Postponed Adulthood, the Inequality Surge, and the Millennial Burden

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One of the perks of getting old is that you are allowed to talk nonsense about the young.
--The Economist, Aug. 1, 2015

Introduction

I come from the infamous generation that entered young adulthood in the 1960s. I was born in 1943 in the shadow of Auschwitz and Hiroshima. Ironically, that made me part of what is no doubt the “luckiest generation” of the 20th century. In the post-war years my family was living through what was arguably the greatest economic boom in human history. I graduated from high school in 1960 just in time to take advantage of the postwar expansion in university education. When we completed our degrees, jobs were plentiful and wages were rising. The baby boom was creating high demand for teachers so, if all else failed, we could take a summer course at Queens and be in the classroom by September. The 1960s were also a period of equality enhancing policy reform, including national health insurance, expanded public pensions, unemployment benefits and social assistance.

The millenials’ transition to adulthood is quite different. First, by the standards of my cohort, the traditional markers of moving into adulthood – leaving home, achieving financial independence, marriage and parenthood – have all been postponed or delayed with important economic and social implications. Second, the inequality surge of recent decades and the fading of redistributive politics mean the millenials will be a more divided generation than mine. Many of them will have good lives but many others will be less lucky.

Postponed adulthood began with the late boomers and for them was something of a novelty; for the millenials, it is the new normal. The early entry to adulthood of my generation is now ancient history. Recent research suggests that the generations, both young and old, have adapted to these new circumstances, moving into what we might think of as a new equilibrium in the social and economic life course.
I conclude with a brief discussion of why we might want to worry about the “new normal.” Demographers worry about the effects of postponed adulthood on fertility and population aging. The OECD worries about “squandering our investment” in the most educated generation in human history. I worry most about what one might call the millennial burden. They are being called on not only to finance our old age but also to make huge investments in the environment, public transit, early childhood education, and all of the other good stuff my generation failed to do. I worry that postponed adulthood, a growing economic divide, slow economic growth and an ethos of no new taxes will put a damper on their enthusiasm for these big projects.

**The Evolution of Postponed Adulthood**

There are two views of the millenials – cohorts born since 1980. On the one hand, they come from smaller families and thus have had more parental attention and economic resources at their disposal. Since they have few siblings, there are more family resources to share and their inheritances when their parents pass away will be proportionately greater. They are certainly more highly educated than any previous generation. Their life styles and consumption patterns reflect the incredible technological revolution of the past 30 years.

Most significantly, young women have been the beneficiaries of the “gender revolution” in education and employment since the postwar decades. Most of the young women from my high school cohort moved quickly into marriage and motherhood. They were still a rarity when I went to university in 1960 but now outnumber men in in our post-secondary institutions.

The millenials’ gains have had a price however. For my generation -- the birth cohorts of high industrialism and today’s retirees – the transition to adulthood occurred early in life. By the 1960s, young adults were leaving home, getting married and having their first child much sooner than any of the cohorts that had preceded them. Most of us were employed, married, and had our first child by our mid-twenties.
Since the late 70s, all that has changed. Marriage and first childbirth now occur in the late twenties or early thirties, just about the time people are beginning to establish themselves in real career jobs. Marriage and fertility rates are down and large numbers of young adults are living with mom and dad into their 20s and 30s.

The transition to later adulthood began to show up in the labour market among the late boomers, born after 1960, who began turning 20 around 1980 (Morissette, Myles, and Picot 1995). The transition is nicely illustrated in this first chart on male earnings I managed to recover from Morissette (1998).

![Indexed Real Annual Wages and Salaries of Men Employed Full-Year Full-Time, by Age, 1969-1994 (1969 = 100)](image)

Notice that earnings of younger and older workers rise more or less in tandem from the late 60s until roughly 1981. Thereafter, the wages and salaries of men under 35 drift downward and never recover. Wages and salaries of older men, in contrast, continue rising over the entire period. Wage polarization in the 80s and 90s was largely manifested in polarization across age cohorts.
The trends in figure 1, of course, only tell the boys’ story and ignore the gender revolution. – the dramatic rise in female educational attainment, labour force participation and earnings levels among young women born after 1960.

