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Special Report on the Millennials

Who are the Millennials? Researchers classify the Millennials as the generation of Americans born between the early 1980s and early 2000s, the generation succeeding Generation X. Increasing education costs, new market innovations, and technological developments are shaping a unique economy that the Millennials will face for years to come. But will they have a better economic future than their parents? Read both op-eds on the back page and decide for yourself.

Millennial Education: More Than Just Bookworms

Considering the ever-increasing prices of universities, many Millennials are trying to be as practical as possible, regarding choices in majors, clubs, or even the college itself. That is when trade schools enter the picture. Unlike universities, vocational schools charge about $3,000 a year, granting their students skill sets for specific jobs like manufacturing and electrician positions that will remain professionally relevant for a long time. A new report from the Manufacturing Institute and Deloitte has stressed that millions of manufacturing jobs will be unfilled due to skill gaps. As a result, there is plenty of demand and a solid income for those who do go into trade schools. According to Anthony Carnevale, the director of the Georgetown University Center on Education and the Workforce, "The average electrician makes $5,000 a year more than the average college graduate. And the country is going to need a lot more skilled tradespeople." Offering Millennials as many options as possible can only do good, for both them and the economy. —RG

A student in an electrician apprenticeship program.

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Sharing is Caring

Airbnb functions as a website for people to rent out lodging. Users get to review properties they rented out.

In a society where individualism dominated the American mindset in the past, a new ideal based on solidarity and practicality is taking over for Millennials. The "sharing economy" is all about services that use the Web to let companies and families share otherwise underused products and services. It includes companies such as Zipcar (the biggest car-sharing company in the United States), Airbnb (a shared market-place for bedrooms and other accommodations for travelers), and thredUP (a site where parents can buy and sell kids' used clothing). For older Americans, this concept may seem more in tune with the 1970s hippie generation than the fast-paced, "me, me, me" attitude usually attributed to Millennials. Yet, the rapid increase in technology—specifically smartphones—is precisely what is allowing these practices to go mainstream. Are the Millennials truly the "Me" generation or are they actually the "Sharing is Caring Generation"? —CM

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Moore is Better

Millennials are entering a world with technological capabilities that no other generation has seen. I read an article the other day in the WSJ about Moore's Law – the idea predicted in the 1970s by Gordon Moore, the founder of Intel, that microprocessors would double in complexity every two years for the foreseeable future. It has held true. In 1971, Intel's first microprocessor contained 2,300 transistors. IBM's latest release in 2014 held 7.1 billion. As our computing hardware has evolved, so it has its relevance. The technology integration movement is growing. Last year, global spending for IT and IT services eclipsed $3.5 trillion – over 20% of U.S GDP. That sector of the economy did not exist 30 years ago. It should not come as a surprise to anyone of our generation that the prominence of technology in our lives will continue to grow over time. As computers become smarter, faster, and cheaper, we will buy, invest, and indulge in them more often. The growth of technology will come to define our generation; the process has already begun. —KGM

IGNITE, one of many microprocessors predicted to continue growing exponentially in Millennials' lifetimes.

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Will Millennials Have a Better Economic Future Than Their Parents?

Pro: Breaking the Mold

Somber news today does not mean somber news tomorrow. Economist Sal Guatieri attempts to refute this notion, but does so unconvincingly. He makes the popular claim that Millennials--people ages 15-35 today--will indeed be worse off than their parents. His mention of fewer full-time working hours underpins his argument, but the greater wealth of evidence suggests he will still be mistaken. The Millennials' pursuit of more education, improving chances of getting longer job tenure, and the upside of their skills since the Great Recession show they can become better off than their parents.

Millenials have several unique qualities that equip them for the workforce better than their parents, beginning with education. More education increases earnings, and research from leading labor economist David Card confirms that the relationship is causal. Additional data shows that Millennials are also more educated than their parents, thus solidifying those larger gains from education across their generation. Furthermore, Millennials are obtaining longer job tenures at the firms they have started working for. NBER economists Katherine Graham and Henry Farber confirm this will boost Millennial economic prospects further due to the fact that longer tenure is strongly correlated with greater earnings. Lastly, Millennials are entering their prime spending years and the best economic circumstances since 2008, meaning that their economic prime is yet to come. An extended report from economists at Goldman Sachs verify that claim, as people generally enter their best spending years at around 30-35 years old. Many Millennials are not in that age range yet and will be poised to make a massive economic impact when they reach that milestone.

In conclusion, Millennials have more going for them than pessimists like Guatieri acknowledge. Having more education and more people educated surely indicates greater prosperity, and these aspects of Millennial life show no signs of stopping. Staying with firms longer, as Millennials more commonly do, can also boost prospects. This is particularly true, given the positive effects of job tenure and the negative effects of frictional unemployment on earnings. Millennials are also set to enter the prime spending years that their parents are exiting, so economic prospects for that group are only set to improve. Today's news always become the future news of yesterday, but tomorrow's news looks even better. —CL

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Con: Not All That Glitters is Gold

The Great Recession officially ended in 2009, yet it has shaped a historically distinct socioeconomic dynamic between younger and older Americans that persists today. According to the U.S. Census, the median net worth of people under 35 fell 37% between 2005 and 2010. By contrast, senior citizens' median net worth fell by only 13% in that span. The Millennials—the generation of today's young adults—face steeper economic disadvantages relative to older Americans than their parents' generation did. Pew Research Center analysis shows the median net worth of households headed by a senior is about 42% higher today than in 1984, while it is 68% lower for younger-age households. Thus, it is a foregone conclusion that the Millennials will have a bleaker economic future than their parents.

Older Americans have burdened Millennials with enormous economic hardship. Already shouldering a national debt of $18 trillion, Millennials must also pay an average of $27,000 in student loans. Burning Glass Technologies uses data from 10 occupations to show that employers are increasingly requiring workers to earn these expensive college degrees for positions that have not historically required them. Changing labor demographics further exacerbate Millennials' economic problems. Since 2008, a 7.6% rise in workers over 55—who generally have more experience—has contributed to a 13.2% decline of workers under 25. If college is supposed to be an investment in young Americans' futures, the return has never been so disappointing.

With such steep costs imposed on Millennials, it should be no wonder UBS found them to be the most financially-conservative generation since the Great Depression. If the traditional mark of the American Dream is ownership of an expensive home with huge mortgage payments, the Millennials are failing to realize the Dream to the extent prior generations did. The traditional tenet, however, might not be a good framework, considering that foreclosure rates were also much higher in the past. Thus, American society is at a crossroads in how it defines the Dream. If glittering wealth and materialism is the standard, the Dream will merely be a lost relic from another era. But if Millennials embrace the beginning of a newer American Dream that values stability over profligacy, the silver lining will eclipse fool's gold. —JK

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Interested in writing a guest blog post for the Penn State Economics Association? Email jxk5441@psu.edu with a draft between 330 and 375 words. Note: not all submissions might be published.

This is our last Optimal Bundle of the spring semester. We will publish some content during the summer on psueaprint.org and then resume our regular publication schedule in the fall semester. Thanks for reading!

Web Links:

Psuea.org — EA Homepage

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