Extended Abstract

Conventional wisdom about the Millennial generation, Americans born between 1982-2004, suggests their current behavioral shifts are only a reaction to the economic downturn. One might hear something to this tune:

Millennials might be struggling now, but their prospects will brighten, their attitudes will change, and their behaviors will normalize -- as soon as the recovery takes hold. Eventually, they will live in ways similar to generation's past. They will find economic opportunity. They will buy houses and cars. They will marry and have children. They just need a bit more time.

Conventional wisdom paints a rosy, though delayed picture of the Millennial generation's path forward. But what if conventional wisdom is wrong? Given the environment in which today's twentysomethings are operating, it's not difficult to imagine a very different future. Consider the reality Millennials are currently facing.

Economic Realities

Millennials entered the workforce during or in the wake of the worst recession since the Great Depression. Millennial unemployment and underemployment, at 10 percent and 18.3 percent respectively, are historically high, and wages for employed Millennials have dropped 7.6 percent since the onset of the Great Recession.[1] [2] According to a study by Yale Economist Lisa Kahn, high un/underemployment and low wages now will impact Millennials for the next 15-20 years of their careers, and could amount to wage losses of $100,000 or more by the time they reach their 40s or 50s.[3]

While Millennials are the most highly educated generation to date, they've also taken on a higher amount of student loan debt than any generation prior. Assuming regular payments, student loans take up to 25 years to pay off entirely; however unemployment and low wages have made it difficult for many Millennials to make minimal loan payments early in their careers. At present, loan default rates are approaching historical highs at 9 percent, damaging Millennial credit scores along the way.[4]

Consumption Patterns

Given current economic realities, it's not surprising to see reduced Millennial consumption of big ticket items. Many Millennials are simply unable to purchase cars or homes due to poor job prospects,

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[1] Heidi Shierholz, Natalie Sabadish, and Hilary Wething, *The Class of 2012 Labor Market for young graduates remains grim*, Economic Policy Institute, May 3, 2012, http://www.epi.org/files/2012/bp340-labor-market-young-graduates.pdf, accessed September 27, 2013.

[2] Patricia Reany, "Youth Employment: Recent U.S. College Graduates Disillusioned, Underemployed Says Poll," *Huffington* Post, April 30, 2013 http://www.huffingtonpost.com/2013/04/30/youth-employment-recent-us-college-graduates_n_3186651.html, accessed September 27, 2013.

[3] Derek Thompson, "Millennials Are the Unluckiest Generation," *National Journal*, (2012) http://www.nationaljournal.com/next-economy/solutions-bank/millennials-are-the-unluckiest-generation-20130425, accessed September 27, 2013.

[4] Shierholz, Sabadish, and Wething, *The Class of 2012 Labor Market*

overwhelming student loan debt, and lack of access to credit. Homeownership among Millennials is currently at 42 percent, compared to 52 percent among Generation X at the same age.[5] There is a similar decline in Millennial new car purchases. According to a report by CNW research, Millennials currently buy only 27 percent of new vehicles sold in the United States, compared to 38 percent of new vehicles bought by Generation X in 1985.[6]

But if the economy recovers, will Millennials buy houses and cars at the same rate as generations past? Let's assume they want to. Such purchases typically require decent credit scores and significant down payments, both of which take time to build. So, it would be reasonable to expect a delay even with an economic uptick in the near future.

In the meantime, lacking individual purchasing power, Millennials are finding new ways to engage with the economy through collaborative consumption, "a class of economic arrangements in which participants share access to products or services, rather than having individual ownership."[7] Also known as the sharing economy, this trend is exemplified by companies like Zipcar, which provides car reservations to members on a short-term basis, billable by the hour. Perhaps the new economy will rely much more on a preference for access over ownership, instead.

Family Structure

Millennial marriage and family formation trends are also different than those of generation's past. Marriage rates among the Millennial generation are currently at 3.6 percent, compared to 6.2 percent among Generation X at the same age - a 2.6 percent decline. Fertility among Millennials is at 1.93 compared to 2.1 for Generation X at the same age. While some of the delay in marriage and child rearing may be explained by economic circumstance, the trends overall predate the Great Recession. Even with a stronger economy they will likely persist due to a series of cultural changes including more women in the workforce, increased higher education among women, and greater social acceptance of premarital sex, birth control and cohabitation before marriage.

Defying Conventional Wisdom

So, what if there is no significant economic upturn? Or, what if, rather than an ephemeral reaction to a down economy, there is instead a fundamental shift taking place in the way a generation of Americans live? What would that mean for government at the federal, state and local levels?

