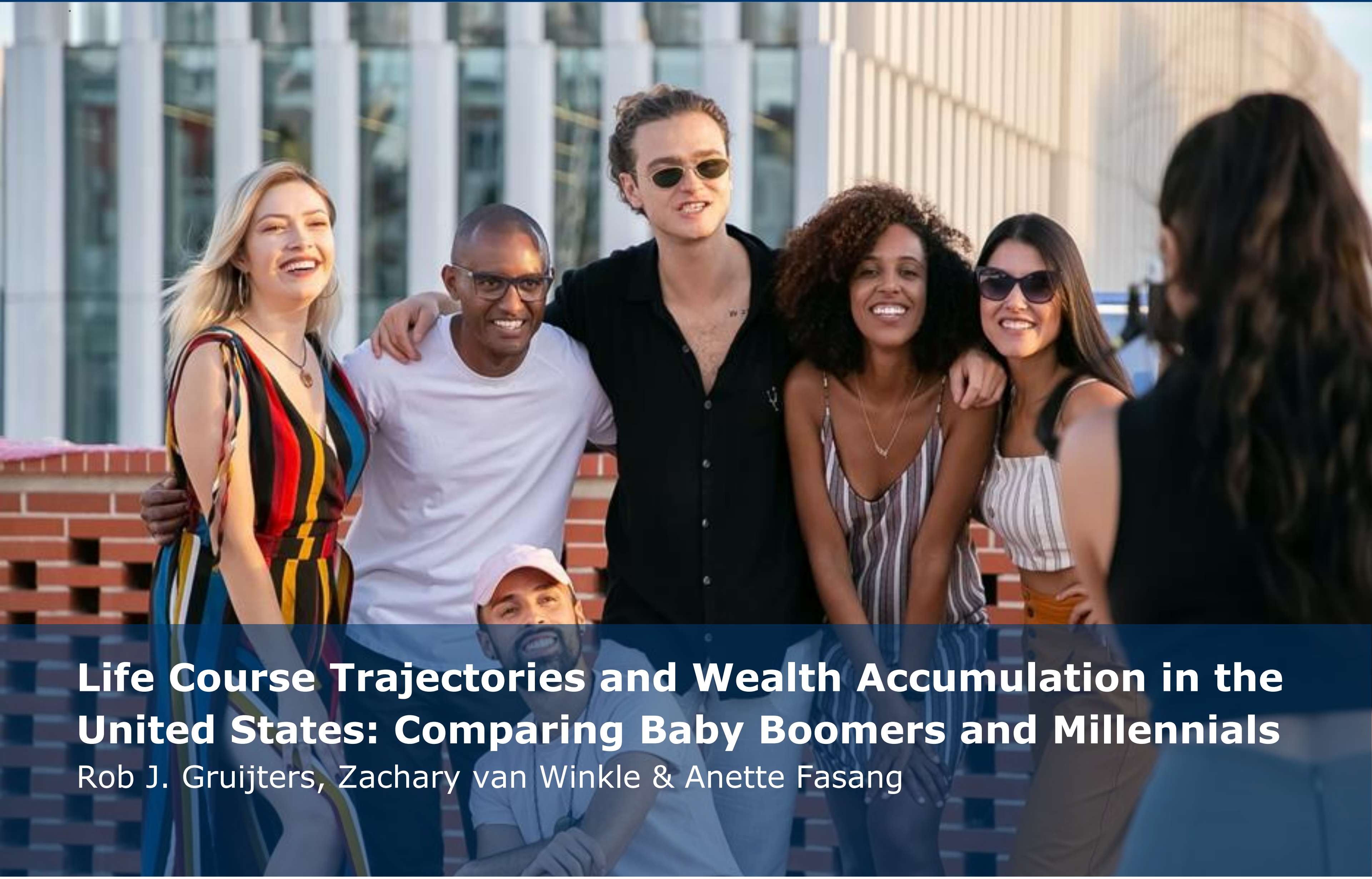

Life Course Trajectories and Wealth Accumulation in the United States: Comparing Baby Boomers and Millennials

Rob J. Gruijters, Zachary van Winkle & Anette Fasang

Centre for Global Higher Education Webinar
9. April 2024

UNIVERSITY OF CAMBRIDGE

The Guardian

Are Millennials 'the first generation that is worse off than their parents?

Millionaire tells millennials: if you want a house, stop buying avocado toast

Australian real estate mogul Tim Gurner advised young people to solve their housing woes by putting their '$22 a pop' toast toward a deposit instead

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Five charts show why millennials are worse off than their parents

Americans who came of age around the crisis have fallen behind previous generations


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Why insecure millennials are set for an unhealthy middle age

Greg Hurst Social Affairs Editor

quality of life, the report by the Health Foundation think tank says.

lower lifetime earnings. Social media is also highlighted, with the report saying

suffer from chronic loneliness than any other age group.

The report also identifies a safe and

presents a paradox because the health of young people is improving by many conventional measures, with lower

… or are they actually ‘thriving’?

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IDEAS

The Myth of the Broke Millennial

After a rough start, the generation is thriving. Why doesn't it feel that way?

By Jean M. Twenge

Our study provides an empirical investigation of these questions, focusing on the United States

Gruijters, Rob J., Zachary Van Winkle, and Anette E. Fasang. "Life course trajectories and wealth accumulation in the United States: Comparing late baby boomers and early millennials." American Journal of Sociology 129.2 (2023): 530-569.

Research questions

1. How does the distribution of household wealth at age 35 differ between Millennials and Baby Boomers?

2. How do early work and family trajectories differ between Millennials and Baby Boomers?

3. How do the wealth returns to different work and family trajectories vary between Millennials and baby boomers?

4. To what extent can cohort differences in household wealth be attributed to changes in work and family life courses?

A life course approach to wealth differences across birth cohorts

Our approach to cohort change in wealth accumulation is based on three integral principles of the life course paradigm:

1) Comparing birth cohorts **at the same age** as a way of studying social change (Ryder 1965)

2) Paying attention to **intracohort differentiation** and inequality, rather than looking at averages by generation (Dannefer 1987)

3) An emphasis on life courses as longitudinal, sequenced **trajectories** (Elder 1975; Fasang and Mayer 2020).

