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Millennials: Maligned or Miscreants?

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Millennials...

- ...Echo-boom,
Baby-boomlet
Gen-Y
Internet Generation
- Born 1981-1996
- As of 2019, the largest share of the population
- And, the generation we love to judge...

Importance of Millennial Behavior

- Economic growth
 - provide enough **labor**?
 - **consume** enough?
 - **invest** enough?
- Correctly anticipate labor market slack
 - models estimated on Boomers match Millennial behavior?
- ...Pay for our retirement
 - labor supply robust enough to ensure SS solvency?

Generations Defined

1928-1945
Silent
Generation

1965-1980
Generation
X

1997-2015
Generation
Z

1946-1964
Baby-boom
Generation

1981-1996
Millennial
Generation

1967
(22-39)

1985
(21-39)

2003
(23-38)

2019
(23-38)

oldest
is 22
in 2019

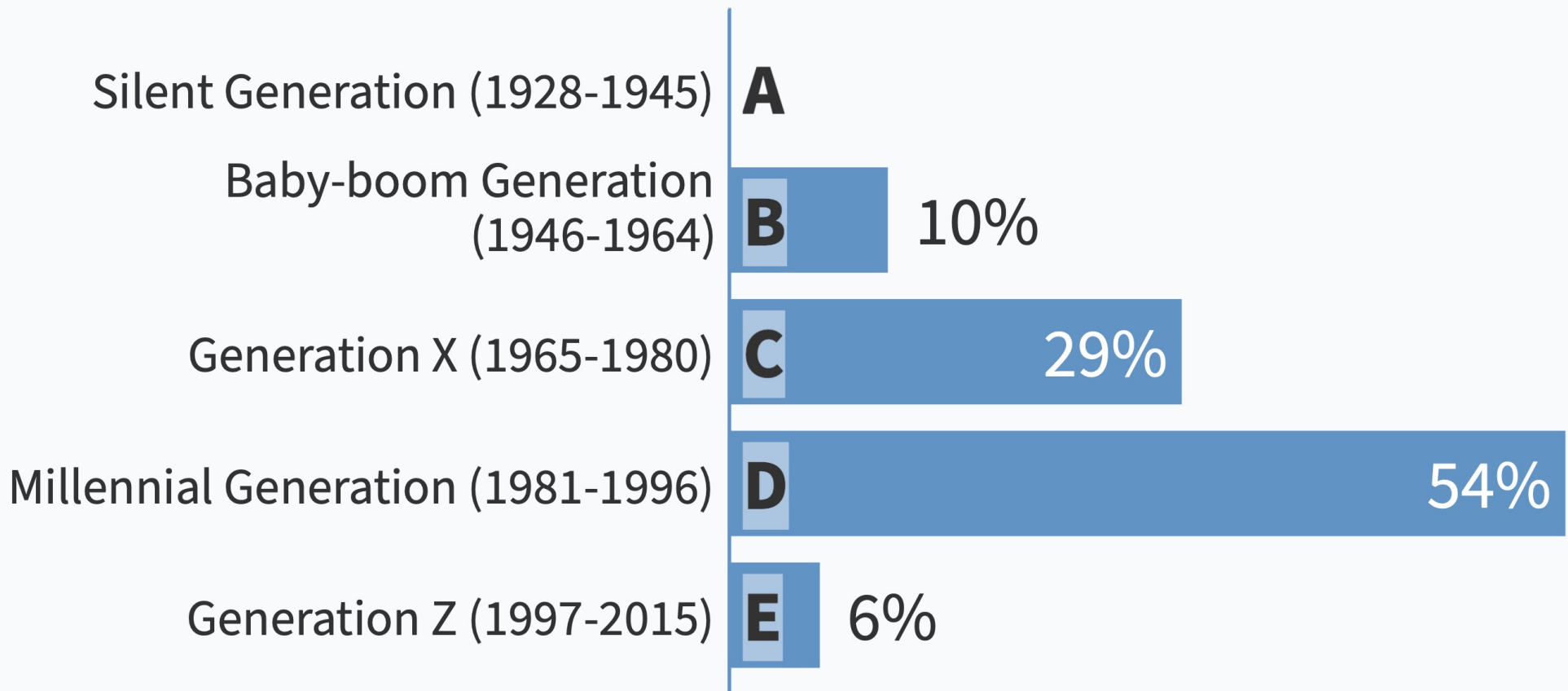


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To which generation to you belong?



Common Experiences of Millennials - 18 years old between 1999-2014

- Bush v. Gore contested presidential race
- 9/11 terrorist attacks
- Proliferation of the internet
- Hurricane Katrina
- Great Recession
- First Black president
- Hurricane Sandy
- Average of 5.5 mass shootings/year

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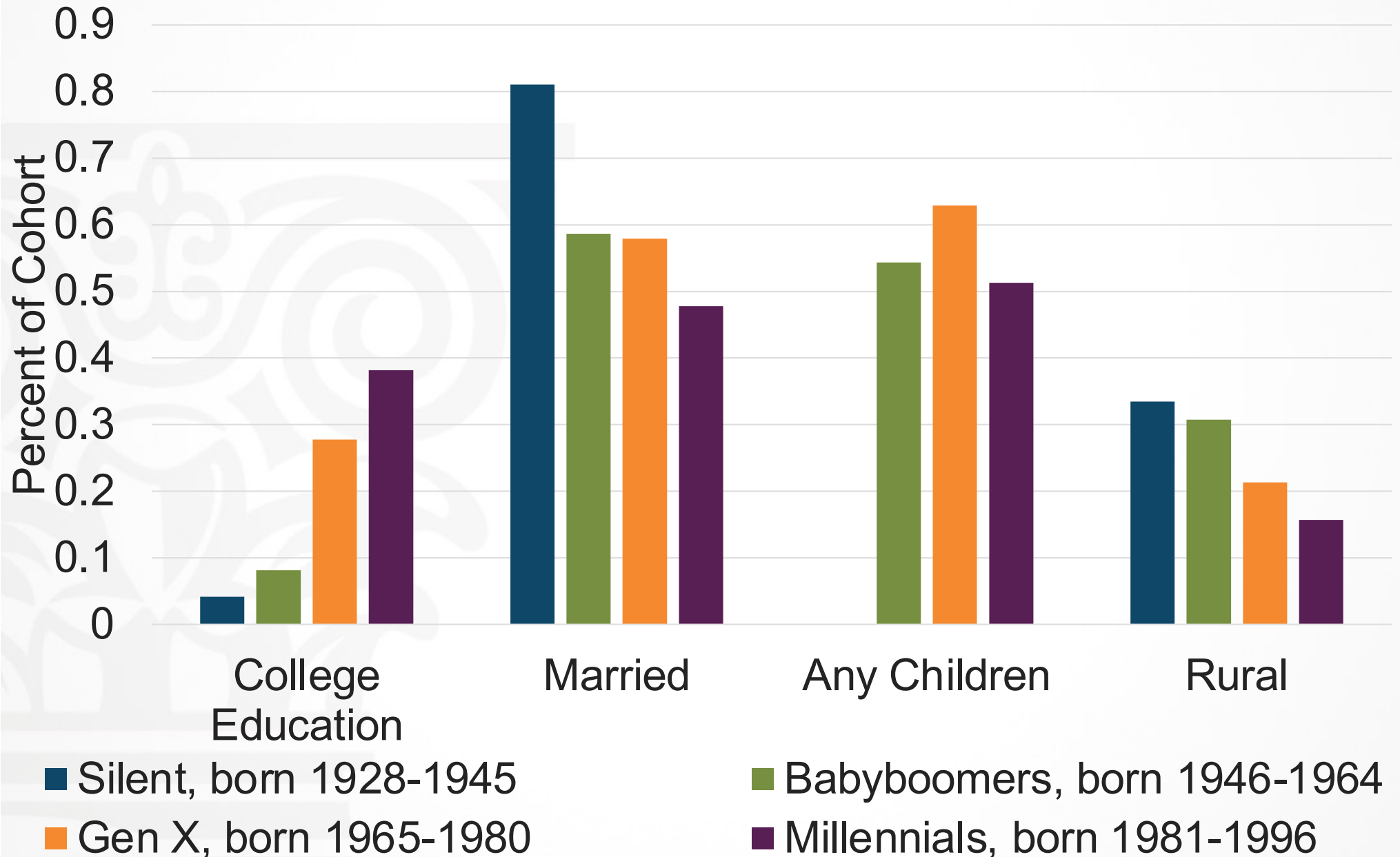
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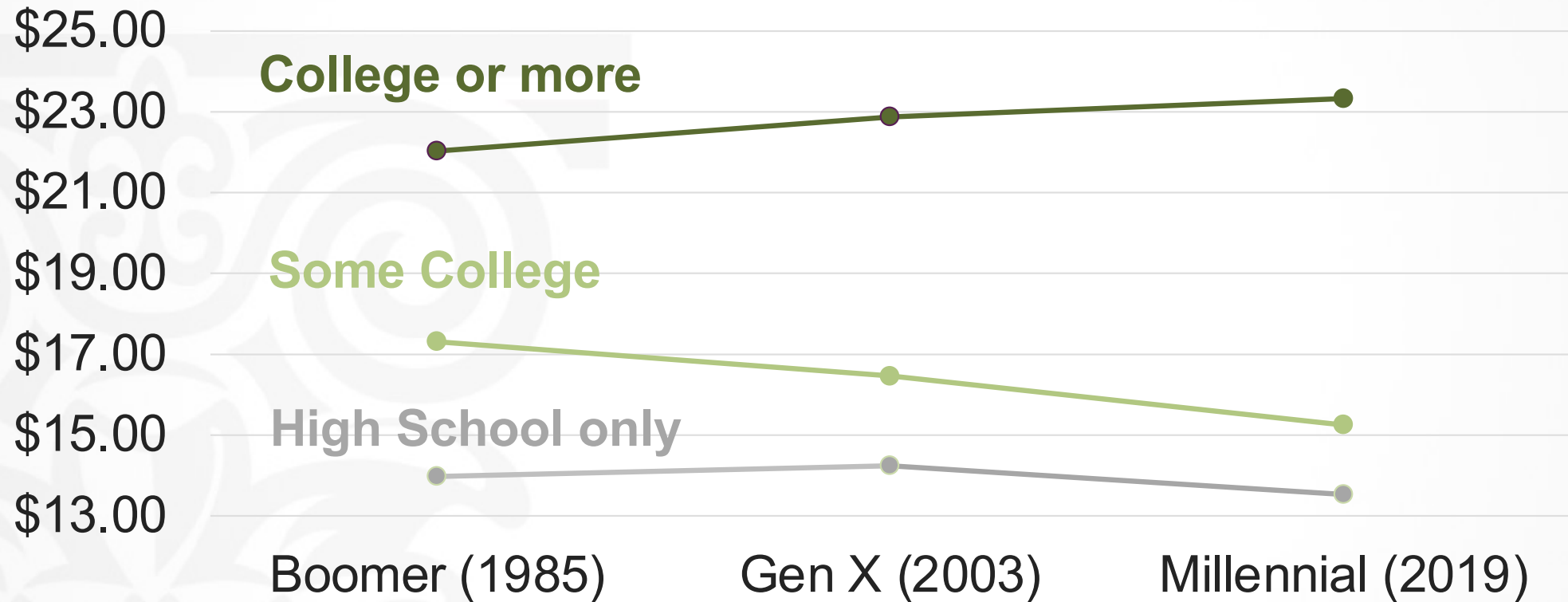
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Select Characteristics (ages 20-40)



