Center for Rural Entrepreneurship

energizing entrepreneurial communities

Understanding Generational Diversity:

Implications for Community Building

Diversity is often thought to be strictly a continuum of race, ethnicity or gender. Is a neighborhood or community composed primarily of one race or one ethnicity? Are women well represented among the leadership of a community or a company? Given differences in values, experiences and characteristics across generations, it may be useful for community leaders to understand diversity from a generational perspective as well. The generation groomed during the Depression Era bears little resemblance to "millennials" who came of age in more affluent times; their lives were shaped by different cultural phenomena, historic events and societal influences. These differences, in turn, influence the way they see the world, the values they hold, and the decisions they make relative to family, work and their community.

The first step in addressing the critical issues communities across the U.S. face – whether those issues relate to alleviating poverty, preserving the environment or managing economic growth – is to understand the community's starting point. In this white paper, data from several sources (referenced below) are used to create a profile of generational diversity in the United States, from the Lost Generation, born between 1883 and 1900, to the Millennial Generation, born from 1982 to 2004.

We also discuss how an understanding of generational diversity may help inform community decision making related to such issues as economic development and community-based philanthropy.

Relevant Context and Background

Each generation is shaped by events or circumstances that take place during its lifetime. In addition, members of the generation take on different social roles as they move through the life stages of youth, young adulthood, midlife and elderhood. According to Neil Howe and William Strauss, "generations follow observable historical patterns and thus offer a very powerful tool for predicting future trends." That future will be shaped primarily by three generations, Boom, Gen X and Millennial, as other generations enter the last stages of their life and pass on. Howe and Strauss have identified common traits across the generations that can provide a useful starting point for leaders who want to better understand the generations that make up their community, now and in the future.

Lost Generation (1883-1900)

This post-WWI generation's pragmatism helped them become effective leaders during WWII.

GI and Silent Generations (1901-1924; 1925-1942)

These generations moved from a period of political and economic strife to become part of the sharpest rise in scholastic achievement in the U.S. ever recorded. They formed families early, had a long-term commitment to their companies, and were more affluent than any generation before them. They also contributed to innovation and advancing the country's socio-political institutions. They take civic responsibility seriously, making up a large portion of voters to this day and safeguarding advancements such as Social Security and Medicaid. While Howe and Strauss use the term "Silent" to describe one of these generations, this label belies their political engagement overall and community leadership role in many rural communities.

Boom Generation (1943-1960)

The product of the post-war baby boom, this generation looks to remain active consumers of culture and wise elders to the next generation. They demand a variety of living environments and are likely to become consultants and independent contractors rather than fully retiring. They are closer to their children's generation in terms of attitudes and financial health than they were to their parent's generation. They urge young people to serve community ahead of self, but they are also losing their own political power and will not stay as political as they once were.

Gen X (1961-1981)

This generation is becoming more risk averse as they age, seeking more security in family and jobs. While they value being free agents, they look to become steady anchors in their communities. Distrustful of large institutions when they were younger, these attitudes have softened as they age. They are protective of their children, providing financial support as they move through school. While they work to keep their social environment strong, their role in politics is more uncertain.

Millennials (1982-2004)

While this generation acquires new skills faster than earlier generations, they face economic uncertainty – growing student debt, increased housing prices, lower entry-level wages. They have built and continue to rely on strong virtual and social networks, in essence redefining community. They value cooperation and organization rather than out-of-the-box initiatives, and are often viewed as pampered and dependent. They are less concerned with gender, race and ethnicity and more concerned with issues of economic class and privilege.

While these traits provide a starting point, it is important to recognize that there will be individual variation in attitudes and behaviors within a generation. Geography – your place – also determines how you see the world. The characteristics of a millennial living in New York City are likely to differ dramatically from those of a millennial raised in Dumas, Arkansas. The experience of a Boomer from the rural south is likely to be very different compared to a Boomer from the Great Plains or northern New England. And, the views of a Gen Xer who returns to her rural hometown after years away are likely to be very different from those of a high school classmate who stayed. Community leaders, with a deep understanding of their own geography, have insights and knowledge to bring to a dialogue on generational diversity that builds on this foundational research.

