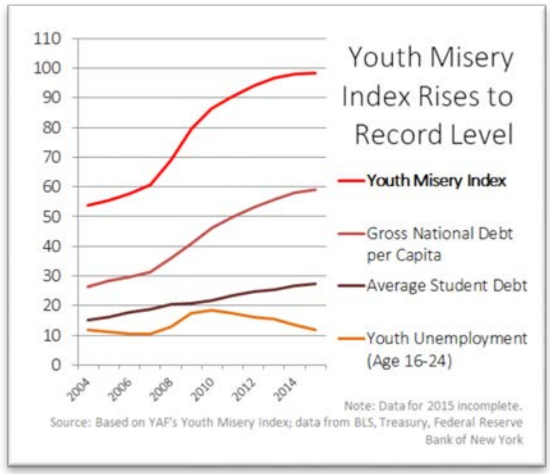
JOINT ECONOMIC COMMITTEE
SENATOR DAN COATS, CHAIRMAN

# Millennials' Slow Start Down the Road of LIFE

During the 1980s and 1990s, which mark the birthdates of young adults known as millennials, technology has changed Americans' lives and jobs. In their lifetimes, the personal computer became a fixture at home and at work by opening entry onto the internet's "information superhighway," email and texting changed the way the country communicates, and cellphones morphed from an executive perk to an essential connection for social interaction as well as work performance. To compete in a job market where over a third of workers complete four years of college or more, young adults sit in classes longer and start working later. They spend more on education and take on larger student loans. [Average student loan debt totals a record $35,051 for the class of 2015](#).




*The [Youth Misery Index](#) is up more than 40 percent since 2008. Graduated and ready to work, they are struggling to find gainful employment relative to generations before them.*


***EDUCATION: More of it, but at a cost in time, money and life choices***

- *The drag of [graduating college during a recession](#) can have a permanent effect on lifetime income. This seems to be [true of certain college degrees](#) over others; graduates with scientific and business degrees see an increase in earnings graduating into a recession, while arts and social sciences see a decrease.*
- *By age 27 in 2011-12, [millennial women surpassed men](#) in terms of college-level education attainment with 32 percent of women obtaining a bachelor's degree compared to 24 percent of men. While this is an encouraging trend, it's important that young men today do not fall behind; by 2020, it is estimated that approximately [65 percent of jobs will require postsecondary education](#), but a shortfall of postsecondary degrees is already expected to rise to [3 million by 2018](#).*
- *With greater rates of higher education have come greater burdens of debt; more than one-third of Americans age 24-28 have debt that surpasses their assets, a rate which tops previous generations at that age. The [composition of debt has also changed](#) from generation to generation; millennials have taken on far more student and credit card debt in place of mortgage debt that baby boomers took on at their age. Only one-fifth of*

*young Americans have mortgage debt, which is far below the near-third of young Americans in the 1980s and 43 percent in the mid-'70s.*

For the last six years, more education has not brightened job prospects for many young workers, who live with stubbornly high youth unemployment. These young workers now face a labor market transformed by technology, more and more dominated by the "services" industry.

**STOP TWO: JOBS**

***<u>JOBS: Deferred for education, then "underemployed"</u>***

- *Nearly one in five 20-24 year olds was neither enrolled in school nor working in 2013. For those with a high school diploma, the figure was nearly one in three—up from one in five in 1990, while college graduates saw an increase to nearly one in ten by 2013, up from one in twenty in 1990.*
- *About 44 percent of recent college graduates are "underemployed," working in jobs that do not require a college degree; this puts graduates at a disadvantage that prevents them from gaining experience applying their skills and reduces their ability to meet college debt payments.*
- *Only 42 percent of working respondents in a recent Federal Reserve Board of Governors survey had a job related to their field of study. Subsequently, 28 percent of working respondents reported they are overqualified for their current job, with bachelor and associate degree holders most likely to respond this way; less than one-third of the overqualified are in a field related to their education. Respondents who had a job in high school were more likely to be working and full-time than those who didn't work during high school. Twenty-three percent reported that the cost of their education outweighed the financial benefits, and were more likely to have student loans. Job satisfaction is driven by schedule and compensation.*

Although the U.S. labor market has returned to pre-recession size, many jobs pay less and offer fewer hours. The best opportunities go to skilled and seasoned workers, offering fewer "career path" openings for inexperienced job seekers. Innovative technologies are automating low-skill jobs that traditionally provided first-time workers an entrée into the job market.