Consumption Concern - *earnings growth*

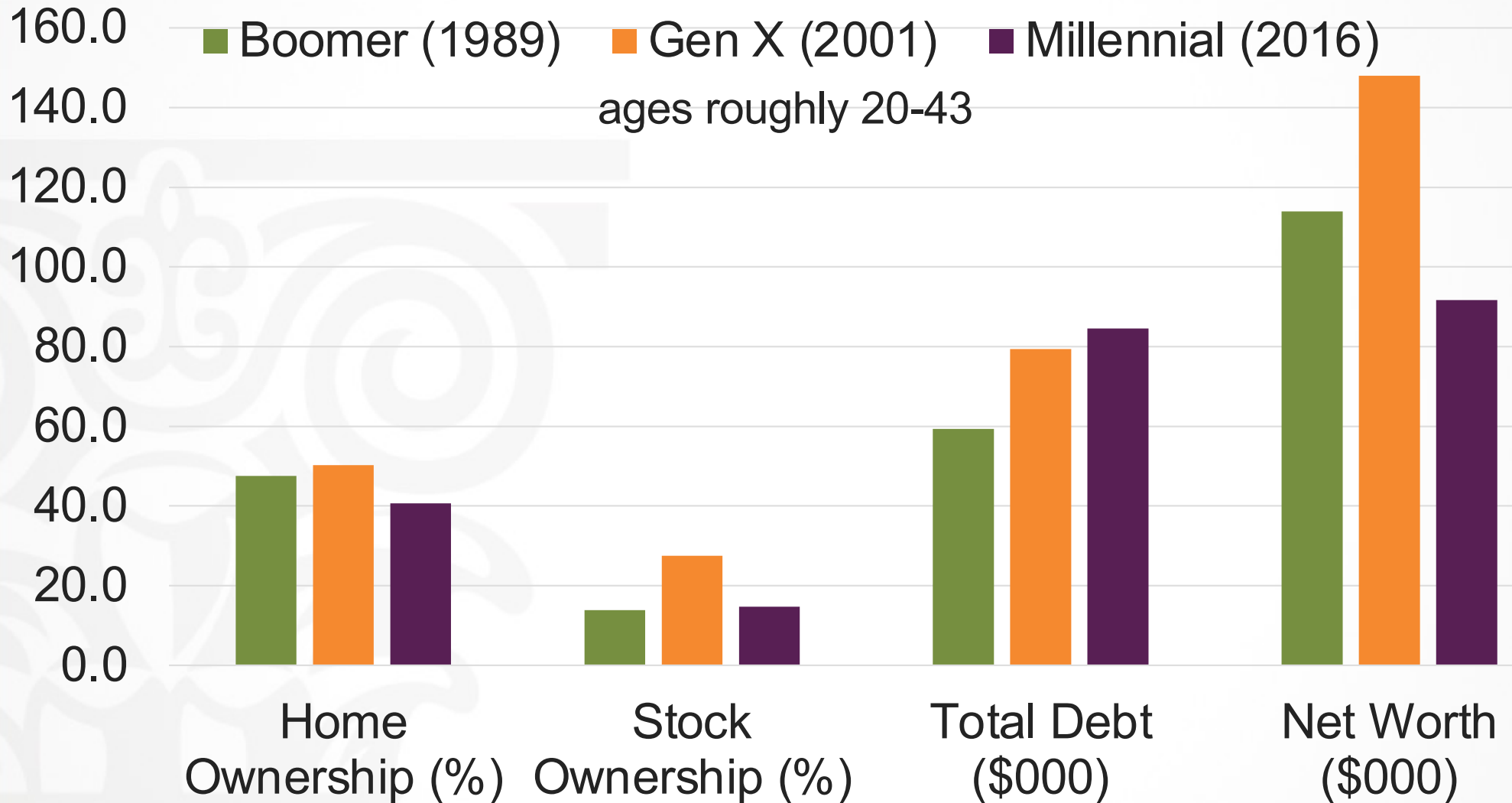
- Real median hourly pay by cohort & education