How do life course trajectories relate to wealth accumulation?

Four theoretical mechanisms:

1. **Treatment** mechanisms relate to the direct wealth-enhancing effects of work and family life courses.

2. **Facilitation** occurs when wealth enables transitions or provides access to certain trajectories or, conversely, when pathways are blocked or complicated by a lack of wealth.

3. **Selection** into different work and family trajectories (for example by ability, parental background) might affect returns to those trajectories

4. **Discrimination** occurs when employers, parents, and others exhibit bias against or in favor of certain life course trajectories in ways that are relevant to wealth accumulation.

Why might wealth outcomes vary between Baby Boomers and Millennials at the same age?

1. Differences in the **prevalence of trajectories** that are associated with low / high wealth accumulation in each cohort

For example, a decline in marriage or an increase in unstable, low-paid employment

2. Differences in the **wealth returns** associated with otherwise similar trajectories

For example, the wealth holdings of married couples with stable working-class careers

Macro-structural changes and changes in wealth across cohorts

1. **Economic Restructuring:** Deindustrialization, skill-biased technological change, and the rise of the service economy

2. **Ideational Change and the Second Demographic Transition** Including a decline in marriage, delayed fertility, and increasing separation and family complexity

3. **Social Policy and Tax Reforms** Such as welfare reform and tax cuts for the wealthy

Taken together, the observed trends in economic restructuring, ideational change, and social policy and taxation suggest adverse compositional life course change and polarizing wealth returns for the early Millennials compared to the late Baby Boomers.

Data and sample

- National Longitudinal Surveys of Youth (NLSY): 2 cohorts
- NLSY 79 (late 'Baby boomers'):
  - 12,686 respondents born between 1957 and 1964
  - First interviewed in 1979, then annually
  - Sample: born between 1957 and 1964 (N=6,793)
- NLSY 97 ('Millennials'):
  - 8,948 respondents born between 1980 and 1984
  - First interviewed in 1997, then annually
  - Sample: born between 1980 and 1984 (N=6,062)

Measures

- Wealth at age 35
  - Assets minus debts of respondent & partner
  - Converted to 2018 USD, topcoded at 600k
- Family and employment trajectories from age 18 to 35
  - Derived from montly activity calendars
  - Based on sequence analysis & clustering
- Ascribed characteristics: race, gender, parental education