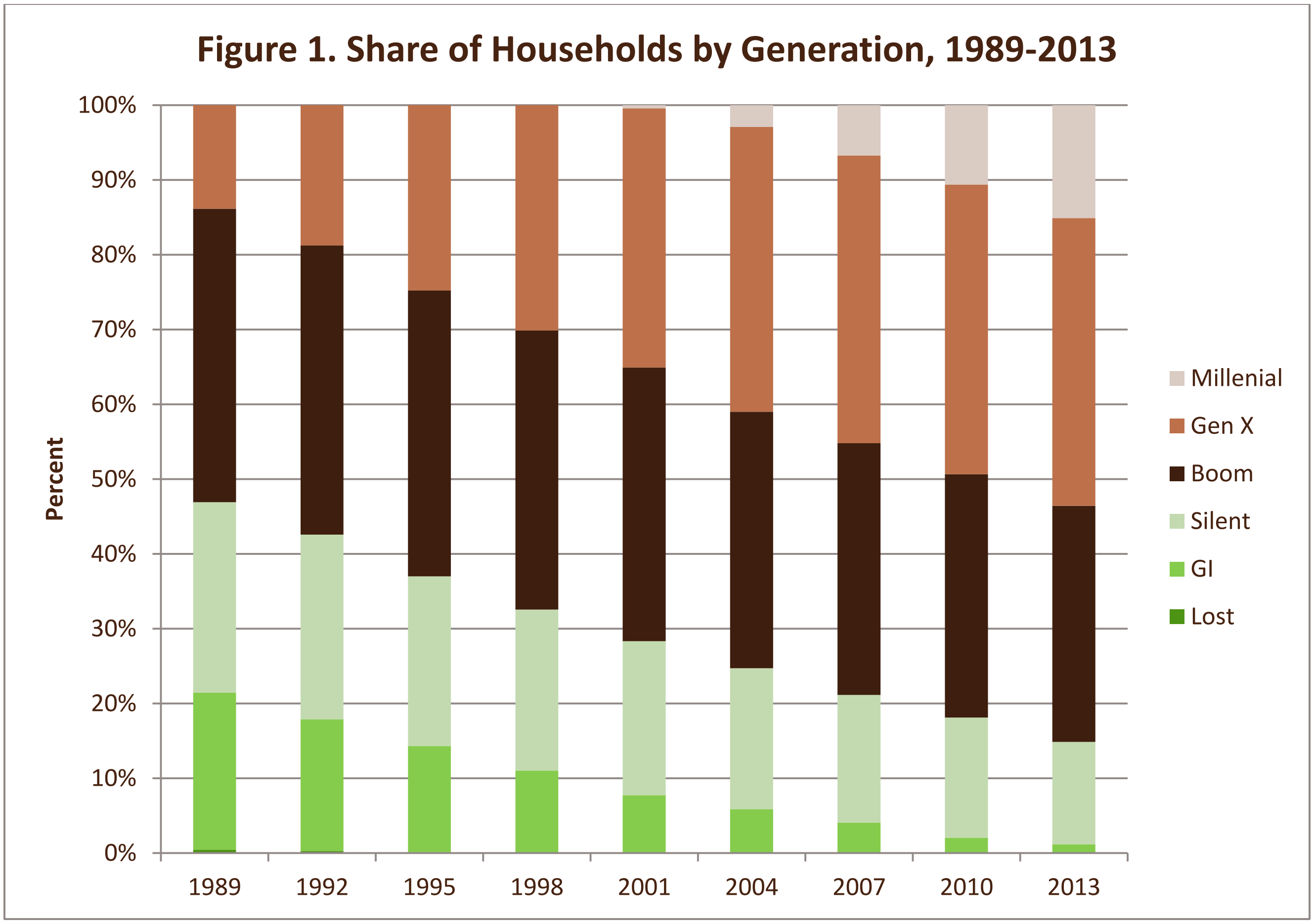
Why should these unique generational characteristics matter? One constant for all communities is generational change – children today grow up to become the elders of tomorrow. Understanding what defines and drives each of these influential generations will provide community leaders with the necessary insights to shape strategic planning efforts, leadership development strategies, donor and prospect development, and staff, board and volunteer recruitment and development. It will help guide community engagement strategies to insure that the current and future direction of the community is decided and guided by a group of residents who reflect not only the racial, ethnic and gender diversity of a place but also its generational diversity.