Notes: ASEC, CPS, full-time workers, 2019\$, ages 21-39

- **Only wages for college educated have increased**

Investment Concern - *net worth*

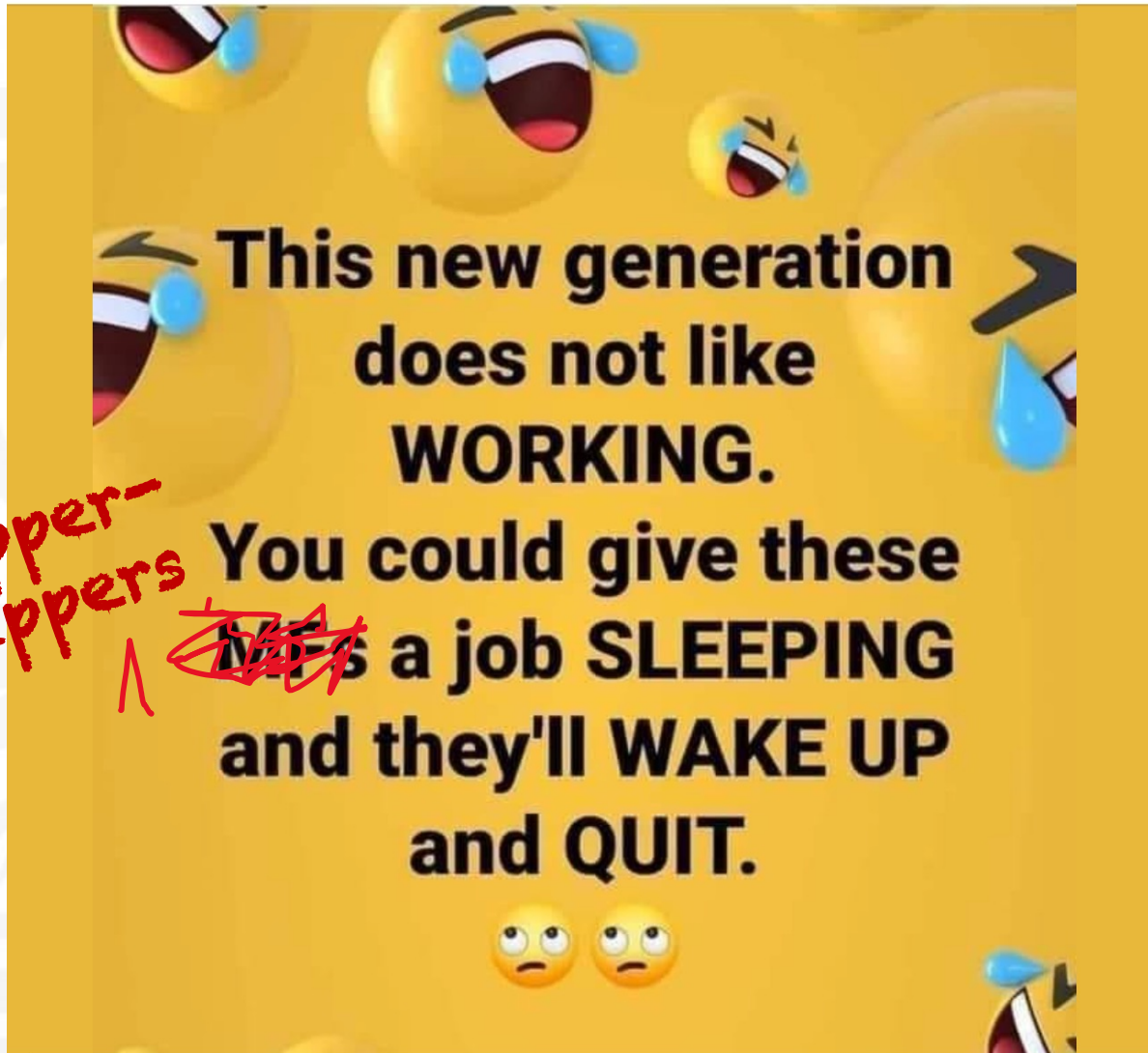


Source: Kurz, Christopher J., Geng Li, and Daniel J. Vine. 2019. "Chapter 8 - Are Millennials Different?." In *Handbook of US Consumer Economics*, edited by Andrew Haughwout and Benjamin Mandel, 193–232. Academic Press. <https://doi.org/10.1016/B978-0-12-813524-2.00008-1>.

