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...
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Millennials are...

- lane
- educated
- absorbed
- economics
- natives
- controversial
- connected
- snowflakes
- anxious
-Nitrogen
- smart
- diverse
- kids
- especially
- online
- bottled
- old
- polls
- mobile
- mental
- broke
- trouble
- many
- not xenia
- much okay
- addicted
- spoiled
- entailed
- self
- entitled
- awesome
- impatient
- hard
- not
- Gen
- z
- woke
- us
- nostalgic
- better
- nice
- workers
- program
- retirement
- disadvantaged
- laws
- law
- cool
- determined
- vanderbilt's
- savvy
- same
- commitment
- hurt
- great
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

<table>
<thead>
<tr>
<th>Generation</th>
<th>Years</th>
<th>Oldest is</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silent Generation</td>
<td>1928-1945</td>
<td>22 in 2019</td>
</tr>
<tr>
<td>Baby-boom Generation</td>
<td>1946-1964</td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td>1965-1980</td>
<td></td>
</tr>
<tr>
<td>Millennial Generation</td>
<td>1981-1996</td>
<td></td>
</tr>
<tr>
<td>Generation Z</td>
<td>1997-2015</td>
<td></td>
</tr>
</tbody>
</table>
To which generation do you belong?

- Silent Generation (1928-1945)
- Baby-boom Generation (1946-1964)
- Generation X (1965-1980)

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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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Select Characteristics (ages 20-40)

- **College Education**
  - Silent, born 1928-1945
  - Babyboomers, born 1946-1964
  - Gen X, born 1965-1980
  - Millennials, born 1981-1996

- **Married**

- **Any Children**

- **Rural**
## Consumption Concern - *earnings growth*

- **Real median hourly pay by cohort & education**

<table>
<thead>
<tr>
<th>Year</th>
<th>Education Level</th>
<th>Pay Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boomer</td>
<td>College or more</td>
<td>$23.00 - $25.00</td>
</tr>
<tr>
<td>Gen X</td>
<td>High School only</td>
<td>$15.00 - $17.00</td>
</tr>
<tr>
<td>Millennials</td>
<td>Some College</td>
<td>$13.00 - $15.00</td>
</tr>
</tbody>
</table>

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

- **Only wages for college educated have increased**
Investment Concern - *net worth*

Labor Supply Concern - working less

whipper-snappers

This new generation does not like working.
You could give these MFs a job sleeping
and they'll wake up and quit.
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 maltreated?
Results – Differences in Behavior

- What if Millennials *acted like* Boomers?

\[
\hat{H}_{ZM} \Omega_M = f[\hat{\Omega}_M, Z_M]
\]
\[
\hat{H}_{ZM} \Omega_B = f[\hat{\Omega}_B, Z_M]
\]

...they would work more
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

...they would work more
Results – Differences in Characteristics

• What if Millennials *looked like* Boomers?

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\]

\[
\hat{H}_{Z_B} \Omega_M = f[\hat{\Omega}_M, Z_B]
\]

...they would work less
• What if Millennials *looked like* Boomers?

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

...they would work less
Extensive Margin Labor Supply Decisions

Predicted (Millennial X, Millenial Beta)

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

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

- Millennial wage elasticity is 15% lower than Boomer
- Millennial income elasticity is 32% lower than Boomer

Simulated change in hours per week (000)

- TCJA Tax Cuts
  - Millennials: -2,100
  - If Millennials acted like Boomers: -2,660

- 2020 COVID Stimulus
  - Millennials: -2,100
  - If Millennials acted like Boomers: -2,660
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)
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
- 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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  • differ in behavior
• 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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### Millennials: Maligned or Miscreants?

- **Maligned**
  - A
  - 72%

- **Miscreants**
  - B
  - 28%
Malign or Miscreants?

- Miscreants
  - working less overall

- Malign
  - 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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