

## CHAPTER 3: MILLENNIALS

### OVERVIEW

Young adults today are less likely to earn more than their parents than any generation in American history. Children born in 1940 had about a 90 percent chance of earning more than their parents; the first Millennials, born in 1980, had only a 50 percent chance.<sup>154</sup> This is a crisis for millions of Millennials and it should be a primary concern for policymakers. However, the *Economic Report of the President* largely disregards the unique challenges of this generation and the word "Millennial" does not appear in the *Report*.

With education increasingly a prerequisite for economic opportunity in the labor market, Millennials are more likely than any prior generation to seek higher education and more advanced degrees.<sup>155</sup> However, the need for more education has ripple effects that affect them throughout their lives. They take longer to achieve milestones such as completing school, setting up their own household and marrying. More face the burden of student debt while fewer obtain homeownership. These social changes and economic challenges may be further complicated by the increasing diversity of the Millennial generation.

Despite these vast changes, many federal policies, especially concerning support for families and children, have changed little in the past half-century. Therefore, today's young adults are supported by a less adequate national safety net compared to their parents' generation, in that it no longer reflect the realities that American young adults face. For Millennials to have a better chance to succeed, new social policies are needed to address the unique challenges they face. However, the first step, which is lacking in the *Report*, is to acknowledge that the challenges exist.

## THE HISTORICAL CONTEXT

Millennials grew up during times of great social and economic change. There was a transformative shift in household structure, increasing globalization, weaker protections for unions, stagnating male wages and mass deregulation.<sup>156</sup> Despite the economic and social instability faced by this generation, federal social investments—such as in public education, housing subsidies and income support programs—were reduced and more federal social programs were transferred to states or localities starting in the 1980s.<sup>157</sup>

Within seven months of President Ronald Reagan's inauguration, Congress slashed spending by \$35 billion below projected levels and reduced personal and corporate income taxes by almost \$38 billion. Most of the budget savings were made in programs affecting the poor.<sup>158</sup> President Reagan also gave states more options to vary the implementation of social programs, such as allowing states to require welfare recipients to participate in workfare programs in order to receive cash aid and other program benefits. The transfer of power to states allowed some states to develop innovative safety net programs while others engaged in a 'race to the bottom' to minimize public investments in social services.<sup>159</sup>

In the 1980s, the nation also faced a period of deepening urban ills—such as the crack epidemic and violent crime—and increasingly punitive approaches to addressing social problems, which had devastating impacts on low-income families, children and neighborhoods. Sentencing for drug offenses became more punitive as mandatory prison time for these offenses was widely adopted by the states through the 1980s. In 1986, President Reagan signed legislation with harsh federal mandatory minimum sentences for drug offenses and Congress authorized hundreds of

millions of dollars in new grants for state and local law enforcement.<sup>160</sup> Children—many from low-income communities—were separated from their parents as more men and women were incarcerated for longer periods.

The initial cohorts of Millennials were born in a decade of new family and work arrangements among their parents' generation, the Baby Boomers (ages 17 to 35 in 1981). Starting in the late 1970s and early 1980s, most women worked irrespective of whether they were married or had a young child.<sup>161</sup> Women's earnings proved to be critical to the American household amid instability in the economy and the male-head-of-household structure during this decade. In the 1980s, there was a double-dip recession, mass layoffs and the U.S. divorce rate peaked.<sup>162</sup> Between 1960 and 1980, the annual number of divorces tripled from approximately 400,000 to nearly 1.2 million.<sup>163</sup>

As children growing up and as young adults coming of age, Millennials experienced economic instability and have not enjoyed the same level of federal social investments experienced by other generations. In the postwar era, workers, families and children had an array of federal investments, subsidies and protections that began to erode under the deregulation and federal funding cuts that started in the 1980s.<sup>164</sup> Compared to Millennials, Baby Boomers grew up during an era of more stable wages for (male) breadwinners, historically high marriage rates, a more robust safety net and higher rates of upward mobility.<sup>165</sup>