Cohort comparison

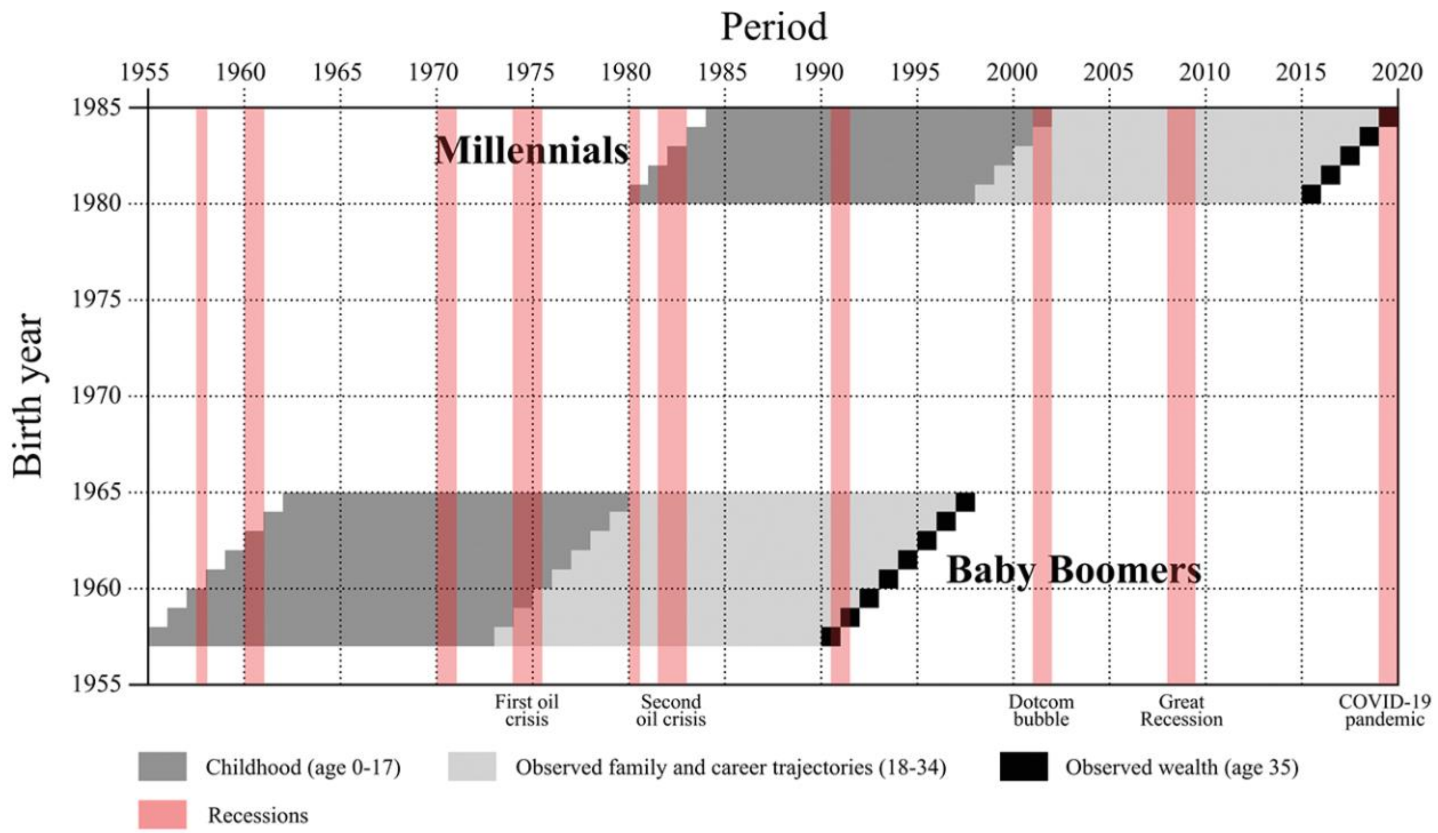


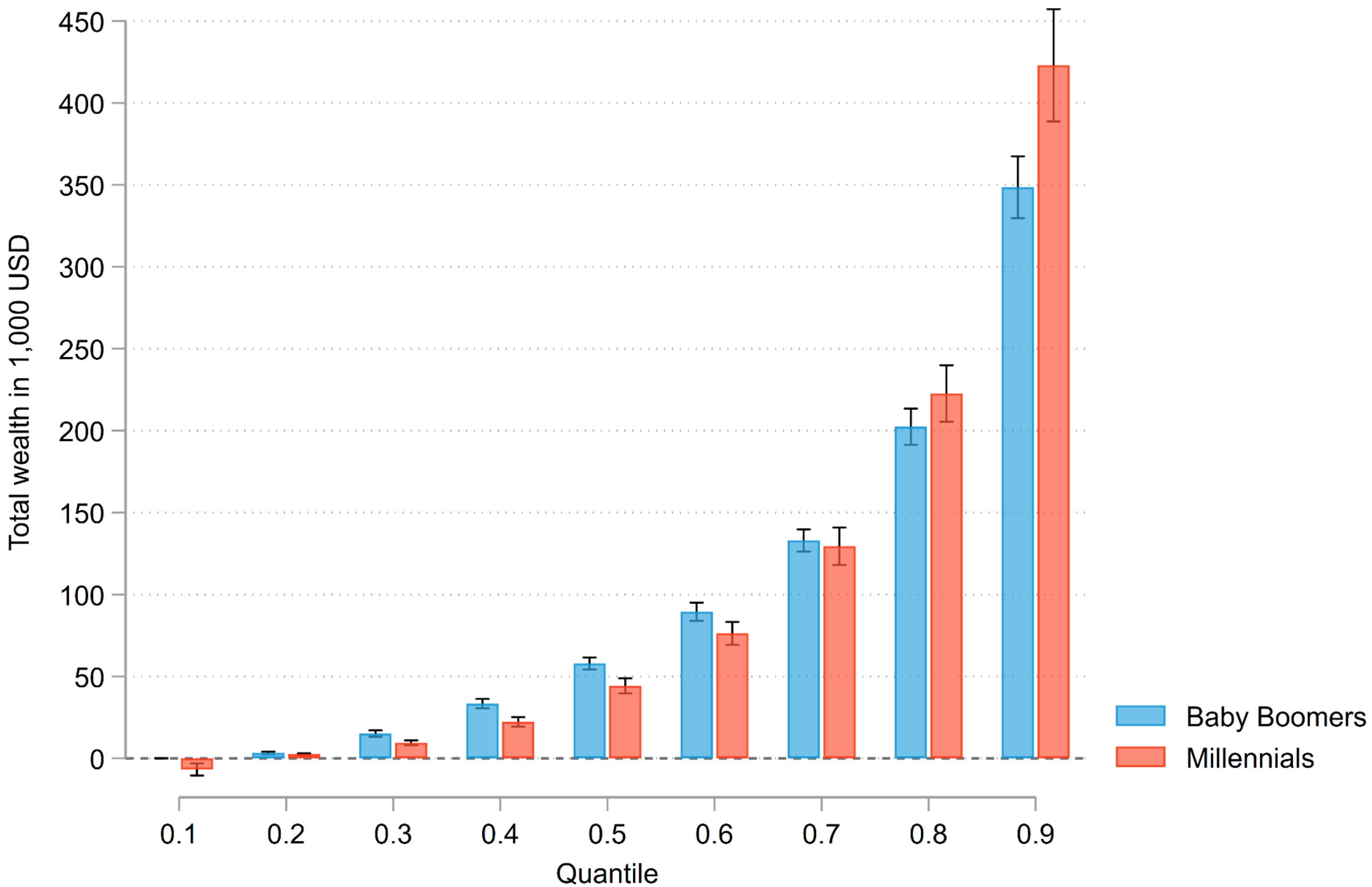
FIG. 1.—Location of observed birth cohorts in historical time. Graph should be read from the left to the right: birth cohorts pass through historical periods.