Labor Supply Concern - *working less*



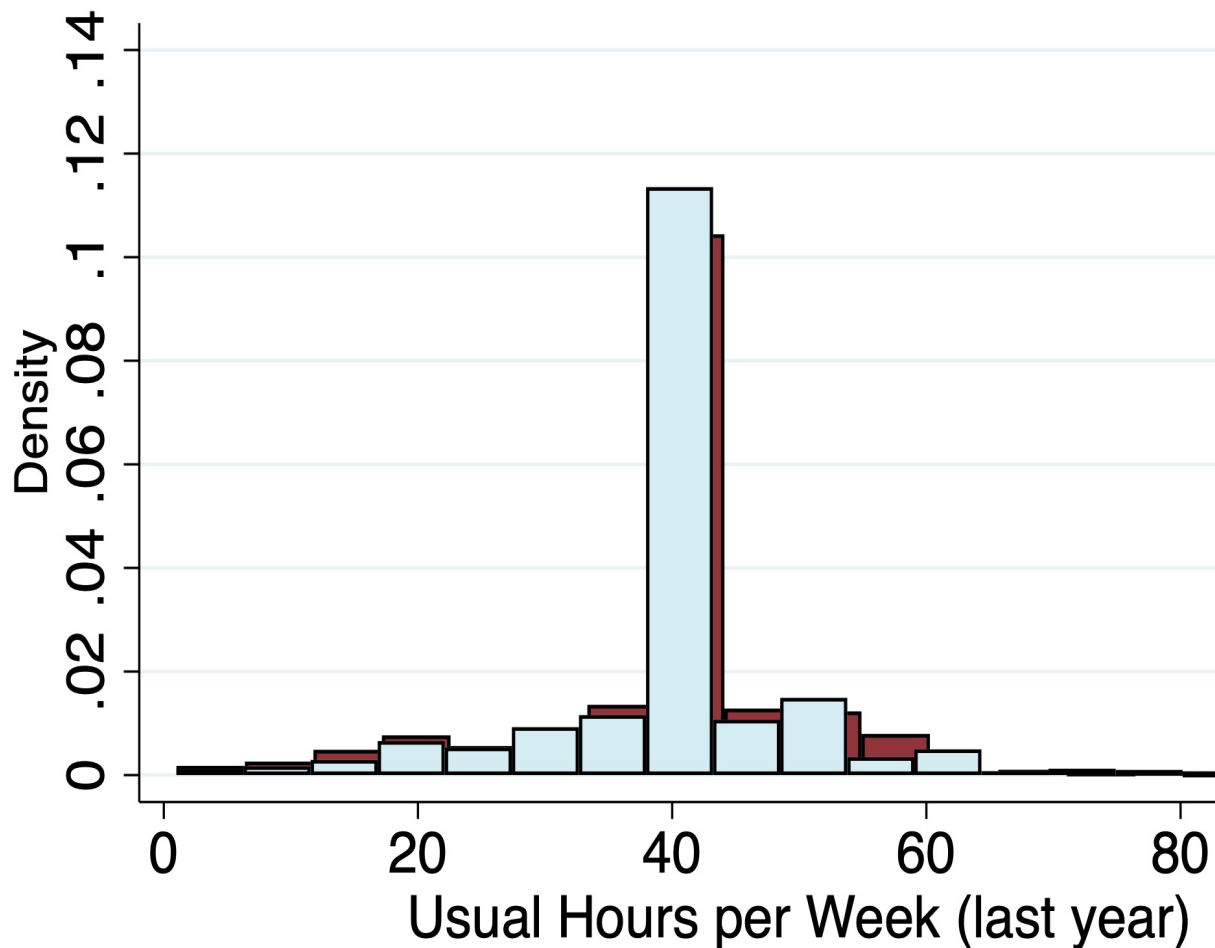
March 23 at 5:37 PM · 👥



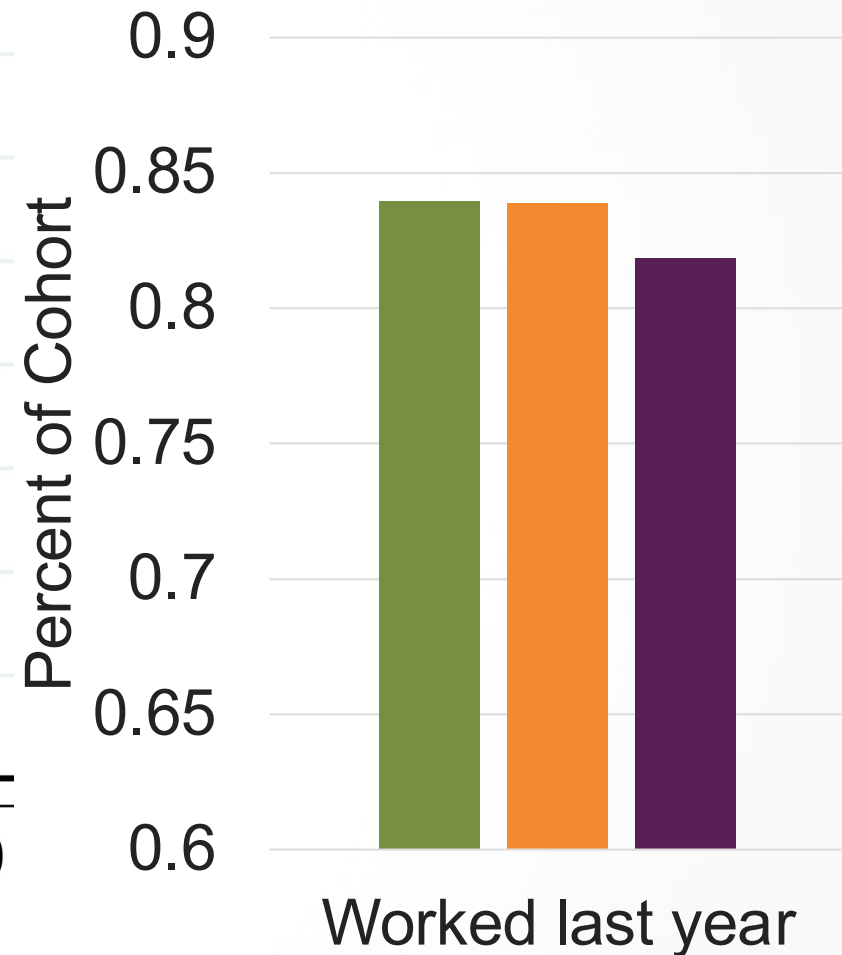
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Labor Supply Concern - *working less*

Intensive Margin



Extensive Margin



 Babyboomers
 Millennials

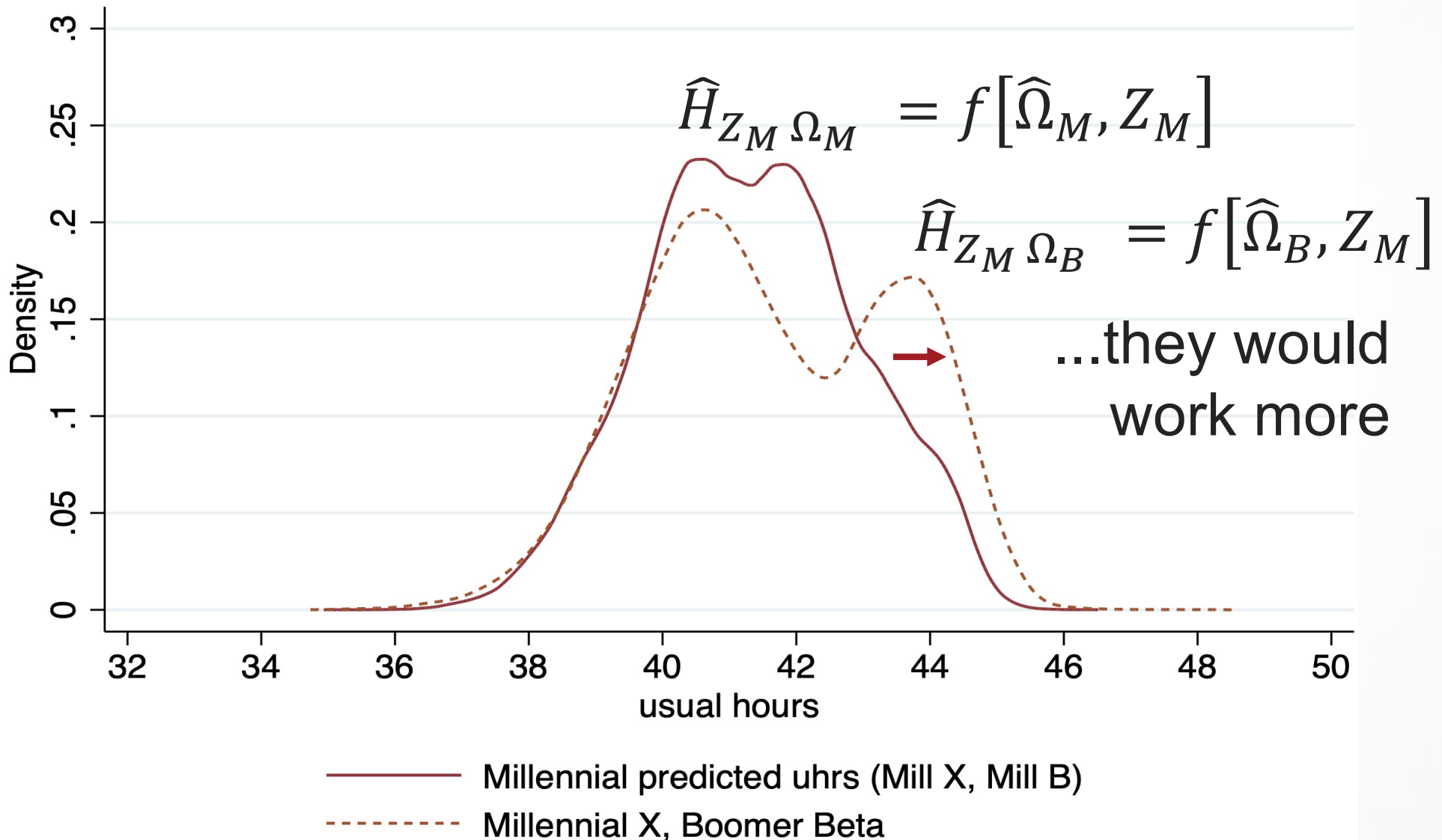
 Boomers
 Gen X
 Millennials

Goal of the Empirical Analysis

- Explore contributions to lower labor supply
 - quantify role of differences in **characteristics**
 - quantify role of differences in **behavior**
- Estimate LS equations **separately by cohort**
 - **Intensive** margin - OLS analysis of how usual **hours/week** vary across workers
 - **Extensive** margin - ordered logit analysis of decision to **not work** / work part-time / work full-time
- Apply the differences found to real life **policy** considerations
- What does the analysis say about whether Millennials are ***miscreants*** or simply ***maligned?***