Generational Diversity and Wealth Holding

One way to see how this understanding of generational diversity might influence decision making in a community is to consider wealth holding across the generations. For more than a decade, the Center has conducted Transfer of Wealth analysis to help communities understand the wealth that will pass from one generation to the next over the spans of 20 and 50 years, and create a strategy for capturing some small portion of that wealth to invest back into community building. So, how might a deeper understanding of generational diversity influence the way a community responds to the transfer of wealth opportunity?

The normal life cycle of wealth holding for individuals is ∩-shaped. When we look at per household net wealth (assets minus liabilities) by generation, we see that each generation has a period of wealth accumulation, some plateauing and an eventual decrease in wealth as people spend down their savings and eventually transfer wealth to the next generation. Although Gen X and Millennials made up more than 50% of the households in the U.S. in 2013 (Figure 1), it is the older generations that hold most of the wealth (Figure 2).

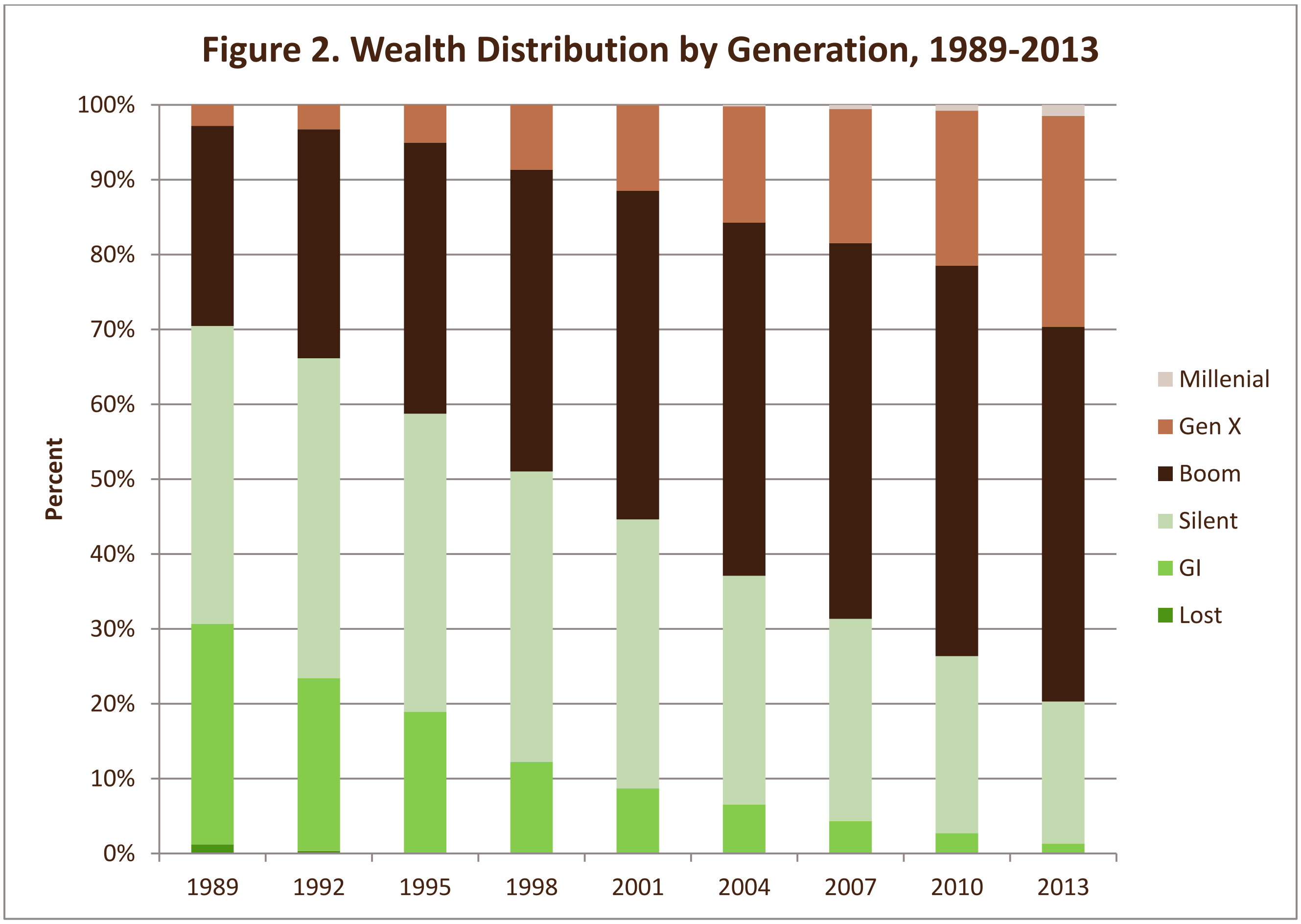
However, although the Boom and Silent generations held almost 70% of household wealth in 2013, Gen X and Millennials held 30% as they accumulated wealth during the earliest stages of the wealth cycle (Figure 2). To date, and based on available data, each generation has been wealthier than the previous one, at the same point in the cycle. The Boom generation had more wealth than the GI generation at the same age; similarly, the Gen X generation has more wealth than the Boom generation at the same age.