Analytical approach

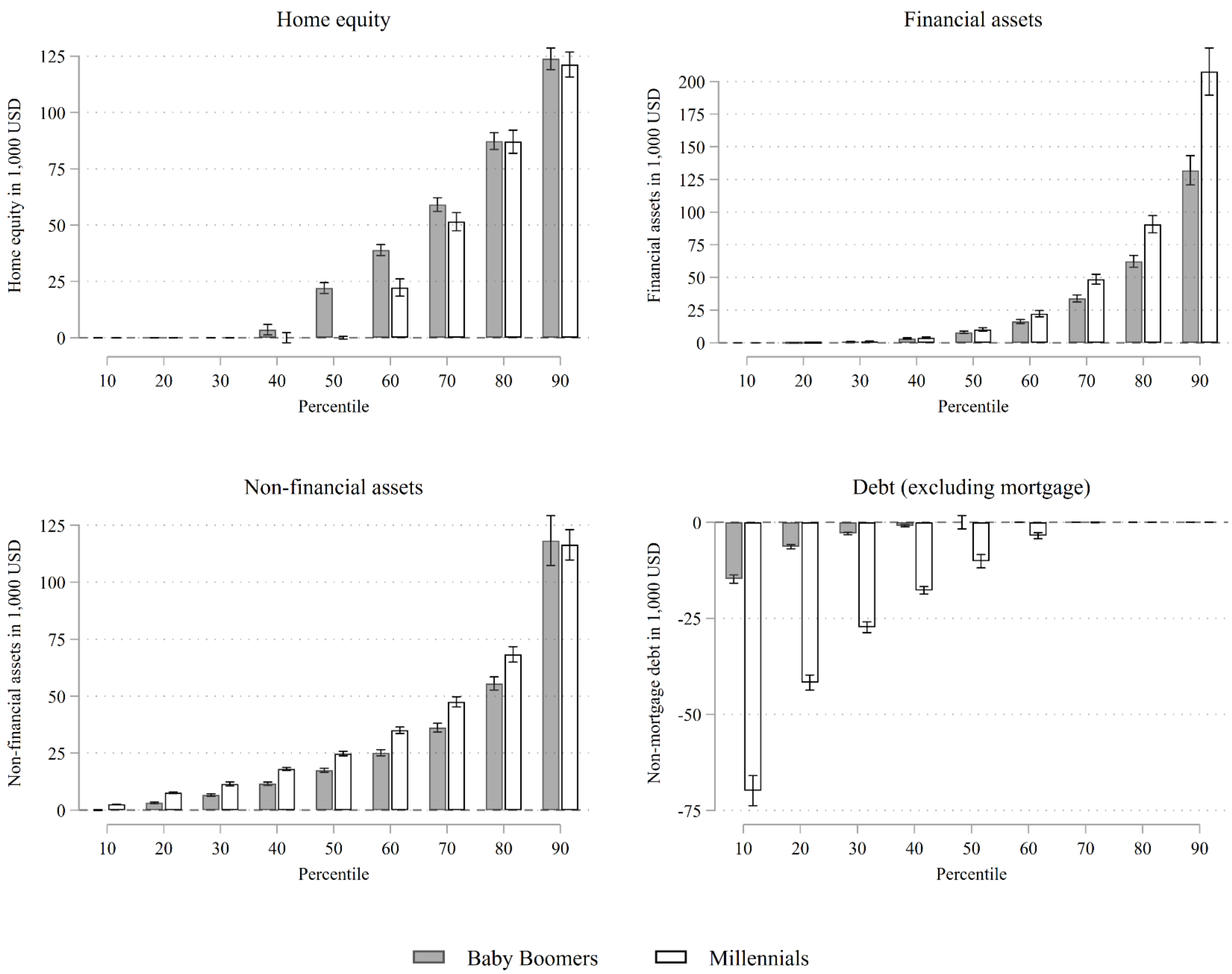
- How do life course trajectories differ across cohorts?
  - Sequence and cluster analysis to identify 'typical' employment and family trajectories between age 18 and 35
  - Jointly for both cohorts