Results – Differences in Behavior

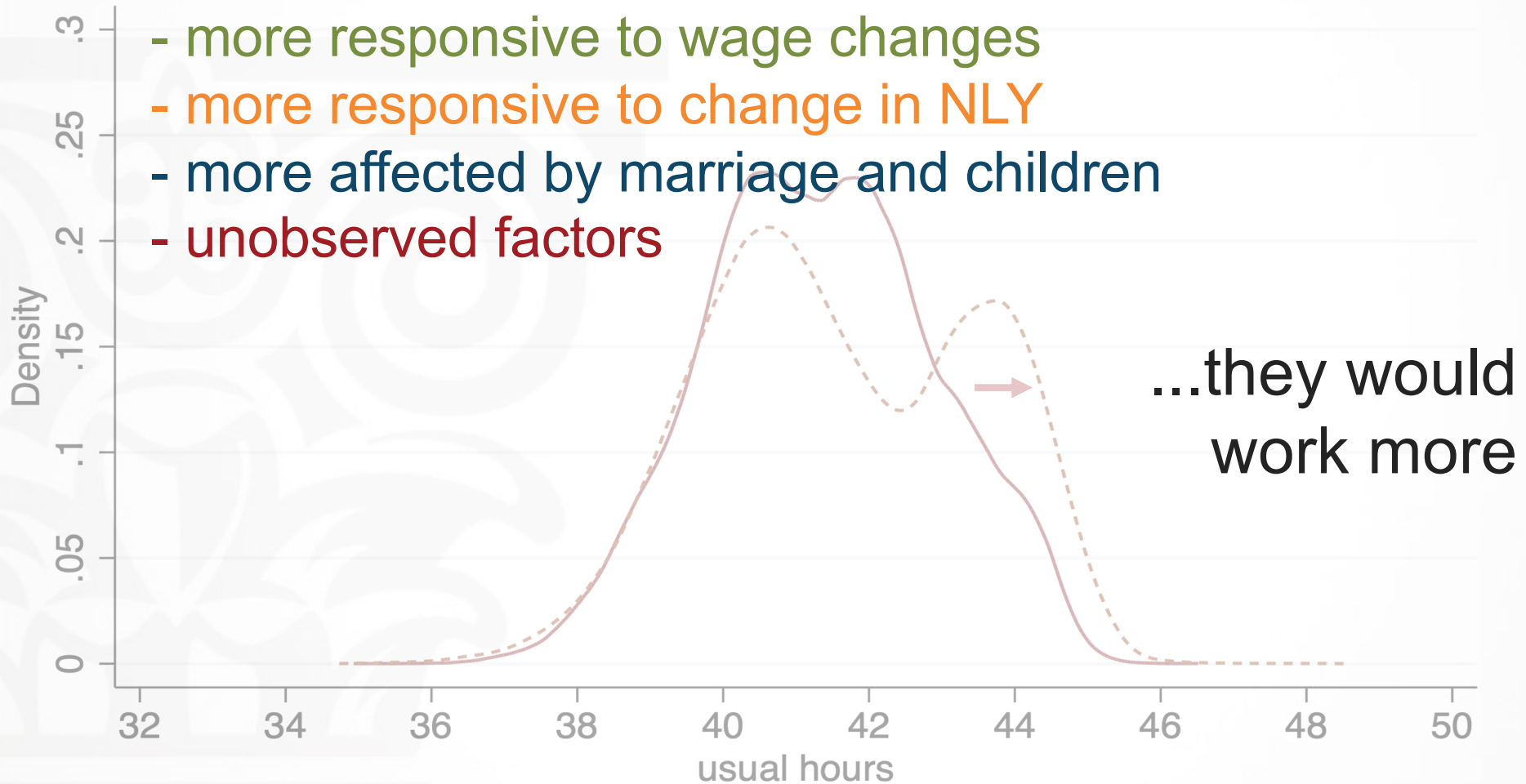
- What if Millennials *acted like* Boomers?



Results – Differences in Behavior

- What if Millennials *acted like* Boomers?

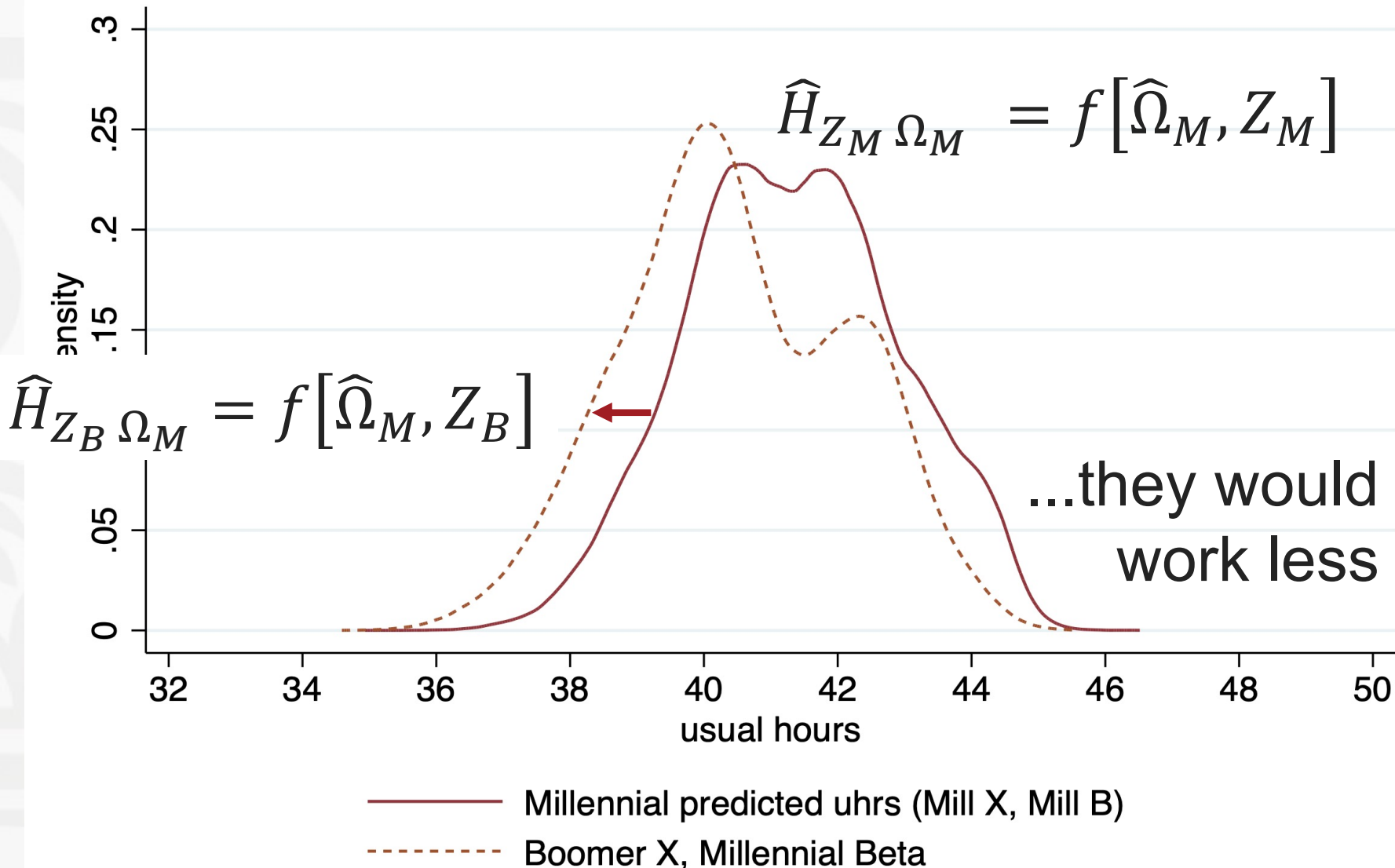
- more responsive to wage changes
- more responsive to change in NLY
- more affected by marriage and children
- unobserved factors