### *Coming of Age in a Changing America*

Much of the recent analysis about the economic status of Millennials reflects that, by definition, Millennials are now in the coming-of-age period of life (ages 23 to 38 in 2019). Most Millennials are finishing or have finished schooling and most are

entering or have entered the labor market. Generation X and Baby Boomers are in later life stages. Generation X—ages 39 to 54 in 2019—are typically considered to be in the middle stage of life with most having achieved the typical milestones of adulthood, such as establishing financial independence and an independent household or family. In contrast, Baby Boomers—ages 55 to 73 in 2019—typically have more experience in the labor market and most have entered or are preparing to enter retirement.<sup>166</sup> In 2019, the number of Millennials is expected to exceed the number of Baby Boomers at 73 million versus 72 million, respectively.<sup>167</sup>

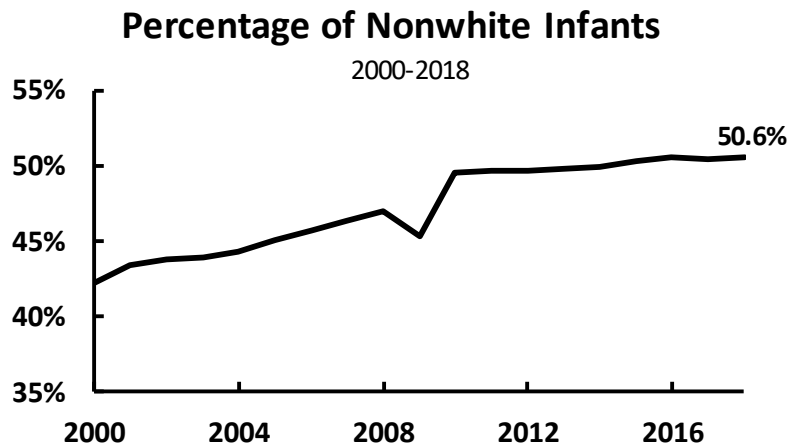
Overall, Millennials lag prior generations in the timing and order of obtaining the traditional markers of American success—a steady career, homeownership, starting a family and building a nest egg. While Millennials report highly valuing these typical life milestones, economic uncertainty, rising housing costs and high debt levels are pushing these goals out of reach for many. Most Millennials report being worried about future job opportunities. Four in five say that student debt has forced them to delay homeownership and three in five believe the country is headed down the wrong track.<sup>168</sup> The promise and duty to ensure the nation’s economy works for all Americans is increasingly critical to the vitality of our labor force, households and consumer markets as each new generation is becoming more diverse and many hold a precarious position in an unstable economy.

#### *Growing Diversity and Economic Inequality*

Today’s young adults represent the most diverse U.S. generation. Nonwhite racial and ethnic groups make up more than half of the millennial population in 10 states and in another 10 states nonwhites are more than 40 percent of millennial residents.<sup>169</sup> One in four Millennials speaks a language other than English at home.

About one in seven marriages among Millennials are interracial.<sup>170</sup> As of 2015, most of the U.S. population under age five were nonwhite.<sup>171</sup> The share of nonwhite infants (less than one year old) in the United States reached about half (49.6 percent) for the first time in 2010 (see *Figure 3-1*).<sup>172</sup> Yet the *Report* has not fully considered the policy implications of the emerging millennial demographic shifts on U.S. education patterns, the labor force, household arrangements and the economy.

*Figure 3-1*



Source: U.S. Census Bureau

Note: Percentage reflects nonwhite and Hispanic resident population under the age of 1.

It is possible that the young adults of today are also on track to be the most unequal generation yet.<sup>173</sup> On the one hand, the top end of the income and wealth distribution has seen the most gains since the Great Recession.<sup>174</sup> Millennials who are technologically savvy are positioned to earn a high premium for their skills and higher education in the labor market.<sup>175</sup> This year, a record number of the world's billionaires were under 40.<sup>176</sup> The 71 youngest billionaires in the world (under age 40) are collectively worth nearly \$300 billion and, on average, each is worth about \$4 billion.<sup>177</sup>