- How do the wealth returns to life course trajectories differ across cohorts?
  - Compare equivalized, inflation-adjusted wealth at age 35 between cohorts
  - Quantile regression to look at wealth gaps at different points in the distribution (10^{th}, 50^{th}, 90^{th} percentile) instead of the mean

Wealth distribution, by decile and cohort

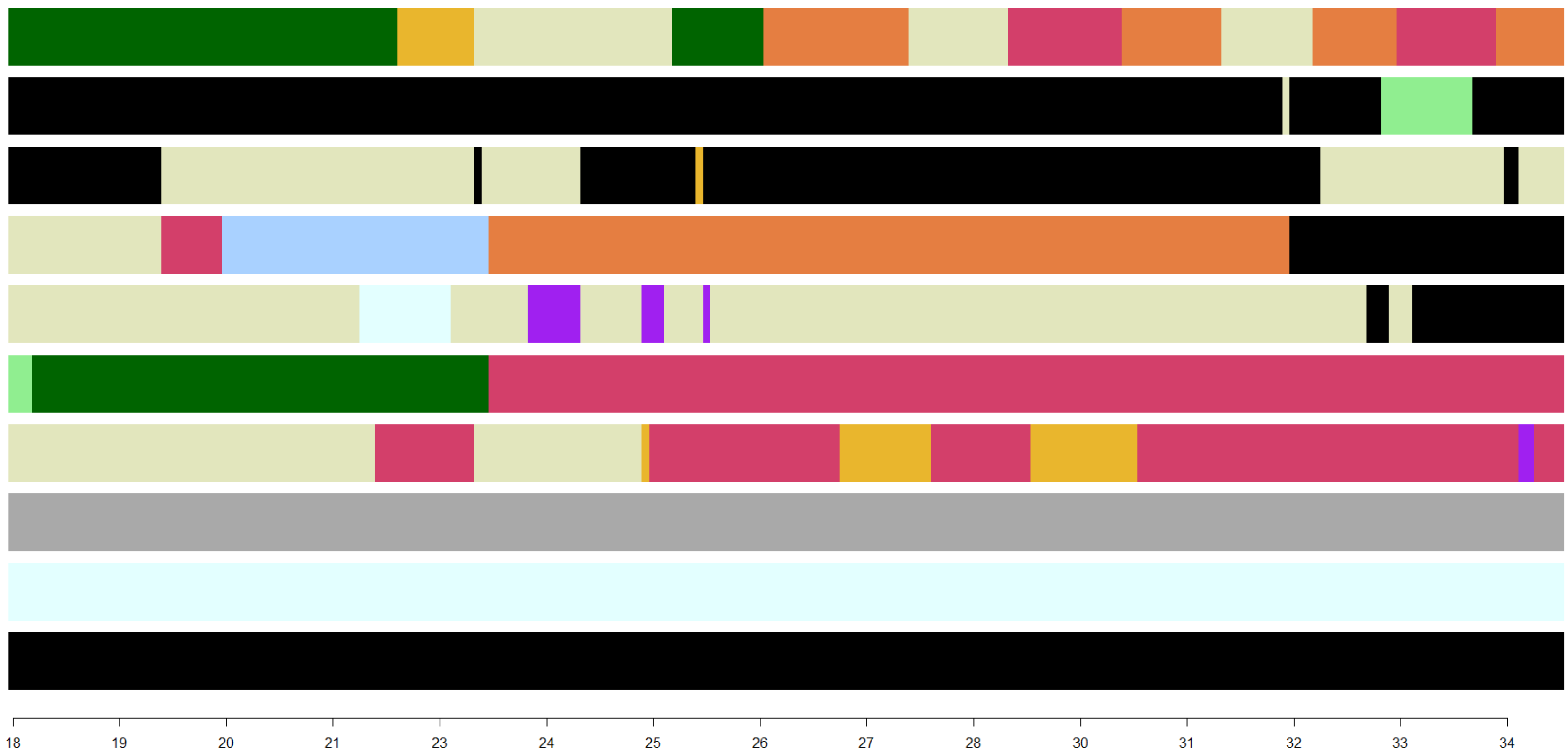


Wealth distribution, by decile and cohort



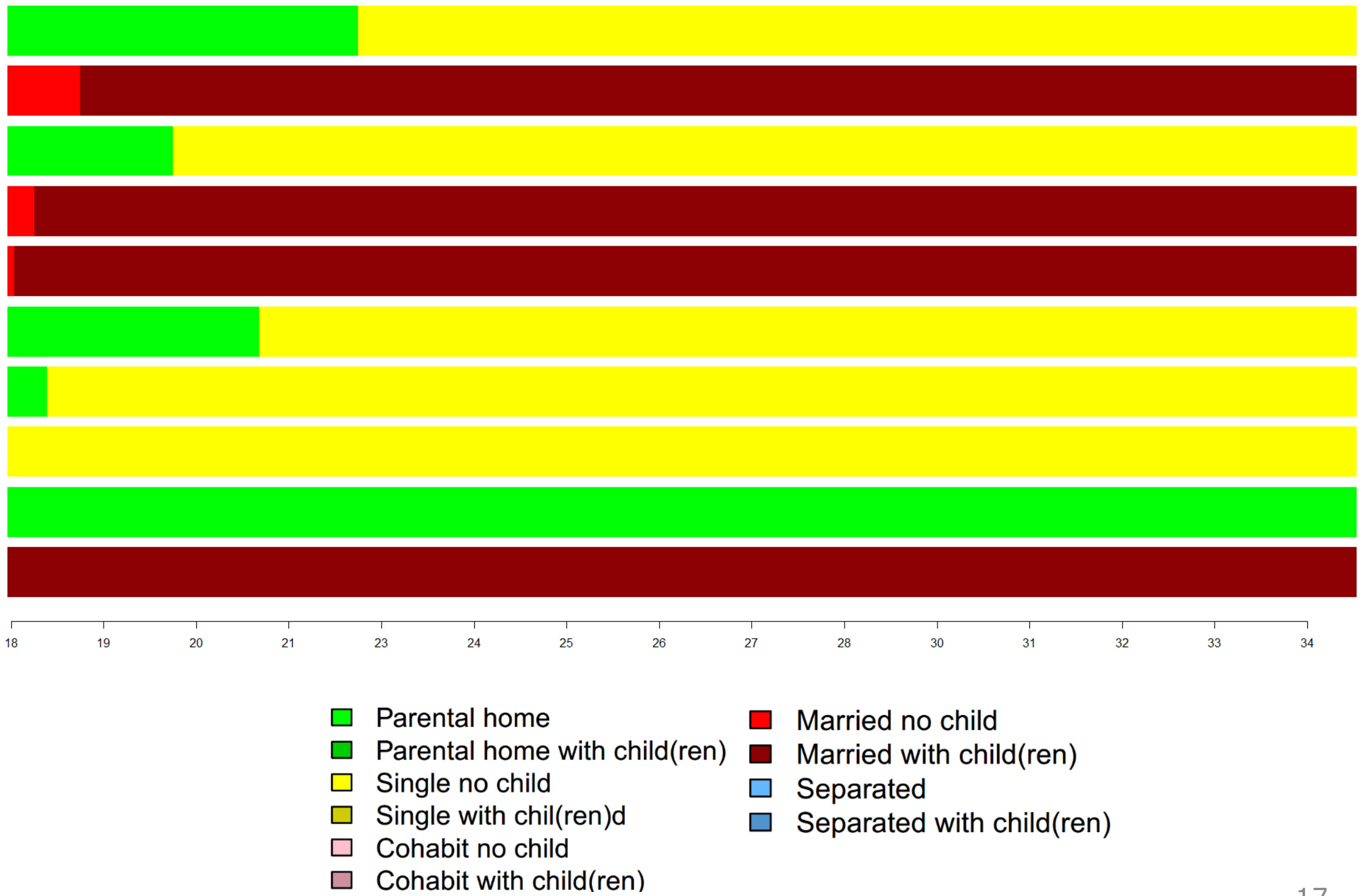
Work life courses

Sequence operationalization