Bringing women into the narrative makes the story more complex but doesn’t change the conclusions. The early and tight coupling of the major adult transitions of my generation peaked in the late 1970s (Beaujot 2004). Thereafter, the age of leaving home, first marriage and parenthood all began rising and began to cluster in the late twenties or the early thirties for both men and women with both social and economic consequences.

Starting families later, for example, has resulted in a fertility reduction of 0.3 children per woman (Beaujot 2004:30). That may not sound like much until one recalls that Canada’s completed fertility rate is about 1.6. Young adults are far from realizing their ideal family of 2.3 children and this difference between their preferences and outcomes represents a real welfare gap. Fertility clinics are booming as a result.

In economic terms, postponed adulthood means that both the cumulative earnings and the accumulated wealth of adults in their mid-30s have fallen dramatically since the end of the 1970s. Morrissette and Zhang (2006) show that by 2005 the median wealth of young families aged 25 to 34 was down 50% from 1984.

The Millenials: A Divided Generation

The growing economic divide between younger and older workers of the 80s and early 90s was sort of canary in the coalmine, alerting us to the more generic surge in income inequality that became evident in Canada by the 2000s (Fortin et al., 2012). This growing economic divide is already evident among the millenials and will continue to mark them as they move through their 30s and into their 40s.

David McDonald (2015) shows that a large and growing wealth gap is evident among families as young as 20-29. In 1999, top decile families in this age group held 66% of their cohort’s wealth and had median wealth of $280,000. By 2012, the top decile held
72 percent of their cohort’s wealth and the value had risen to $540,000. So some young adults are getting off to a very good start indeed.

Growing income inequality has multiple sources rooted in labour markets, politics, and demography. Just how the evolution of labour markets and politics will alter millennial futures is uncertain but the demographic drivers of the growing divide in their generation are already in place.

The first demographic divide in the millennials’ world of dual-earner families is between single-adult households with comparatively little labour to sell and households with two or more adult earners. Declining marriage and high divorce rates, especially among the less educated, mean the number of vulnerable singles is rising. Single-earner households – with or without children – are at greater economic risk. Less than 10 percent of Canada’s bottom income quintile are living with a partner. In the top quintile, the figure is 90 percent.¹

The second divide that will persist over the working lives of the millenials has two sources: (a) the division between the educationally advantaged and disadvantaged, and (b) the multiplier effect of marital homogamy, the tendency of like to marry like. Morrisette and Johnson (2004) show that between 1980 and 2000, couples with two university graduates saw their average annual earnings rise by 14% to 22%. Couples where both partners had high school education or less had stagnant or declining earnings. Earnings homogamy, the correlation between husband’s and wife’s earnings, has also risen (Figure 2). In 1980 the association looked somewhat like an inverted-U. Women married to men in the lower middle of the earnings distribution had the highest earnings. By 2000, the relationship was monotonic: the highest paid women were married to the highest paid men and the lowest paid women to the lowest paid men.

¹ Special tabulation provided by Brian Murphy, Statistics Canada.
A New Life Course Equilibrium?

For the late boomers and Generation X, postponed adulthood was something of a novelty. For the millenials, it is the new normal. The early and tight coupling of adult transitions of my generation is ancient history and humans adapt. Not surprisingly, then, recent research indicates that the generations, both young and old, have moved into what we might think of as a new equilibrium in the social and economic life course.

A major study of US millenials by the PEW Research Centre (2010) entitled Confident, Connected and Open to Change captures the tone of this research. PEW reports that 9 in 10 millenials either say that they currently have enough money or that they will eventually meet their long-term financial goals.
I left home at 17 and find it difficult to imagine living with mom and dad into my late 20s. But according to Katherine Newman’s (2012) rich comparative study of young adults living at home only Japanese parents seem upset by the situation.