On the other hand, there has been increasing wage inequality in the labor market.<sup>178</sup> Compared to Baby Boomers and Generation X when they were ages 25 to 34, young adult Millennials are more likely to live in poverty (eight percent in 1980, 10 percent in 2000 and 15 percent in 2015, respectively).<sup>179</sup> Millennial households have the highest rates of poverty compared to other U.S. generations, which reflects that the poverty rate among young adult households has been rising since WWII while declining among households headed by older Americans.<sup>180</sup> Many Millennials also have no retirement savings and most lack confidence in the future of Social Security.<sup>181</sup>

Black and Latino Millennials report various dimensions of being more financially vulnerable than white Millennials.<sup>182</sup> White Millennials employed in full-time positions report having more benefits from their employer than black and Latino full-time workers. Black Millennials (ages 25 to 34) are more than twice as likely as white Millennials to live in poverty (24 percent compared to 11 percent, respectively).<sup>183</sup> Black Millennials also report being less likely to rely on financial assistance from their parents or family.<sup>184</sup>

#### *Long-Lasting Impacts of Economic Instability*

Overall, the *Report* lacks sufficient attention to the economic and social realities that Millennials face. While Millennials are on track to be the most highly educated and productive generation of workers, troubling indicators of economic insecurity are evident across race, ethnicity, gender, education level and geography. Many Millennials graduated from high school or college and entered the labor market during the Great Recession and many experience unemployment, underemployment or depressed wages. Without an effective policy framework to foster greater

financial security and fairer economic outcomes, the fragile status and disparate outcomes of today's young adults pose a great risk to the pillars of the American Dream as well as to the stability and growth potential of our nation's economy.

### **THE SHIFTING OUTCOMES AND COSTS OF EDUCATION**

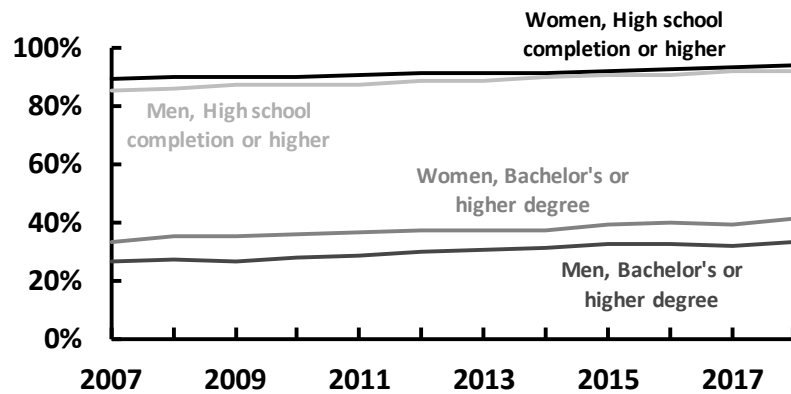
#### *Changing Benefits of Education and Gender Shifts in Educational Attainment*

While a generation ago a high school education would typically be enough to achieve the milestones associated with the American Dream—buying a home, starting a family and building a nest egg—it has become far more important to get a college degree or an advanced degree to guarantee such success. Nearly four in ten (37 percent) jobs typically require some type of postsecondary education.<sup>185</sup> According to the Georgetown University Center on Education and the Workforce (CEW), 65 percent of all jobs in the economy will require postsecondary education and training beyond high school by 2020.<sup>186</sup>

Millennials represent the second U.S. generation in which women outpaced men in college completion (Generation X was the first).<sup>187</sup> By the mid-to-late 1990s, young women ages 25 to 29 began to have higher college attainment rates than young men.<sup>188</sup> This means that young men and women now stay in school longer, which can affect the timing of entering the labor market and starting a family for both.