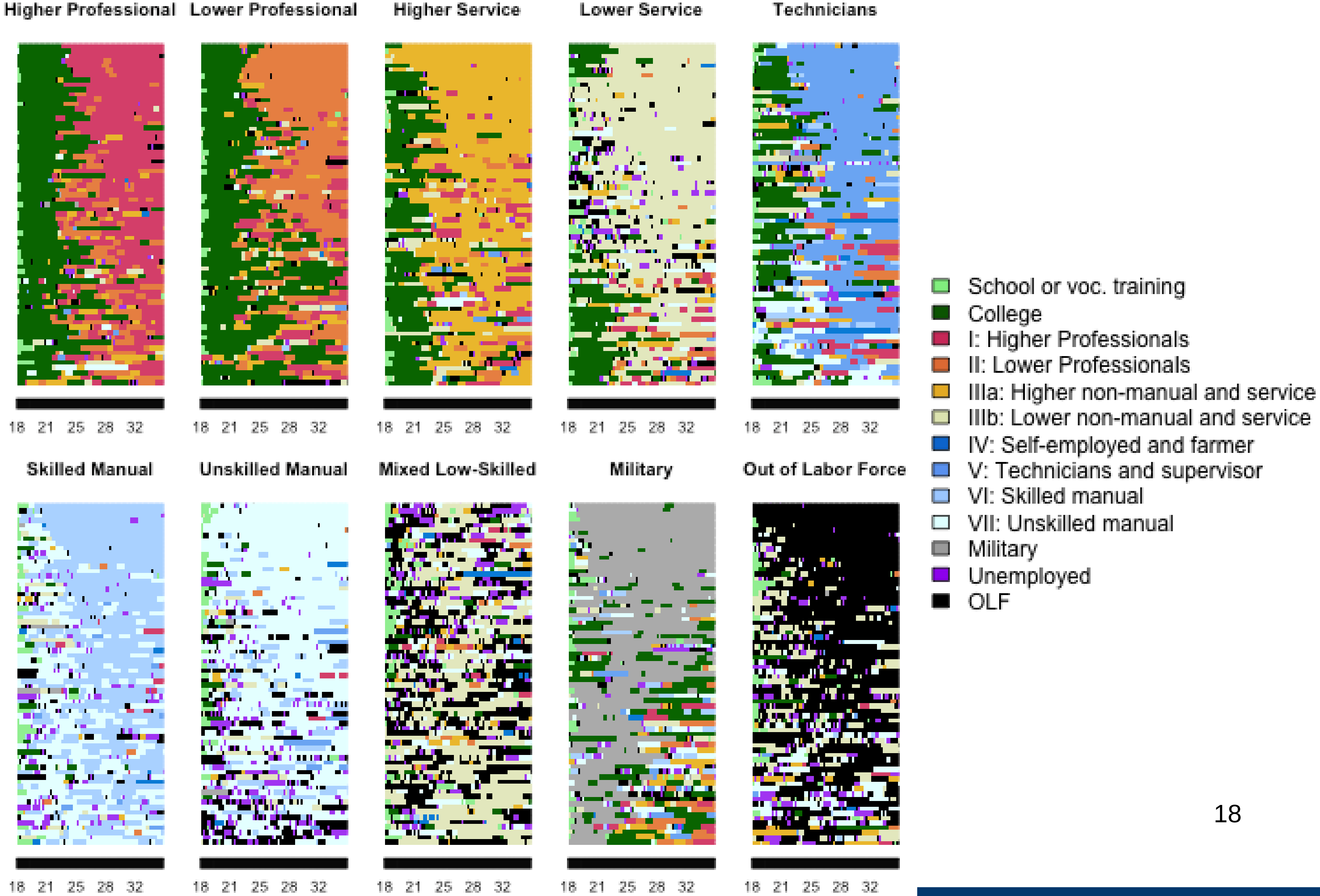


Family life courses

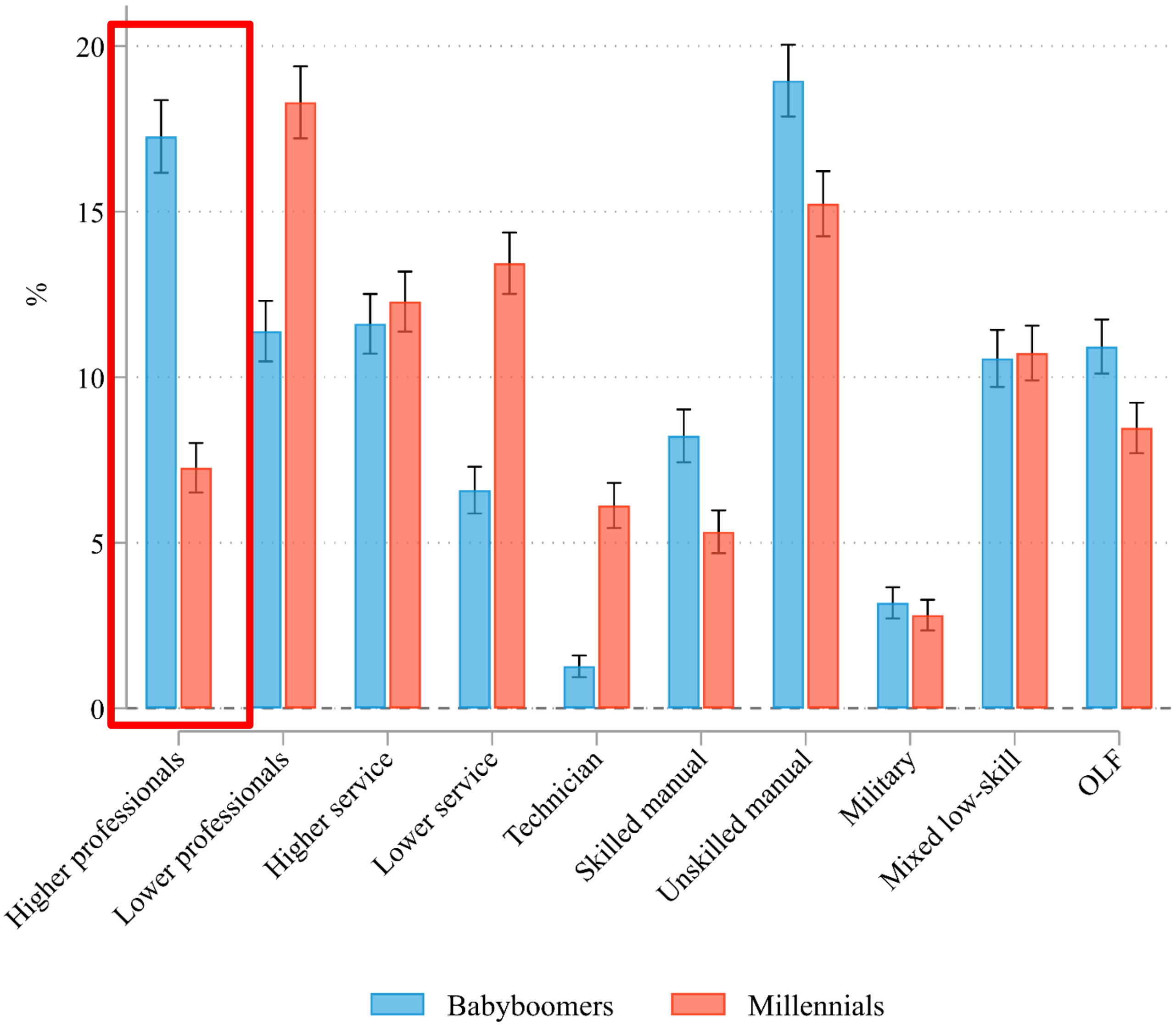
Sequence operationalization



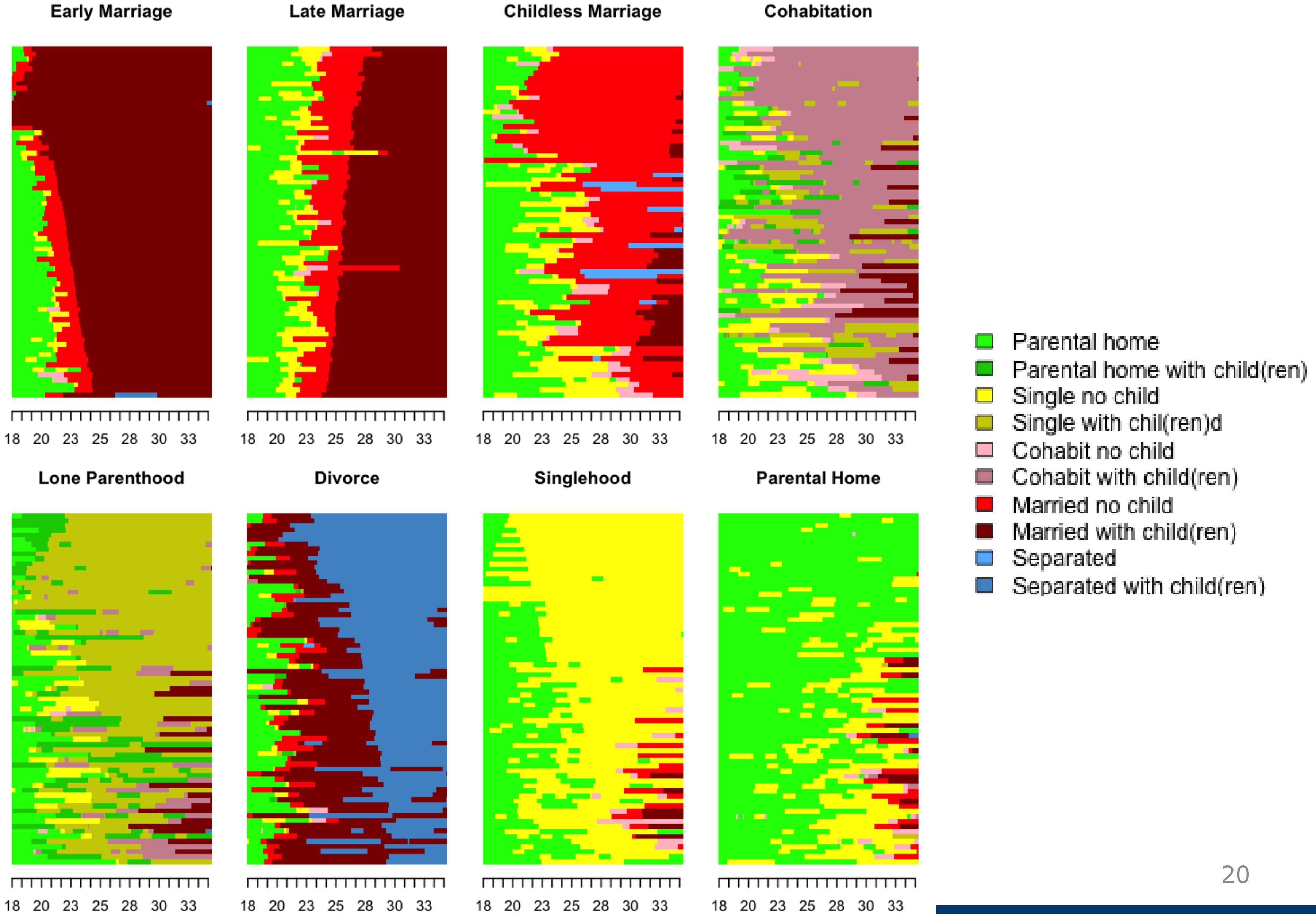
Work life course patterns



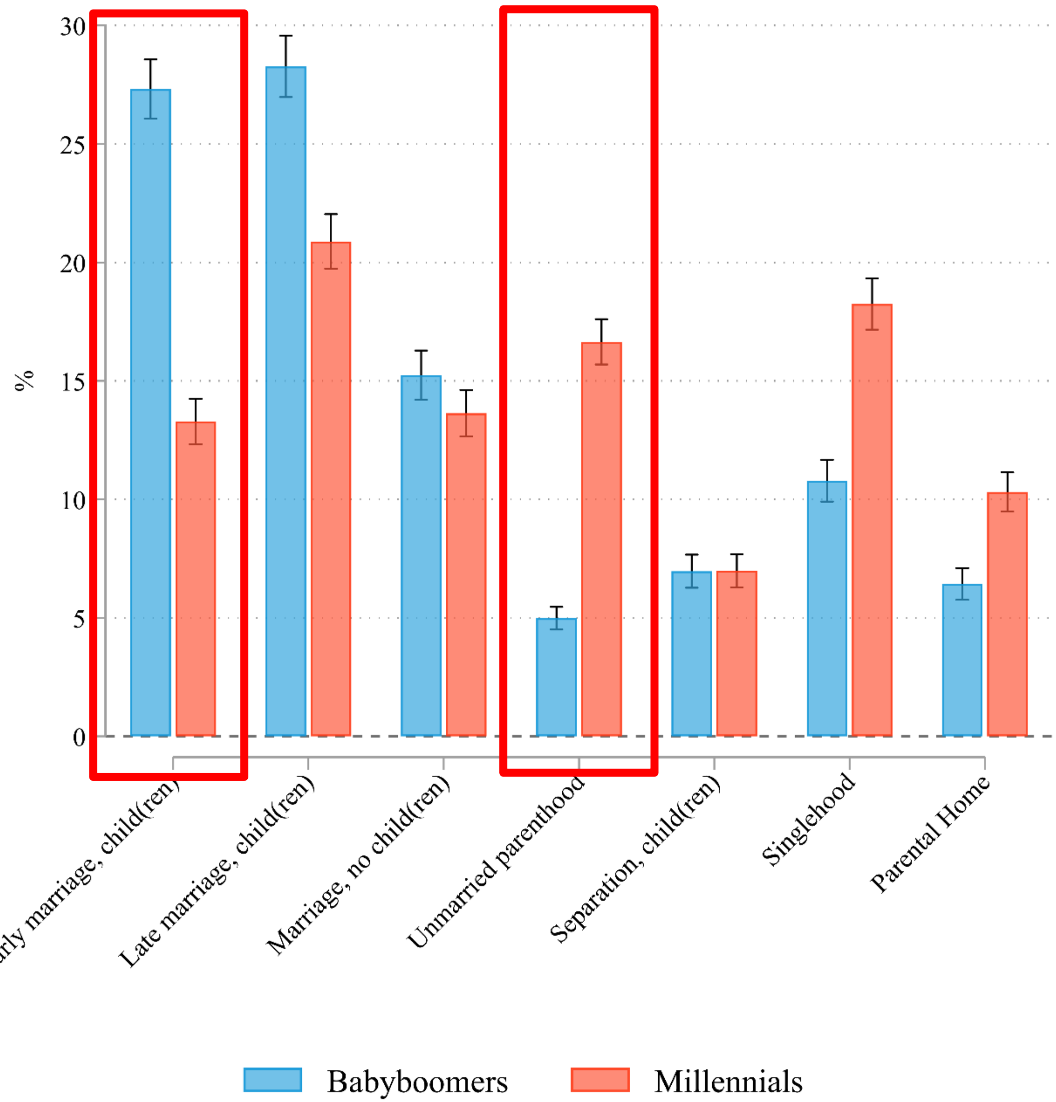
Cohort change in employment trajectories