**STOP THREE: INCOME**

***<u>INCOME: Stagnant, with less promise of career-path growth or a chance to be your own boss</u>***

- *Since the beginning of the Great Recession, starting wages of recent college graduates (defined by the Federal Reserve Board as ages 21-25 with a college degree) have changed little, and a growing gap between recent graduates and overall median weekly earnings has appeared during and beyond the recession. Considering that overall wage growth has been slow, the contrast is even more distressing for young workers.*

- *Between 1992 and 2000, each successive graduate class of college and post-college degree holders saw an increase in the likelihood of entering jobs that require brains instead of brawn at the start and in the middle of their careers, but this pattern began to reverse after 2000, contributing to the declining job and income prospects young work entrants face in the new millennia.*
- *The share of people under 30 years of age who own a private business has fallen to a 24-year low, down to 3.6 percent from over 10 percent in 1989; raising money to start a business was suggested as an important factor, which may be exacerbated by the college debt that many graduates have accumulated in recent years. Overall entrepreneurship has also fallen at all ages over the past quarter century.*

High student loan debt and fewer promising jobs means these young workers lack the means to support themselves. According to *The New York Times*, "…the onset of sustainable economic independence has been steadily receding": One in five people in their 20s to early 30s lives with his or her parents; 60 percent of all young adults receive financial support from their parents.


***FAMILY: Recession delays marriage, but not children***

- *More millennials are delaying marriage, making for a record average marriage age for men (29 years old) and women (27 years old). While a variety of factors may play into this long-term shift, both beneficial—aiming for educational and career achievements—and negative—underemployment, unemployment and high student loan debt among them, the divorce rate also falls as the average marriage age increases.*
- *Though marriage is postponed, the average age of childbearing has not been delayed at the same rate. With the exception of college-educated women, the phenomenon known as the "Great Crossover" has witnessed the median age at first birth (25.7) fall below the median age of first marriage (26.5). The phenomenon occurred decades ago for the most economically underprivileged women, and more recently for women who have at least a high-school degree or some college.*

Overall, homeownership among 30-year-olds both with and without a history of student loan debt has declined significantly since 2008. Before the Great Recession, homeownership was much higher among 27 to 30-year-olds with a student debt history than for those without. However, in 2012 that trend reversed; 27 to 30-year-olds with no history of student loans were more likely than those with a student debt history to have a mortgage. This suggests that student loan debt is at least one of the factors affecting homeownership rates for millennials.