*Figure 3-2*

### Educational Attainment by Gender 2007-2018



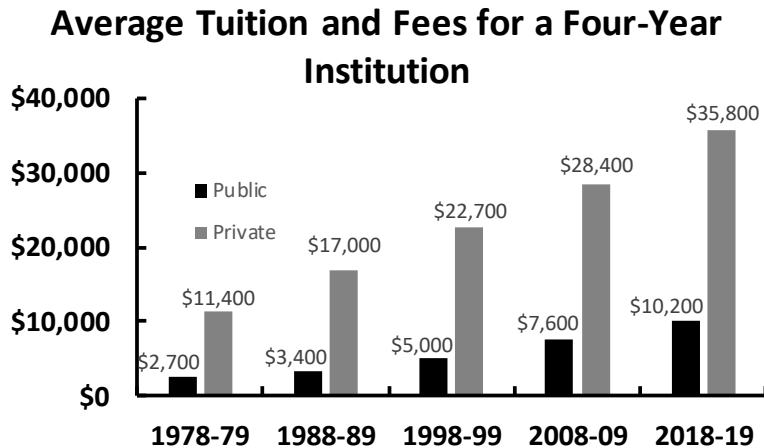
Source: National Center for Education Statistics; Percentages reflect educational attainment for persons 25 to 29 years old

Even though Millennials are the most educated generation in U.S. history, recent educational gains have been modest. Between 2007 and 2017, the percentage of young people achieving a high school degree increased from 87 to 93 percent and the percentage earning a bachelor's degree or higher increased from about 30 to 36 percent.<sup>189</sup>

#### *Skyrocketing Tuition Costs and the Student Debt Crisis*

Since the 1980s, the average costs of a full-time undergraduate degree has more than tripled for public institutions and private institutions. From the 1978-79 school year to the 2018-19 school year, average public college costs went from \$2,700 to \$10,200 and average private college costs went from \$11,400 to \$35,800. The average published tuition and fee price at private nonprofit four-year institutions is now about 3.5 times the average price at public four-year institutions.<sup>190</sup>



*Figure 3-3*

Source: JEC Democratic staff calculations based on College Board, Trends in College Pricing 2018 – Note: Average tuition and fee prices exclude room and board; prices reflect in-state charges for public four-year institutions and are rounded to the nearest one hundred dollars.

Many young adults come into the labor market seeking financial independence, but have the disadvantage of a high student debt burden. Four in ten young adults under age 30 have student debt.<sup>191</sup> More than 2.5 million student loan borrowers have student loan debt higher than \$100,000, with more than 600,000 of these borrowers holding student loan debt exceeding \$200,000.<sup>192</sup> Today's young adults graduate from school owing substantially higher debt than prior U.S. generations, with total aggregate student debt now surpassing \$1.5 trillion.<sup>193</sup>

The average student loan balance for Millennials in 2017 was more than double the average loan balance for young adults of Generation X (in 2004).<sup>194</sup> The cost of attending college has increased much faster wages, leading to higher student loan burdens.<sup>195</sup> This debt is difficult to repay, setting up many young adults for financial precariousness. While the economic rewards of a college degree—such as higher earning power and lower unemployment rates—continue, escalating costs have discounted

the benefits of completing college.<sup>196</sup> Even adults with a Ph.D. are showing frustration about not finding their way in the economy.<sup>197</sup> Citing risks ranging from social unrest to another economic freefall (due to the insolvency of sky-rocketing student debt), experts have started to argue that the rising costs and financing scheme of higher education in the United States merit urgent attention from policymakers.<sup>198</sup>

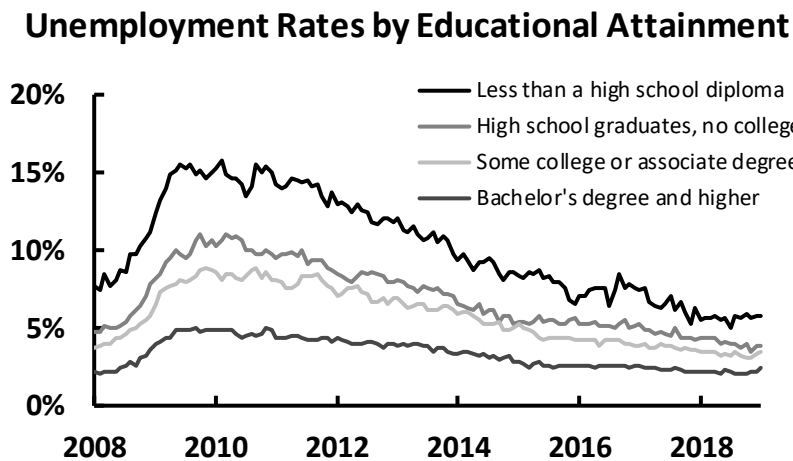
*Trump Administration Moves to Deregulate Higher Education Despite Scandals*