— Millennial predicted uhhrs (Mill X, Mill B)
- - - Millennial X, Boomer Beta

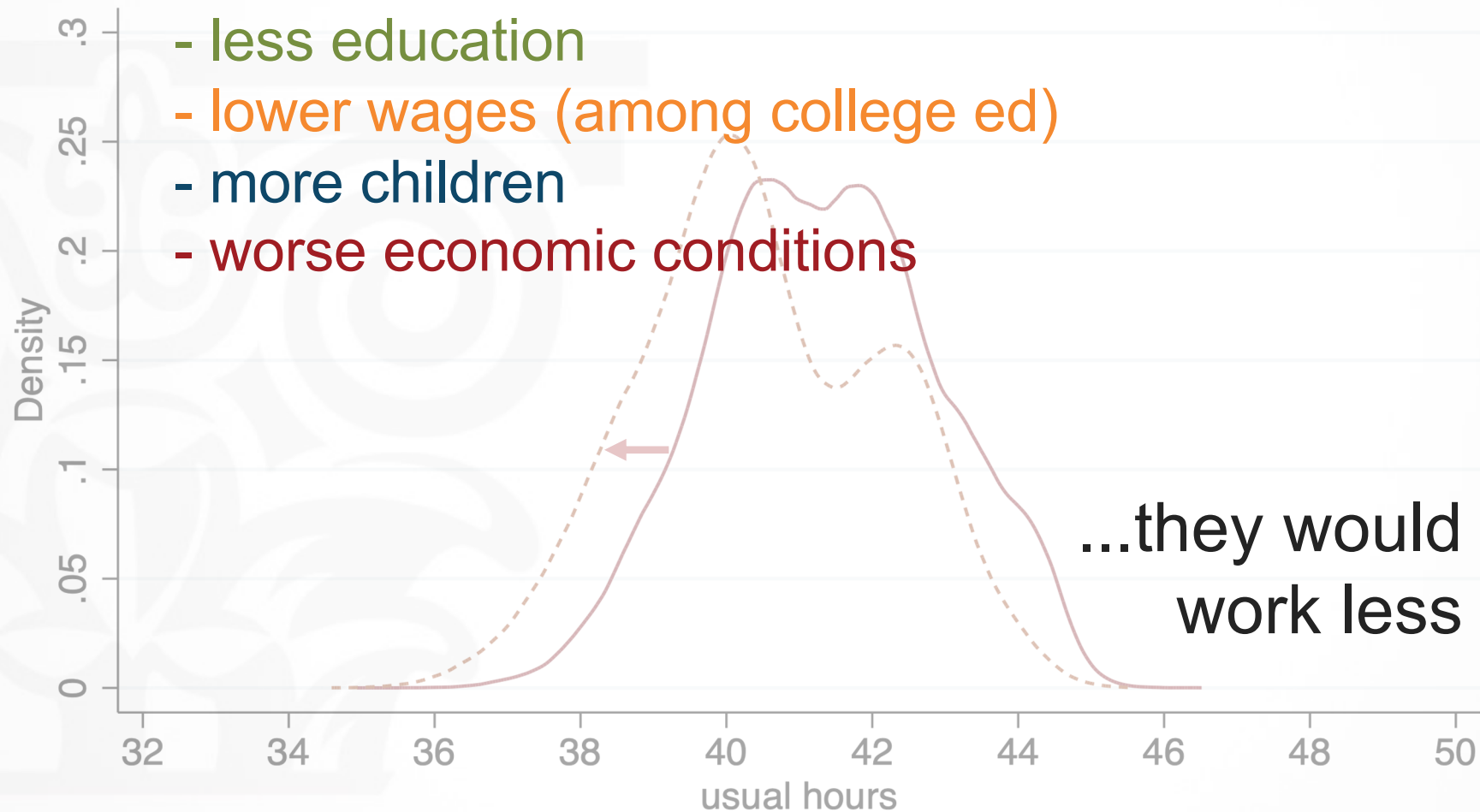
Results – Differences in Characteristics

- What if Millennials *looked like* Boomers?



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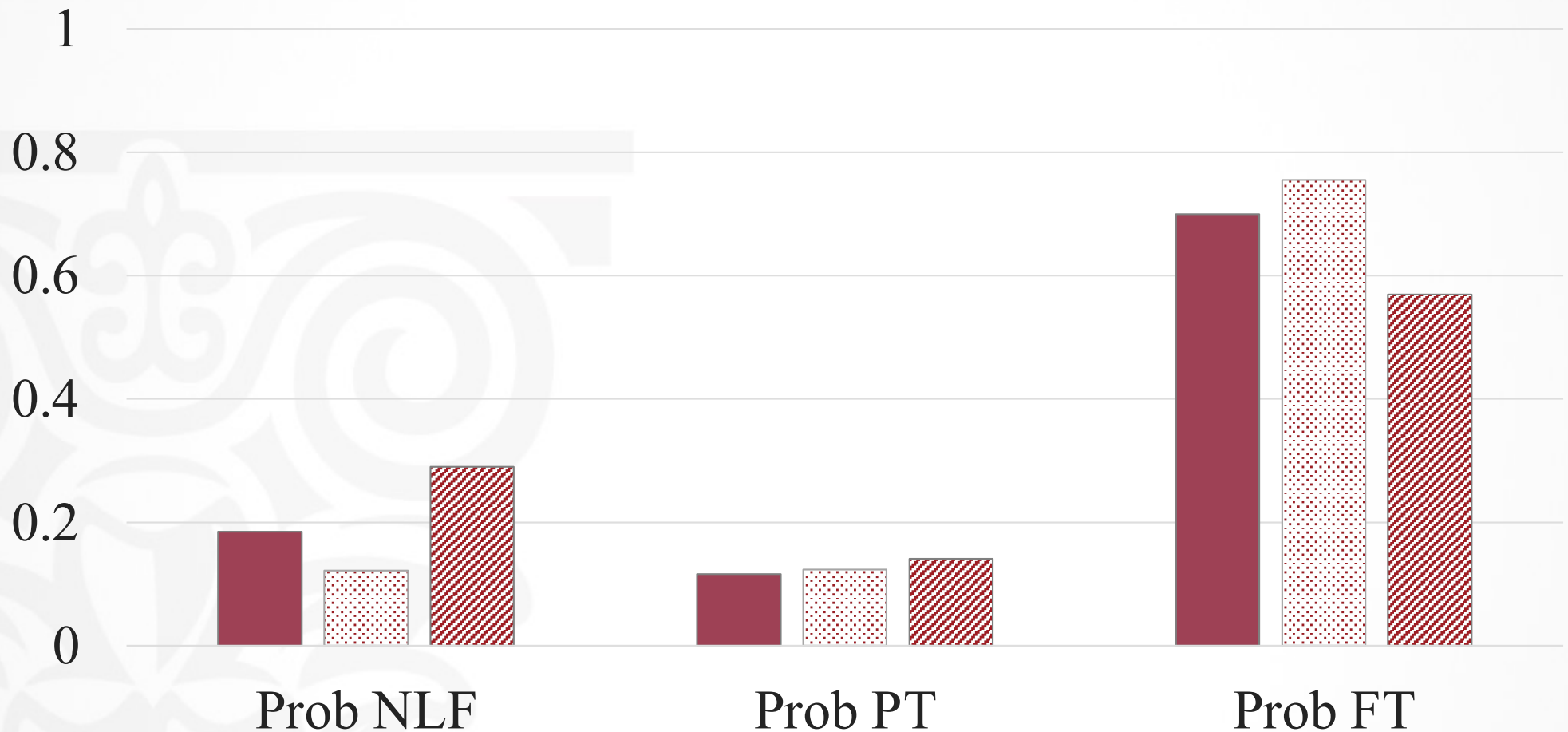


- less education
- lower wages (among college ed)
- more children
- worse economic conditions

...they would work less

— Millennial predicted uhers (Mill X, Mill B)
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Extensive Margin Labor Supply Decisions