Source: Survey of Consumer Finances (1989-2013)

Why is this information relevant to a community foundation and its staff and board? According to a recent national survey by the Center for Effective Philanthropy, the majority of community foundation donors (over 70%) are from the Silent and Boom generations. Although these two generations held about 70% of the wealth in 2013 (Figure 2), they are becoming a smaller and smaller proportion of households over time. **If community foundations want to expand their pool of potential donors, it is helpful to recognize that the *wealth builders* of today, Gen X and Millennials, are the potential *donor*s of tomorrow.**

A long-term donor development strategy may require that community foundation leaders understand what *motivates* these two generations, drawing on the insights from Howe and Strauss, shared above, as a starting point. These generational characteristics suggest ways to reach these younger, potentially influential generations, e.g., using social media for Millennials. They also point to traits associated with giving – civic mindedness and concern about inequality among Millennials; interest in becoming an anchor in the community and keeping the social environment strong among Gen X. A community foundation leader might encourage early engagement of young Millennials by creating a field of interest fund focused on moving people and families out of poverty. Or they might engage Gen X in a young philanthropists group to build on their community commitment.



Source: Survey of Consumer Finances (1989-2013)

Generational Diversity and Economic Development

Other community leaders might find this type of generational analysis useful as well. Just as older generations hold more of the financial assets (wealth) in the U.S., they also hold business assets. Particularly in smaller communities, economic development leaders are concerned with the transition of these businesses from current owners to new owners. Loss of the local pharmacy or grocery store or the closing of a homegrown manufacturer can create a downward spiral in some communities.

If economic development leaders understand the generational transition that is taking place, they can be more proactive in reaching out to new generations coming into the community or in attracting younger people to the community.

Again, the Howe and Strauss characteristics might offer a starting point for those outreach efforts. The Chamber of Commerce could use the characteristics to develop more targeted strategies for engaging younger business owners, potential business owners and community volunteers, working through social media and emphasizing the Chamber's role in building stronger community connections. The Chamber might appeal to the Boom generation's interest in influencing the next generation by recruiting them as mentors for future community leaders or aspiring entrepreneurs.

Final Thoughts

The best economic development strategy or donor development strategy begins with an assessment of the community environment – your assets, your opportunities, your challenges. Developing a deeper understanding of generational diversity can help community leaders – whether the head of the Chamber, the school district or the community foundation – think more strategically about what motivates community residents of all ages and what strategies might result in better engagement of community members across the generations.

To learn more about Center's generational and Transfer of Wealth™ research, contact Don Macke at don@e2mail.org.

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Questions & More Information

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The Center for Rural Entrepreneurship's mission is to help community leaders build a prosperous future by supporting and empowering business, social and civic entrepreneurs. With our roots and hearts in rural America, we help communities of all sizes and interests by bringing empowering research, community engagement and strategy development to you through our many Solution Areas. Our Solution Area Teams empower communities to discover their own answers to the challenges and opportunities they face.

Development efforts require financial resources. Most traditional sources of funding are challenged as governments, businesses and foundations struggle to meet rising community needs. A core program area for the Center is Community Development Philanthropy, where our team helps your community, region or state build a community wealth road map. Our Transfer of Wealth (TOW) research offers insight into possibly the greatest opportunity to tap new, significant and sustainable funding streams in support of growing better and stronger communities. For many communities and regions, TOW research can help jump start important conversations leading to greater community giveback.

The Center has conducted TOW studies for clients around the nation for more than 10 years, and has published a book titled, *Transfer of Wealth in Rural America: Understanding the Potential, Realizing the Opportunity, Creating Wealth for the Future.*

To learn more about the Center's history and program areas, go to
www.energizingentrepreneurs.org