The Trump Administration has moved to weaken federal oversight and deregulate the higher education industry. For example, Education Secretary Betsy DeVos restored federal recognition of Accrediting Council for Independent Colleges and Schools (ACICS), a for-profit college accreditor from which the Obama Administration withdrew recognition.<sup>199</sup> In another departure from the prior Administration, the Department of Education did not intervene or place stringent conditions on a proposal by the nonprofit Dream Center for the acquisition and consolidation of several for-profit colleges and universities, including Argosy University, South University and the Art Institutes.<sup>200</sup> The deal was ultimately a catastrophic failure, resulting in \$13 million in misused federal student aid and the sudden closure of multiple higher education campuses—leaving thousands of students with unpaid bills, unfinished classes and dashed hopes for graduation day.<sup>201</sup> College scams using false advertising and high-pressure sales techniques—such as those alleged in claims against the now-defunct Trump University—have harmed countless students across the nation.<sup>202</sup>

Education Secretary Betsy DeVos also moved to loosen rules and restrictions on student lending, undermining efforts by the Obama Administration to protect student borrowers from fraud and to

require federally funded institutions to prepare students for gainful employment or risk losing funding.<sup>203</sup> Given lax oversight, the rollback of common sense consumer protections for students and threats to end subsidies for student loans, the current Administration has failed to lighten the load on Millennials—a generation already overburdened by the effects of entering the labor market during a volatile economy and starting adulthood in a rapidly changing society.

*Figure 3-4*



Source: Bureau of Labor Statistics

Note: Unemployment rates are for persons 25 years and older, seasonally adjusted

## **RISING MARKET UNCERTAINTIES**

### *Harsher Labor Market Realities*

The prosperity of America's future depends on Millennials' successful labor market entry and financial well-being. Four in ten (38 percent) workers in the labor force are Millennials.<sup>204</sup> By 2025, they are expected to comprise three in four workers.<sup>205</sup> Labor market outcomes for this generation are uncertain as many

Millennials entered the labor market during the 2001-03 recession, the 2007-09 Great Recession or a recession recovery period. Studies show that entering the labor market in a bad economy can have negative effects on earnings and employment that can be long term.<sup>206</sup> Data show college enrollment increased following the Great Recession.<sup>207</sup> While some young adults obtained additional schooling during the recession, other Millennials endeavored to find jobs and start their careers during a volatile labor market.

*Many are Overqualified and Underemployed*

Many Millennials have had a hard time securing employment in the wake and recovery of the Great Recession.<sup>208</sup> Even outside of the business cycle, Millennials face a secular trend of increasingly difficult labor market conditions, including widening wage inequality and an increasing gap between “good jobs” versus “bad jobs.”<sup>209</sup> With a college degree being increasingly necessary for employment, studies show that the extent of job mismatches and the percentage of workers who are overqualified for their job have been increasing since the 1970s.<sup>210</sup>

Even recent college graduates face the risk of underemployment, as workers with a college degree outnumber the jobs that require a college degree.<sup>211</sup> Underemployment and unemployment may be contributing to less work and life satisfaction among Millennials.<sup>212</sup> A 2016 Gallup study found that most Millennials (71 percent) do not feel engaged at work and more than half of Millennials say they are looking for new employment opportunities.<sup>213</sup> Data show that low employee engagement costs firms and the economy due to lower worker productivity.<sup>214</sup>

