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GENERATION Z AND “NOISE” EFFECT. PERSPECTIVES WITHIN THE FIELD OF POST-PANDEMIC BEHAVIOURAL ECONOMICS

GRIGORE IOAN PIROȘCĂ

Prof. univ. dr. habil.

Bucharest University of Economic Studies,

grigore.pirosca@economie.ase.ro

ORCID ID: DMS-8981-2022, <https://orcid.org/0000-0001-8148-4163>

RAREȘ MIHAI NIȚU

PhD candidate

Bucharest University of Economic Studies,

rares.mihai.nitu@gmail.com

ALEXANDRA MARIA VLAD

PhD candidate

Bucharest University of Economic Studies,

alexandravladcr@gmail.com

Abstract: The rationale of this paper research concerns on the necessity to understand Generation Z as a distinct footpath within behavioural economics. With thin wallets and expensive tastes, they highly value convenience and a social conscience. They don't prize merchandises for they marginal utility anymore, but for the potential to be seamless and personal. Digitally native, they will define the next era of consumerism, and, to some extent, the behavioural economics.

The global financial crisis of 2007-09 and the ensuing recession and the Covid-19 pandemic from 2020 have accelerated the pace of Generation Z economic behaviour, affected their attention span and the long run anticipations in favour of instant gratification, or “buy now, pay later” mentality.

These two big economic shocks, one cyclical, one non-cyclical, have fostered pessimism among the young people who lived those provocative times. Many from Generation Z doubt they would be able to afford to retire or that they would ever own a home, hence the recklessness of their “all we have is now” behaviour. Luxury, wellness, self-care is a template embraced by as many youngsters.

The need for instant gratification is particularly influenced by the “noise” effect, a situation when people are to decide what to do, and not knowing what to do, they choose to do what they usually do by default.

Considering the arguments and the facts presented in this paper, new insights could be delivered from this study to understand economic way of thinking and outcomes from a shifting type of economic actors.

Keywords: Generation Z, Noise effect, Instant gratification, Covid-19 pandemic, behavioural economics.

JEL Classification: D01, D11, D12, B1, B21

Introduction

Projected to constitute approximately 60% of consumer shopping by 2025, digital natives are individuals who are proficient in technology, digitally interconnected, and well-versed in utilizing

various technologies in the market. Their cognitive abilities and engagement with social media play significant roles in shaping their consumer behaviour.

Their introduction to technology occurred during their early childhood, ranging from Sega and Tetris to iPhones and MacBooks. Growing up alongside technology, this generation faces challenges, including a notable attention deficit disorder. The younger generation struggles to concentrate even on topics of interest, often engaging with their phones during lectures, while on the move, or even during dates, simultaneously watching TV. Fuelled by ambition, Generation Z is characterized by a desire for swift career progression avoids sticking with companies that lack clear growth prospects. Proficient in multitasking, these digital natives seamlessly handle various activities like texting, spreadsheet work, and listening to music simultaneously (Flippin, 2017), (Rohin, 2019).

In the context of the workforce, Generation Z is anticipated to drive the virtualization of organizations, 24/7 connectivity, and increased emphasis on social networking. Their demand for personal freedom is likely to reshape traditional hierarchical structures within organizations. Future research will illuminate the extent of differences in expectations, motivations, values, requirements, and talents between Generation Z and preceding generations, offering insights into potential shifts in HR practices (Paggi et al, 2021).

The primary goal of research is to explore the economic patterns of Generations Z, with a specific focus on the impact of social influence and technology. A structured questionnaire was administered to a sample of 355 respondents for the survey. Preliminary findings from this study reveal that Generation Z consumers are exhibiting novel shopping habits and preferences. These results can be employed to anticipate potential consumer adoption behaviours and to design favorable retail environments that align with these distinct consumer traits.

Consumer purchasing behavior is shaped by various factors, encompassing internal or psychological aspects, social influences, cultural elements, economic considerations, and personal factors. Economic factors, such as price, income, income distribution, utility, and consumer preference, were part of the study. Personal factors, including age, income, and occupation, were grouped together, while psychological factors incorporated motivation and perception.

Table 1: Generations and characteristics (Wijayal et al, 2020)

Gen Z	Gen Y	Gen X
1995-2005	1980-1995	1965-1980
connected	Book smart and savvy	Street smart and skeptical
Friends and family	Close to parents	Prepared rule settings
Internet ready available	Use of technology	Less use of technology

Gen Z has never experienced a world devoid of smartphones and social media. Diversity is not an issue for them; they only perceive it in its absence. Growing up during a period of rapid increase in bi-racial and minority populations, they themselves reflect greater diversity. Despite being raised in a time of constant conflict, Generation Z is often criticized for lacking good listening skills and interpersonal abilities. However, as a generation shaped by continuous global challenges, they may perceive the world as "unsafe" yet possess heightened global awareness. These experiences contribute

to a generation that potentially values fiscal responsibility, tolerance, education, employment flexibility and networking skills (Stillman & Stillman, 2017).