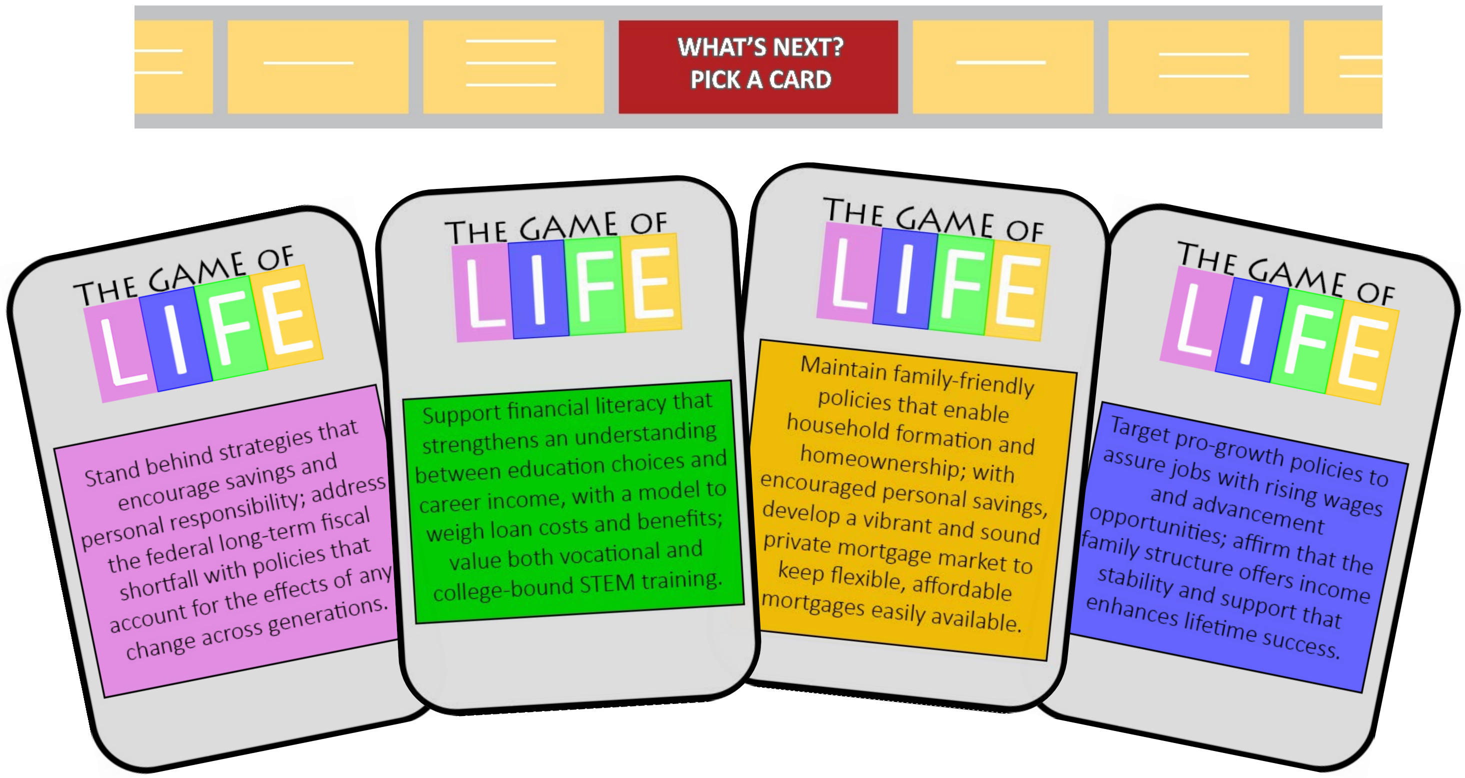

***HOMEOWNERSHIP: Not a priority, then delayed by debt and job uncertainty***

- *More broadly, much of millennials' choices are tied to the housing market they are located in; based on a study completed by Jonathan Vespa and others at the Census Bureau, the Wall Street Journal notes that marriage and living alone are more common for millennials with more ideal housing market conditions (low costs, high availability/low competition, plenty of detached homes, more rooms and low unemployment) than those living in less than ideal housing market conditions. However, the trend in postponing homeownership is closely tied to delayed marriage and parenthood, accounting for virtually all of the recent declines in homeownership, according to a study by chief economist Jed Kolko at Trulia, Inc.*
- *Young workers lack the ability to purchase homes due to a number of factors, including the top reasons surveyed by the New York Federal Reserve Bank in response to the question: "Why would you rent and not purchase a home?": (1) inadequate savings or too much debt (56 percent); (2) insufficient income (53 percent); and (3) lack of good credit (41 percent). Overall, young workers still prefer to own over renting.*

However, the challenges discussed thus far do not represent the largest hurdle millennials will climb during their careers and family lives. A jump in federal spending during the Great Recession and recovery has driven federal debt to $18 trillion – and each millennial's share of it is almost twice the amount of their average student loan debt.


***FISCAL SUSTAINABILITY: Looming spending, rising debt put millennials' futures at risk***

- *Long-term fiscal challenges continue to ominously loom over millennials as entitlement programs swell to pay what is obligated to their parents and grandparents. As these programs increase without sustainable reforms, the intergenerational inequity grows with it. Entitlement programs are not the only problem that lurks ahead; unfunded liabilities—public pension programs with misleading accounting methods—also increase future fiscal uncertainties, leaving millennials not only to question the feasibility of upward economic mobility and eventual retirement, but to question whether the American Dream will be renewed for them at all.*
- *As noted by the St. Louis Fed, starting with Generation X, the average per-capita lifetime net benefit from federal benefits received minus taxes paid turns from significantly positive to significantly negative and worsens for millennials and post-millennials.*
- *The intergenerational imbalance and unfunded promises facing millennials and future generations must be addressed now, or else later reform will require more painful and more drastic changes including significant benefit cuts and/or tax increases.*


WHAT'S NEXT?
PICK A CARD
THE GAME OF LIFE
Stand behind strategies that encourage savings and personal responsibility; address the federal long-term fiscal shortfall with policies that account for the effects of any change across generations.
THE GAME OF LIFE
Support financial literacy that strengthens an understanding between education choices and career income, with a model to weigh loan costs and benefits; value both vocational and college-bound STEM training.
THE GAME OF LIFE
Maintain family-friendly policies that enable household formation and homeownership; with encouraged personal savings, develop a vibrant and sound private mortgage market to keep flexible, affordable mortgages easily available.
THE GAME OF LIFE
Target pro-growth policies to assure jobs with rising wages and advancement opportunities; affirm that the family structure offers income stability and support that enhances lifetime success.