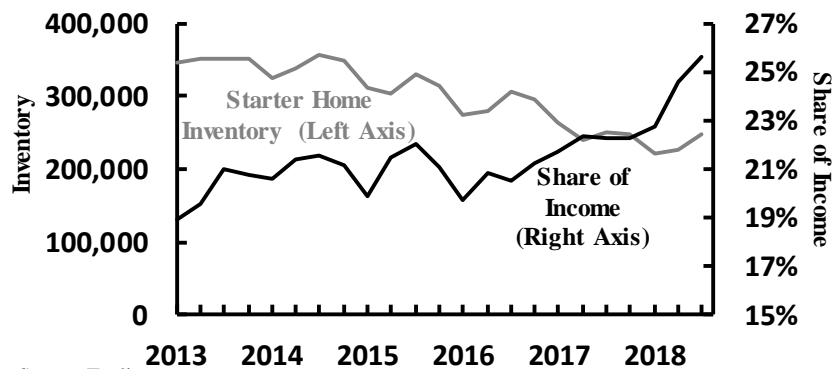
*The Housing Crisis, Barriers to Asset Building and the Rental Trap*

According to the Pew Research Center, Millennials are less likely to own their home compared to prior generations of young adults. From the 1980s to the present decade, the percent of young adult households (under age 35) that owned their homes dropped from over two in five (41 percent) to just over one in three (35 percent).<sup>215</sup> Studies show today's young adults have many barriers to homeownership. Millennials face a U.S housing market with a declining share of modest-priced housing suited for first-time homebuyers, often called "starter homes" (see *Figure 3-5*). Some also have not yet recovered from the negative effects of the Great Recession on wealth recovery and asset building, which may further reduce their ability to buy a home.<sup>216</sup>

According to Trulia, starter homes have seen continued increases in prices and decreases in inventory. These homes have seen a nearly 10 percent (9.6 percent) annual increase and starter inventory has hit a historic low. As the inventory for starter homes has declined, the share of income spent on housing costs has risen.<sup>217</sup> According to the Census Bureau, the median price for a home in 1950 was \$44,600, adjusted for inflation.<sup>218</sup> By 2018, average prices for starter homes had more than tripled to \$150,000 in some markets and even quintupled to \$250,000 in others.<sup>219</sup>

Figure 3-5

### Starter Home Inventory vs. Price Share of Income



Source: Trulia

Note: Data on a quarterly basis. Share of income is amount needed to afford a median-priced starter home.

Most of the nation's metro areas—where most Millennials work—have not increased new housing supply to meet the growing demand among Millennials. About nine in ten Millennials (88 percent) live in metro areas.<sup>220</sup> Data show undersupply is worst in city centers where new construction has lagged and median rental housing costs in urban areas have risen faster than median incomes.<sup>221</sup>

Moreover, saddled with the financial burden of high rates of school debt, most Millennials (80 percent) report that student debt has forced them to delay homeownership.<sup>222</sup> According to the Federal Reserve, increasing student debt among Millennials can account for a 20 percent decline in homeownership among today's young adults.<sup>223</sup> Economists Mezza, Ringo and Sommer conclude that a \$1,000 increase in student loan debt causes a 1.5 percentage point drop in the homeownership rate for student loan borrowers in their mid-20s and early 30s.<sup>224</sup>

### **MODERN HOUSEHOLD ECONOMICS**

According to a 2017 U.S. Census Bureau report, compared to young adults in 1975, fewer young adults live with a spouse (27 percent) and more live alone (eight percent) or live with a roommate (21 percent). Since the 1980s, most people have started to live with a romantic partner around age 22. Though many more do so by living with an unmarried partner (rather than marrying). The number of single people living with a romantic partner increased by more than 12 times in about the last 40 years, becoming the fastest growing living arrangement for young adults. Nearly one in eight Millennials live with an unmarried partner (12 percent).<sup>225</sup>

In the context of the difficulties of achieving financial self-sufficiency, living with a parent is now the most common and most stable living arrangement among young adults. Nearly one in three (31 percent) young adults live with a parent and most young people who report living with a parent are still living with a parent one year later.<sup>226</sup> Among young adults, men are more likely than women to live with a parent.<sup>227</sup>