Research methodology

The study comprised 355 Romanian students enrolled at Bucharest University of Economic Studies, pursuing their bachelor's and master's degrees in economics. Based on a review of existing literature, the target respondents were identified as management students born in 1995 or later, with no restrictions on factors such as mode of study (full-time or part-time), field specialization (strategy, finance, marketing, human resources), gender, or existing work experience. For the preliminary study, data collection was limited to a selected faculty to test the instrument, formulate initial findings, and consider potential adjustment for subsequent data collection and methodology. To explore career and life expectations, respondents assessed through open questions issues related to success, fears and road to follow in life. The study was then organized as a qualitative research.

A structured qualitative research questionnaire was used as a research instrument to collect primary data. The knowledge gained by the literature review and the information collected from the interviews was used to prepare a structured questionnaire. The initial section was used to gather general information (demographic factors and personality traits) about the respondent while the second section was used to measure the influence of different factors on the economic behaviour of Generation Z consumers (Garai-Fodor & Kelety, 2021).

Generation Z in economic aftermath of crisis

In the aftermath of the pandemic, it seems that the virus has heightened existing inequalities, particularly among professionals, low-wage workers and younger demographic. Three socio-economical categories emerged in this post pandemic economic outlook:

- Professionals, referred to as Zoomers, have seamlessly transitioned to remote work with full pay, facing minimal disruption except for the challenges of managing lockdown situations with children.
- Key workers, which were confronted with increased risks, reduced wages, income cuts, and diminished job security
- Zeros, denoting key workers bound by zero-hour labour contracts due to sector shutdowns.

The Resolution Foundation predicts a 13% decrease in employment likelihood for graduates and a substantial 37% decline for those with fewer qualifications. Bart Cockx (2023) of Ghent University suggests that cohorts entering the job market during a downturn typically take around ten years to catch up with those who did not. Quoting Mark 4:25/27, „But whosoever hath not, from him shall be taken away even that he hath”, underscores the disparities in impact.

Generation Z reports heightened feelings of isolation compared to older colleagues. Remote work, once considered a perk, is now a non-negotiable demand. Workers aged 18 to 34 are 60% more inclined to consider quitting, with flexibility being crucial for them (McKinsey – The Economist). A quarter of Gen Zs doubt their ability to afford retirement, and less than half believe they will ever own a home, accumulating less wealth than Gen Xs or Boomers at the same age. Uncertainty about their future may lead to impulsive spending of limited resources. The attention economy has shifted

purchasing habits online, with 2/3 of 18 to 34-year-olds in the U.S. spending 4 hours a day on smart devices (Kirchmayer & Fratričová, 2017), (Ozturk & Yildirim, 2023).

They exhibit a diminished tolerance for prolonged delivery times and a inclination towards immediate gratification, as evidenced by their active engagement with social media. Their financial behaviour is characterized as „woke, broke and complicated”. Despite higher education levels, their participation in the labour force is less than that of Millennials (ranging from 71% to 70%) and Gen X (78%). Their key priorities include security, financial stability, flexibility. Their spending patterns are shaped by values, focusing on concerns such as climate change, race and gender issues, green activities, alternative proteins, meat substitutes, animal rights.

Around 50%, as opposed to overall average of 38%, are relocating due to the availability of remote work opportunities (according to the Microsoft Work Trend Index). A discernible trend is observed in the shift from Wall Street to Silicon Valley. There is a noted association between talent shortages and policies supporting flexible working, with substantial skills gaps identified in sectors such as construction, finance, hospitality, and manufacturing. Notably, there was a 50% increase in the study of computer science from 2011 to 2020.

The “noise” effect

Daniel Kahneman speaks of noise as the undesirable variability of proposed solutions to the same problem, along with different outcomes ranging a big scale of values. This situation leads distress, rupture, inflicting the decision-making process. It is preposterous that judges are more complacent in the morning, after the lunch break, after a match won by their favourite team, under the good weather or on the birthdays of people on trial (Kahneman et al, 2021: 31). This variability of ideas and different outcomes to same perspectives are not always welcome (Kahneman, 2021: 42).

