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