According to the U.S. Census Bureau, one in four young adults who live with a parent is not in school and does not work. Young adults who live with a parent are more likely to have a child and are more likely to have a disability, suggesting that many young adults are living at home to receive parental help.<sup>228</sup> Previously, adults ages 85 and older, who often cannot live alone and require assistance, were most likely to live in a multi-generational household whereas today young adults are the age group most likely to live in a multi-generational household. Multi-generational living arrangements are growing for nearly all racial groups.<sup>229</sup>

Millennials may be more likely to live with a parent due to economic reasons. The Pew Research Center reports there was an increase in the number and share of Americans living in multi-generational households during and immediately after the Great Recession. Since then, however, the trend has slowed but remained more rapid than the growth before the Great Recession.<sup>230</sup> In 2009, approximately 50 million Americans were living in a multi-generational household and the number rose to about 60 million Americans in 2014. The trend continued in 2016, rising to 64 million people.<sup>231</sup> Data show that those who are unemployed and those without a college degree are more likely to live in a multi-generational household.<sup>232</sup>

#### *Delaying Marriage and Children*

Given the difficulty in achieving the traditional precursors to family formation, Millennials are staying single longer and living in new household arrangements. While these are not new trends, the recent economic difficulties of Millennials suggest the delayed achievement of economic milestones may become more pronounced. That would have a long-lasting impact on future family and household arrangements in the United States.<sup>233</sup>

Despite social expectations, few young adults have obtained full-time employment or become financially independent of their parents by their early twenties. One in four young adults (under age 30) receive some form of financial support from someone living outside their home.<sup>234</sup> About nine in ten Americans think that certain milestones—including completing school, being employed full-time, becoming financially independent from their parents and the ability to financially support a family—are important experiences to becoming an adult. Most Americans believe that educational and economic milestones are more

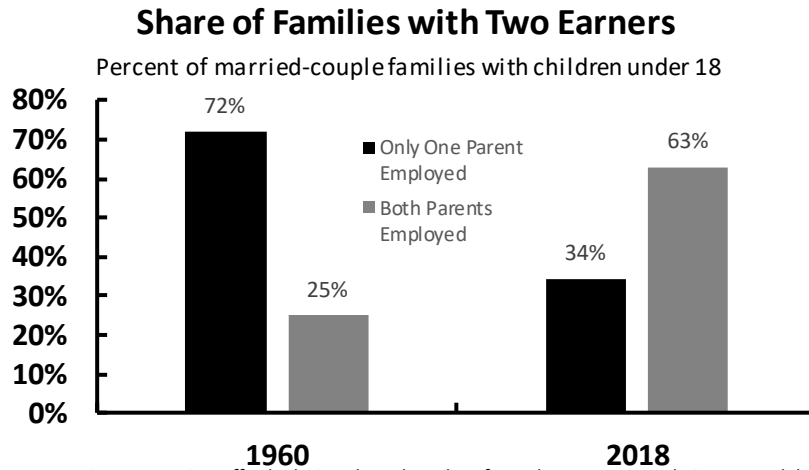


important and should be achieved before marrying and having children.<sup>235</sup> A 2016 Gallup study showed that nearly one in five (19 percent) Millennials report they have put off marrying due to financial constraints.<sup>236</sup>

Although most Americans think the ideal age to marry is 25, only one in four adults marries by that age.<sup>237</sup> In 2018, the median age to marry was 30 for men and 28 among women. This is seven years later than the median age (23) for men in 1956 and eight years later than the median age (20) for women.<sup>238</sup> However, data show that the chances of ever marrying have not changed much in recent decades, suggesting as many Millennials will eventually marry as did in prior generations—just at a later age.<sup>239</sup>

Another change in the economics of marrying in the United States is the timing and chances of marrying for the college educated. In the past, the college-educated were the least likely to marry. According to the Pew Research Center, the college-educated are now more likely to marry compared to those without a college degree.<sup>240</sup> The National Center for Health Statistics has found that, once married, college-educated women are also more likely to stay married.<sup>241</sup>