Random errors cancel each other out, but within systems disrupted by noise effect, the errors are not erased each one by another, instead they are summed (Kahneman, 2023: 44). Usually, in assessment process people tried to hide the first report, in order to avoid anchor effects and other bias pitfalls, but too big gaps prevailed. Therefore, the trends evolve in the direction of avoiding conflicts and disagreements, peace being more important than right decision and justice (Kahneman, 2023: 47). Post mortem analysis is the most well-known tool for this type of decision making, but is only an illusion of consents.

The noise effect inflicts the process of decision making, both recurrent and singular decisions (Kahneman, 2023: 49) Recurrent decisions are made in law and medical systems, for example, where a specific type of analysis should inflict a specific diagnostic and a specific treatment. In the moment when for the same health analysis, the outcome in treatment is a huge gap between different medical stuff, we say that a disruption is caused by noise effect in the process of a recurrent decision. The singular decision process is conducted when, for example, a virus outbreak is menacing an area. The main negative outcomes of noise effect can be summarized as follows:

- predictive judgements
- evaluative judgements, very bad for the losing trust in the institutional systems and authorities.
- big spread of prognosis processes. If measured, this can be reduced or controlled (Kahneman, 2023: 71)

There is no median point between errors. The way errors are summed by themselves is like estimating wrong half of the amount of time to finish the project, or estimating wrong twice the time implied for finishing the project. By average, one could say that there is no misjudgement on estimating the correct amount of time, but the error is doubled, mis locating the resources for the project.

Findings and results

On the matter of success, preliminary results indicate that fulfilment of personal objectives and feeling of dreams accomplishment are the most important pillars of defining the concept. 70% of the students responded that they are interested to follow their dreams, unfortunately without being precise what would be these. Only 3% of the respondents were very specific about their success related to a particular job or career.

Out of all factors examined in this study, we would like to point out one that resonates too little than expected throughout the results, namely work-life balance. Results suggest that work-life balance does not seem to be a highly valued factor for Generation Z in terms of job search, only 11,66% of them taking it into account, which does not seem to be in line with existing research findings on Generation Y. Our preliminary findings are that on priority list of Generation Z are not clear paths. Almost 10% of them are on completely different or opposite professionals paths.

Table 2: Structure of the questionnaire (authors)

What is success?	Fulfilment of personal objectives and feeling of dreams accomplishment – 70%
	work life balance and family – 11,66%
	precise job – 3%
Fears and menaces	Fear of failure and disappointing the family or the beloved ones – 54 %
	loneliness – 31,66%
	expressing of feelings and public speaking – 7%
	lack of time or resources – 5%
	war, accidents, illness – 10%
	bad decisions – 5%
	Other: fear of losing control, fear of not achieving the maximum potential, getting old, embarrassment of making fun by themselves in front of others – less than 2%
Next steps in life, medium and long run	Desire to work in order to achieve financial independence – 28,33%
	Precise goals – 18,33%
	New experiences and live the moment – 7%

On the matter of fear and menaces, preliminary results indicate that fear of failure and disappointing the family or the beloved ones and loneliness are the major menaces responsible for their restless. More than half fear of the idea of failure, being educated in the wrong directions by family or educational system. And, in spite of social media and all, they are afraid of loneliness, almost a third from them. There is no wonder that loneliness became an important social and psychological issue, because in the realm of cyberspace, in spite of social media and all, individuals can amass numerous acquaintances without ever meeting anyone in person.

On their next steps in medium or long run, only 18,33% are sure about what they are going to do.

Conclusions and recommendation for future work

The primary constraint in this study is the relatively modest sample size and structure in diversity, a consequence of limitations in time and budget. Caution is advised in interpreting research findings, considering the restricted generalizability inherent in the study's sample size. Recommendation for future research include expanding the sample size, as a comparison with results from a larger cohort would enhance result validation. Additionally, diversifying the sample across geographical areas, social strata, and other variables could offer a more comprehensive understanding of broader population.

People misunderstand one of the most important issues on decision making process: decisions are made by humans, not by the system by themselves. Systematic noise effect means incoherence and inflicts the level of trust people have in the society and its institutions.

The result of the present study carries noteworthy implications for retailers and managers, emphasizing the importance of addressing the technological and social expectations of Generations Z individuals as economic actors. It is apparent that the extent of technology and social media utilization in product marketing significantly shapes the consumer purchasing experience for this generation, potentially influencing their decision-making process. The overall findings indicate that manufacturers and sellers should prioritize improving product features, encompassing both soft and hard aspects.

The initial findings outlined in this paper offer a glimpse into the evolving perspectives on various work-related factors from the viewpoint of the emerging Generation Z. nevertheless, these findings are preliminary and lack generalizability. The research sample is limited in diversity, as all participants in this phase of the study are currently enrolled at the same faculty at Bucharest University of Economic Studies. Additional research is imperative to validate and expand upon these findings.

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