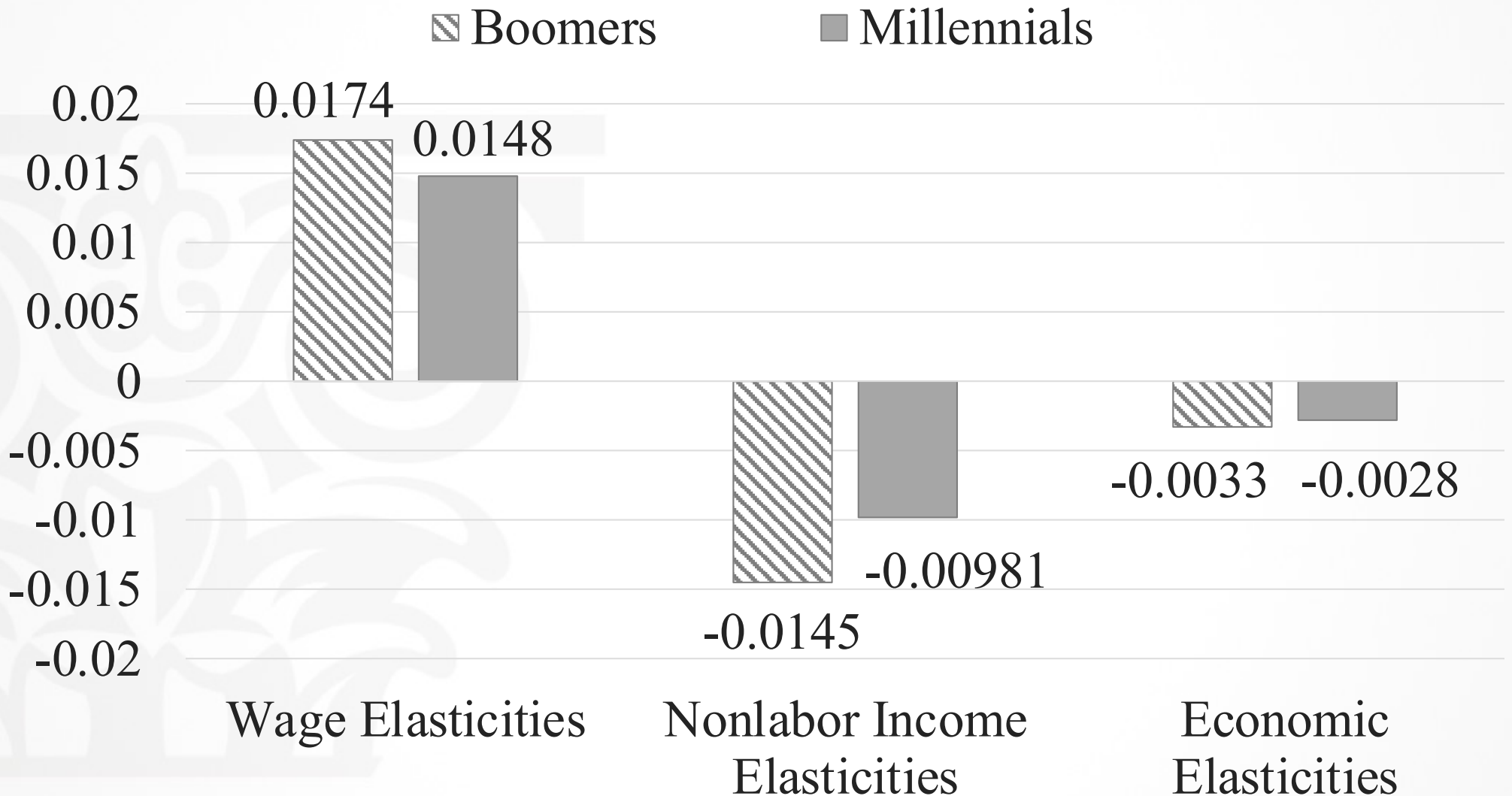


■ Predicted (Millennial X, Millennial Beta)

▤ If Millennials acted like Boomers (Millennial X, Boomer Beta)

▨ If Millennials had Boomer Characteristics (Boomer X, Millennial Beta)

Intensive (Hours) Margin Elasticities



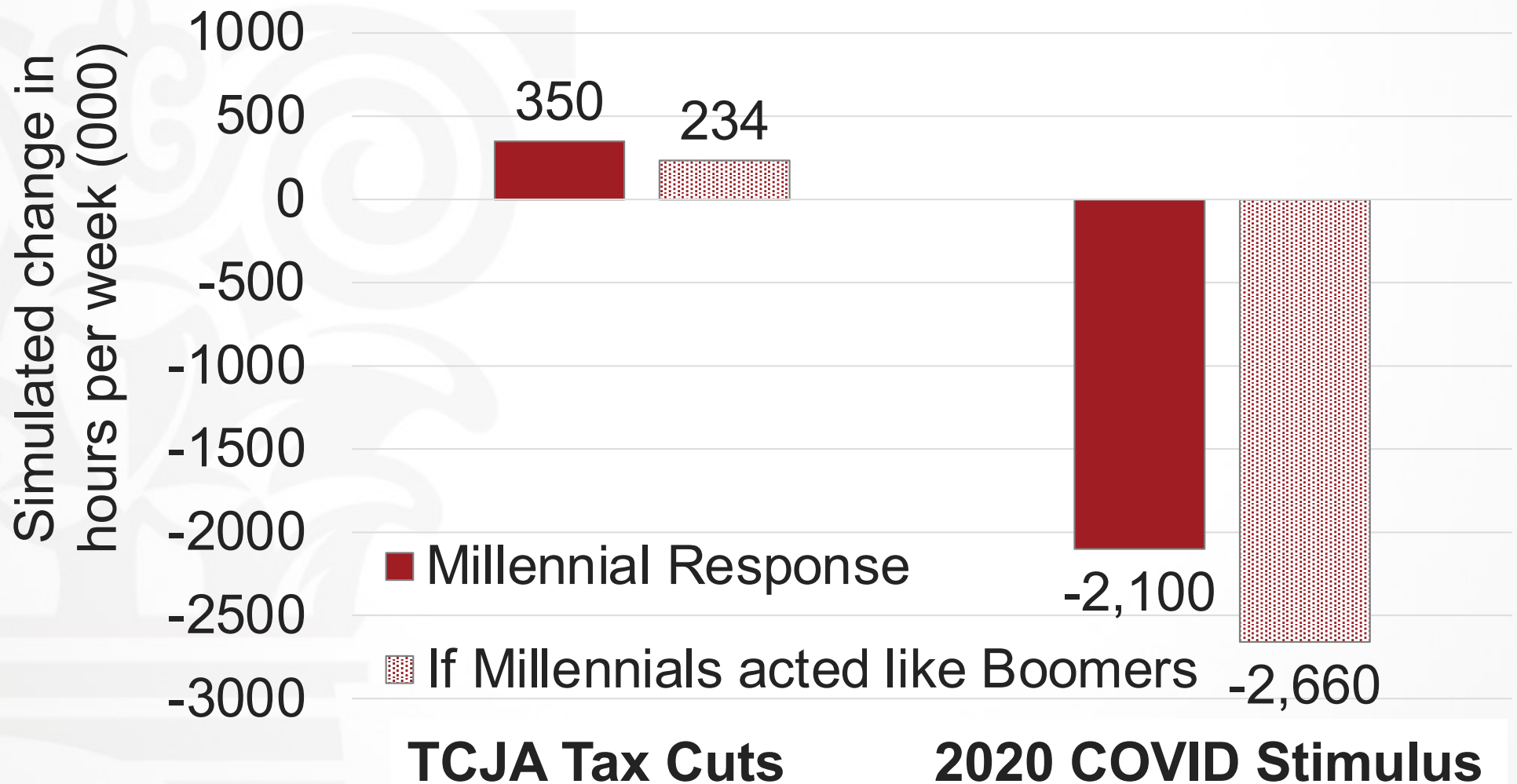
Elasticities are statistically significantly different across generations with 99 percent confidence.

Practical Implication of Lower LS Elasticities

- Millennial **wage elasticity** is **15% lower** than Boomer
- Millennial **income elasticity** is **32% lower** than Boomer
- 2017 TCJA
 - lowered marginal tax rates an average of 4pp
- CARES Act stimulus checks of 2020
 - subject to income limits, each adult (child) was sent \$1,200 (\$500)