In Japan, 28 year old Akiro, anticipates that he may move out of his parents’ home by the age of 35. Akiro’s mom, like many Japanese parents, is deeply troubled by his failure to live up to the ideals of masculinity and adulthood that she considers normative. She believes, however, that all this is her fault: Akiro’s retreat from maturity is the product of her coddling and lack of toughness when he was younger.

For 30-year-old Giovanni in Italy, in contrast, life is sweet. His biggest expenses are for going out on weekends and for travel and holidays. As Giovanni reports, nobody is surprised that someone his age is living at home and no one is pressuring him to leave. Only one of mother Maria’s three adult children has moved out and she is quite content to have the other two at home as she moves into late middle age.

In the US, Newman reports, father William is enjoying the company of son John again as John saves up to pursue a postgraduate degree. In the meantime John is building his CV by volunteering for a three–week trip to Africa, financed by dad, to work in a mobile health clinic.

Paradoxically, young Swedish adults who still leave home in their early 20s complain about the weak bonds between themselves and older generations.

Reading Newman’s accounts made me wonder whether my concern for the next generation is simply a bad case of boomer nostalgia for the way the way things used to be. And as it turns out, things were only that way for a brief moment in time. The early transition to adulthood of my generation is the historical anomaly, not the late transitions of the millenials. U.S data (see chart) show that living with mom and dad was much more common among white single men in the first half of the twentieth century than it is today despite the increase since the 70s.
So Why Should We Worry?
Demographers worry about the effects of postponed adulthood on fertility and, by extension population aging. The reason is that while the social and economic life course has changed, the biological life course has not.

The OECD worries about social and economic waste. The OECD Skills Outlook 2015: Youth, Skills and Employability concludes that we are “squandering our investment.” We are producing a generation with high levels of education but no place to go. “Stuck in second gear,” a line from the theme song of the TV sitcom Friends captures the point nicely. Skills and talents that go unused during periods of unemployment or employment in “junk jobs” tend to atrophy with time. The share of Canadian 15 year olds with good PISA test scores is well above the OECD average. Our 16-29 year olds fare less well; the percent with poor literacy and numeracy scores is above the OECD average. The main reason usually offered for this sort of discrepancy is weak integration of our educational
system with the labour market. Educators as well as employers need an examination of conscience.

My main worry, however, is that the millenials will be either unable or unwilling to invest in the future: to take up the huge financial and political burdens we are expecting them to carry as they move into their late 30s and 40s. The fact that they will be paying for aging boomers for the next 30 years is often raised but that is only one of their challenges. The millenials will be the main revenue source for paying the future costs of saving us from global warming, solving our problems with public transit, providing investments in early childhood education and all the other good things that need doing.

All of these projects require new investments and patient investors. By definition, investment requires foregoing current consumption in the short run to get returns in the long run. In many cases, the returns are unlikely to be realized for several decades. Advocates for more social investment in early childhood education make the case that it will produce a future generation of young adults better and, importantly, more equally equipped to function in a knowledge-based economy. If we start investing heavily in 2 and 3-year-olds tomorrow, however, it will take a quarter of a century before we can expect measurable changes in employment and wage outcomes for young adults. Outside Quebec, almost all of the costs of such a project will fall on the millenials since Canada is starting from close to ground zero: the percentage of 3 year-olds enrolled in pre-school education in Canada is 6.2 percent compared to an OECD average of 63 percent.\(^2\)

The moral of the story is that my generation has not always set a good example for those who are following us and that probably counts as a serious case of intergenerational injustice. It remains to be seen whether a generation whose adulthood has been both delayed and divided will meet these challenges. I worry that postponed adulthood, a growing economic divide, slow economic growth, and an ethos of no new taxes will put a damper on their enthusiasm for these big projects.

\(^2\) http://www.oecd.org/social/family/database.htm Table PF3.2
References