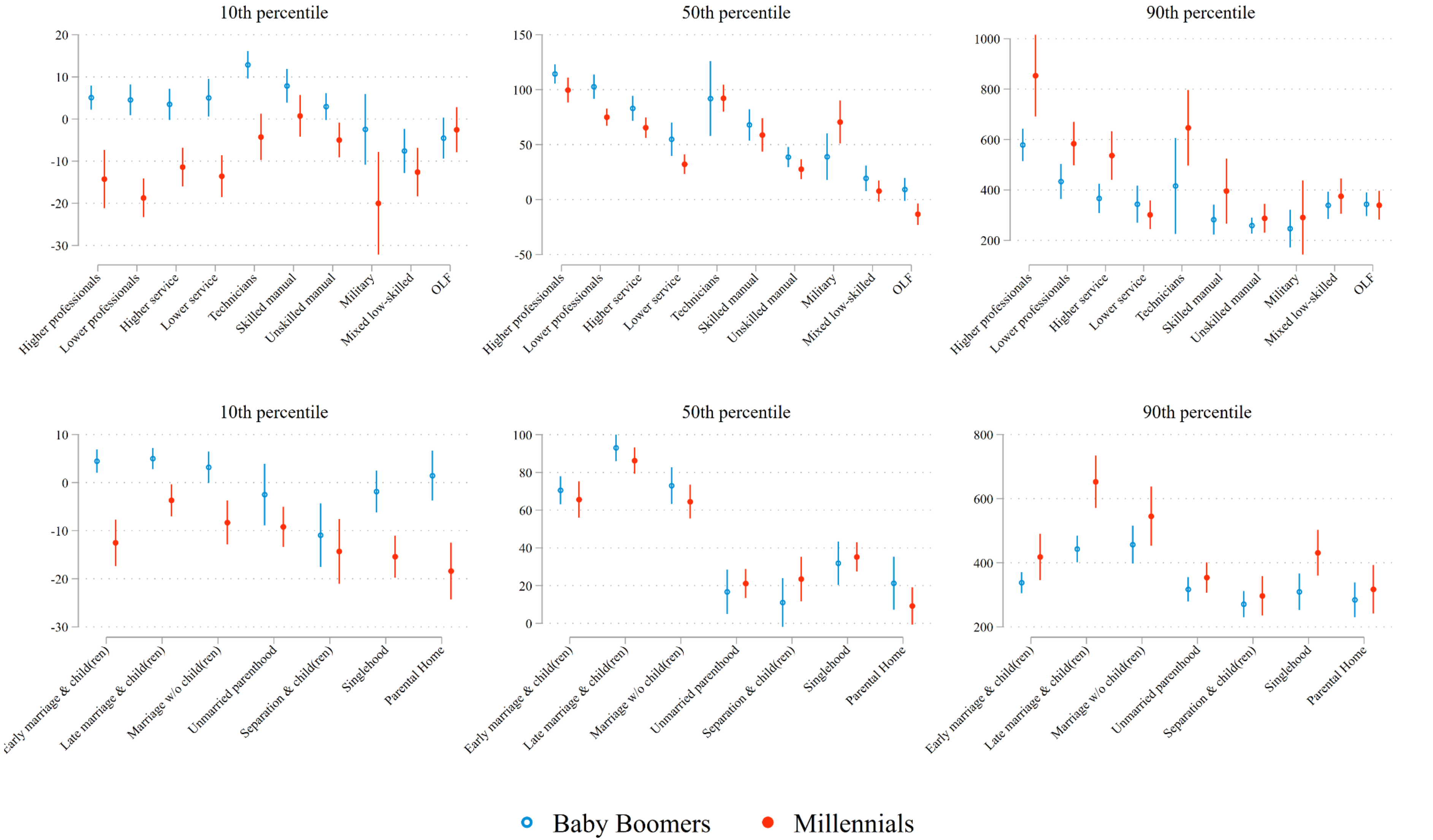
Family life course patterns



Cohort change in family trajectories



Differences in wealth returns across cohorts



Note: Predicted wealth adjusted for cohort differences in race, gender, and parental education

Key findings

- Cohort differences in wealth vary across the distribution
  - Poorest Millennials are poorer than poorest Baby Boomers
  - Richest Millennials are richer than richest Baby Boomers

- Millennials' life courses differ substantially from Baby Boomers:
  - Shift from higher to lower professionals, service and technicians
  - Shift from marriage with children to cohabitation, singlehood and non-marital parenthood

- Polarization wealth in returns to ‘middle-class’ and ‘working-class’ trajectories across cohorts
  - Large increase in the returns to professionals and technicians, but lower wealth or indebtedness for service class & manual workers
  - Increased returns for trajectories characterized by late marriage & parenthood

Conclusion

- Asking whether Millennials are ‘worse off’ than Baby Boomers is misleading: Generational averages hide vast discrepancies within generations
  - There are some Millennials who are doing extremely well—think Mark Zuckerberg and Sam Altman—while others are struggling
  - It is more useful to ask *which* Millennials were better or worse off than previous generations.
- Polarization in work-family life courses and wealth accumulation requires urgent public intervention:
  - Policies that ‘lift the bottom’ such as labour laws, housing policy, universal health care
  - Policies that ‘level the top’ such as wealth and inheritance taxes.

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By Brittany Toolis, KIRO 7 News
November 15, 2023 at 9:33 pm PST

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Sara Chernikoff
USA TODAY

Published 9:56 a.m. ET Nov. 14, 2023 | **Updated 1:13 p.m. ET Nov. 14, 2023**

MEDIA Published November 18, 2023 12:00pm EST

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By Kristine Parks | FOXBusiness |

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