Among Millennials, modern household and family economics are based on the income of not only men but also women. Most of today's married households with children rely on two incomes to achieve economic security for their families (see *Figure 3-6*). As young adults now report wanting to achieve financial independence at an earlier age than marrying, dramatically different economic and living arrangements have emerged as today's young adults seek economic security and romantic partnership outside of marriage.<sup>242</sup>

*Figure 3-6*

Source: JEC Democratic staff calculations based on data from the Pew Research Center and the Bureau of Labor Statistics

Note: Excludes married-couple families with neither parent employed

It is likely that Millennial women will continue to hold jobs after marrying and after having their first child. According to the Bureau of Labor Statistics, more than half (54 percent) of married-couple households—with or without children—report earnings from both the husband and wife. Less than one in five (18 percent) have earnings from the husband alone. Most married mothers also work (two-thirds).<sup>243</sup>

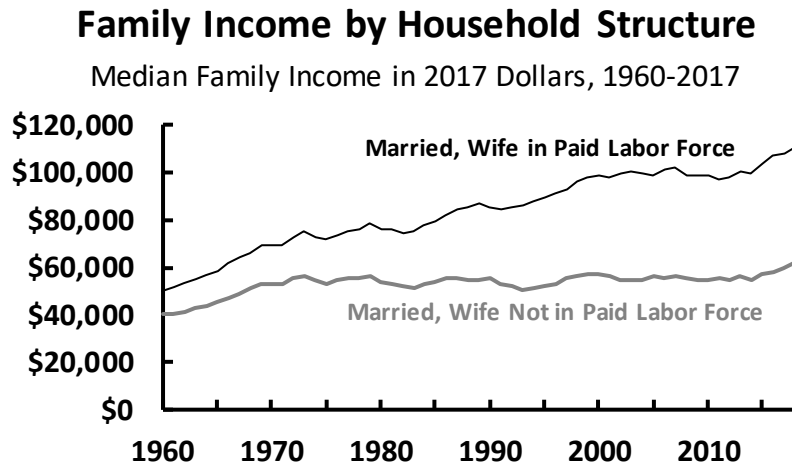
According to a 2018 study by Child Care Aware of America, three in five children under age six have both parents in the workforce. The average annual cost of child care is over \$9,000. Across all states, the average cost of center-based infant care exceeds 27 percent of median household income for single working parents. Over six months, nearly half of parents (45 percent) are absent from work at least once due to child care breakdowns, which negatively affects families, workplaces and the nation's economy.

U.S. businesses lose around \$4.4 billion annually due to the employee absenteeism associated with child care breakdowns.<sup>244</sup>

*Family Income and Dual-Earner Households*

In most married American families, when the wife is working in the labor market, the husband is also working and vice versa. Today, more than three-quarters (78 percent) of millennial families have dual-earner couples.<sup>245</sup> Starting in about the 1970s, the increases in median income of married families have been mostly observed among households with a wife in the paid labor force (see *Figure 3-7*). The median family income for married families without a wife in the paid labor force has been generally flat since then.

The prevalence of the dual-earner household structure and increasing average income level for married families with a wife in the paid labor force suggest that having two earners in the household is increasingly necessary for American families. Further, compared to the 1960s, those with a college graduate degree are now more likely to marry someone else with a college degree.<sup>246</sup> Marriage may now be a factor that widens rather than narrows income inequality.<sup>247</sup>

*Figure 3-7*

Source: U.S. Census Bureau, Historical Income Tables, Table F-7, All Races

## CONCLUSION

Millennials are less likely than previous generations to earn more than their parents.<sup>248</sup> Entering the labor market and starting a family has been difficult for them due to challenging labor market conditions, high levels of debt and high housing prices. In addition, many Millennials face an inadequate federal safety net and rising wage inequality.<sup>249</sup> Overall, federal policies have not kept pace with the changing lives of Millennials and their new household arrangements.

For Millennials to be given a fair chance to achieve upward mobility, federal policies must keep pace with the vast transformations that have occurred over the past half-century. This should include greater support for education, paid family leave, affordable child care and more robust consumer protections. Such policies would go a long way to ensuring that Millennials have the

opportunity to meet or exceed the economic success of previous generations.