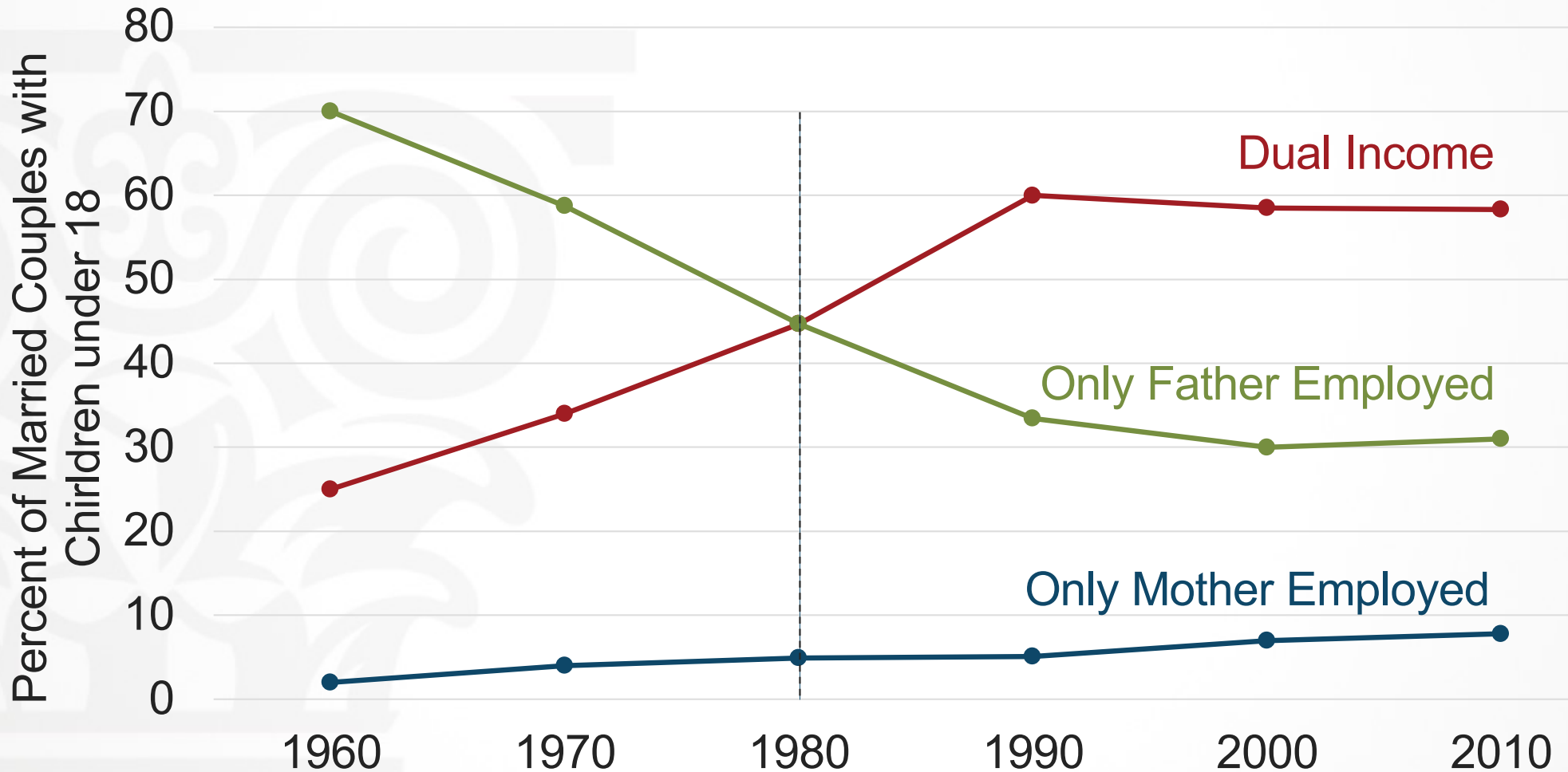
Policy Implication of Lower LS Elasticities

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Why is Millennial LS less responsive?

- First generation to grow up in two-earner households



Source: Pew Research Center

Why is Millennial LS less responsive?

- First generation to grow up in two-earner households
- Millennials observed struggles juggling work vs. family
 - full-time working parents report **balancing work and family is very difficult** (Parker, Horowitz, and Rohal 2015)
 - Children rated interruption of their mother's career as a **"family strength"** (Knaub 1986)
 - ➔ Millennials want to **re-balance the trade-off?**

Why is Millennial LS less responsive?

- First generation to grow up in two-earner households
- Millennials observed struggles juggling work vs. family
- More affluent (all else equal) → **income effect**
 - By 2014, **living with parents** had become, for the first time, the most common adult living arrangement for 18-34 year-olds (Fry 2016)
 - Documented **decline in teen labor supply** (Argys et al. 2019)

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 - More affluent (all else equal) → **income effect**
- Growth in inexpensive digital entertainment
 - Internet gaming, movies, and simply socializing
 - → increase in value & decrease in price of leisure
→ **substitution effect**
- Less responsive = **independent** (Acemoglu 2021)
 - Bad news for employers: less obedient/compliant
 - Good news...
 - for productivity: more entrepreneurial tendency/competencies
 - for policy: less volatile behavior
 - for society: greater political activity

Summary, Policy Implications, & Caveats

- **Millennials are different from Boomers**
 - differ in characteristics
 - differ in behavior



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- **Labor supply less responsive**

- How to **affect labor supply decisions** of Millennials?
 - though policies emphasizing something other than wages?
 - ...quality of life policies – child leave, health insurance, student debt
 - ...meaningful jobs – upping the CSR game
 - ...assistance with caring for aging parents



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- **Caveats**

- not all Millennials are the same
- behavior differences identified at young ages may not persist
- COVID-19 "collective reconsideration"



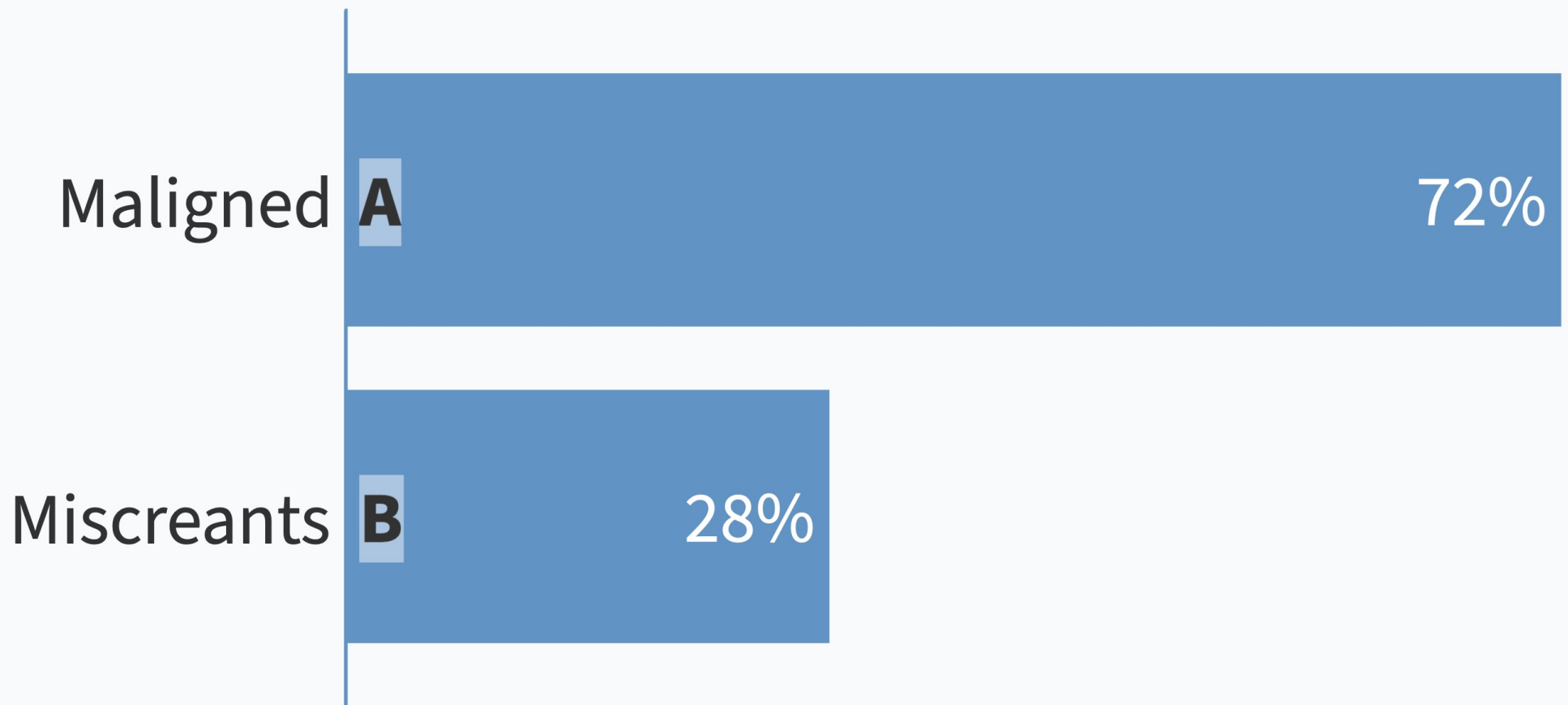


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Maligned or Miscreants?

- Miscreants
 - **working less** overall
- Maligned
 - different calculation of trade-offs between leisure and income
 - Millennials **work to live, rather than live to work**
- Rather than worrying about why Millennials aren't making the same decisions as their parents...
 - focus more on how **financial** and **environmental concerns** bear on those decisions
 - the roll that student debt is playing in ability to accumulate wealth
 - how environmental concerns affect/constrain life decisions
 - **→ implications for notion of full-employment** (Bostic 9/27/21)

Lead, Follow, or Get out of Our Way



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Thank You!

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