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[5] Anonymous, "The twin lost decades in housing and stocks – baby boomers selling homes to a less affluent young American population. The impact of baby boomers on the housing market," *Dr. Housing Bubble*, July 15, 2012, http://www.doctorhousingbubble.com/twin-lost-decades-housing-stocks-baby-boomers-selling-homes-young-home-buyers-future-home-trends/ accessed September 27, 2013.

[6] Jordan Weissman, "Why Don't Young Americans Buy Cars?,", http://www.theatlantic.com/business/archive/2012/03/why-dont-young-americans-buy-cars/255001/ , accessed September 27, 2013.

[7] Rachel Botsman, and Roo Rogers, *What's Mine Is Yours: The Rise of Collaborative Consumption.* New York: Harper Business, 2010.

While no one can predict the future, there is sufficient evidence to challenge conventional wisdom on the Millennial generation's path forward. Government entities should understand the possibilities and potential outcomes in order to create flexible policies that can support and sustain the Millennial generation and generations to come.

Governing Demographics uses a scenario framework to play out possible implications of a Millennial dynamic that evolves counter to conventional wisdom. Our focus is not predicting which particular trends will endure, but rather considering the consequences of the continuation of current trends in the absence of policy shifts. For example, if Millennial consumption of cars and homes remain constant, what are the potential impacts on governments that continue to invest in improving and expanding highways and do not plan for decreased property tax collections?

Our work is based on extensive interviews with experts in generational dynamics, sociology, demography, economics and governmental structure in addition to a comprehensive literature review. Many interviewees for this paper expressed discomfort making predictions about the future, and all interviewees expressed varying degrees of confidence in their analyses. Throughout the paper confidence levels are noted for reader context.

Research Methods

- Literature review of 200 articles and 2 books on subject matter relating to current social and cultural shifts happening among the Millennial generation.
- Qualitative analysis, including interviews of 25 experts in fields including economics, academia, demography, sociology, urban planning and development.
- Quantitative analysis, including trend analysis of labor data, homeownership data, student loan debt data, family planning data, and time use data.
- Quantitative generation (Boomers, X'ers and Millennials) performance statistics analysis for emergence into adulthood from IPUMS Current Population Survey (CPS)[8]

[8] Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

GovLab

Expected Findings

Trend	Why should society focus on Millennials?	Societal Impact	Government Agency Implications	Affected Government Agencies and Subcomponents
High Levels of Millennial Unemployment / Underemployment	- High un/underemployment now will stick with Millennial workers for the next 20 years of their careers, totaling in losses of $100,000 - Long-term economic projections forecast strong market growth but stagnating job growth - Lower wages for Millennials means less income tax revenue and less payroll tax revenue for the Federal Government - Income tax revenue and payroll tax revenue make up 80 percent of annual Federal Revenues - Payroll tax revenues support entitlement programs. Current CBO projections for longevity of entitlement funds assume growth in income tax revenue over the next ten years	- If the Millennial economic situation fails to improve in the future, there will be less income and payroll tax revenues for the Federal Government - If the Millennial economic situation fails to improve in the future, there will be an even greater strain on the social safety net - If Millennial consumption patterns continue to favor access over ownership, there will be less demand for individual goods, and less stimulation to the economy	- Increased management of public assistance and entitlement benefits/ Need for alternative scenario planning around entitlement benefits funding - Increased need for alignment between education and economic planning - Increased need for partnerships between government, the private sector and academic to create employment opportunities - Potential expansion of government vocational and educational programs	**Department of Labor** - Employee Benefits Security Admin. - JobsCorp **Department of Education** - Office of Vocational and Adult Education - Office of Postsecondary Education **Health and Human Services** - Administration and Aging - Center for Medicare & Medicaid Services **Social Security Administration**
High Levels of Student Loan Debt	- Student loan debt in the US is $1 trillion. Average debt per student is $25,000 - Student loan debt takes up to 25 years to pay off – but many Millennials are struggling to make regular payments due to un/underemployment - Student loan delinquency/default rates are approaching historical highs, and damaging Millennial credit scores along the way - Average debt burden for a household with two college graduates—will reduce lifetime wealth by more than $200,000 - There's been a 19 percent decline in youth entrepreneurship over the past five years; Millennials report trouble starting businesses because they can't access loans	- If Millennials are unable to build decent credit, they will be less likely to start entrepreneurial / small business endeavors - If Millennials are unable to build decent credit, they will be unable to access lines of credit needed to buy cars, homes and other major purchases - If Millennials continue to dedicate a large percentage of their annual income toward servicing student loan debt, their payments will crowd out other consumption	- Increased need for debt/default management and assistance programs - Changes to higher education policy needed to incentivize industry innovation with focus on cost reduction - Innovative programs needed to support new business creation for debt-heavy entrepreneurs	**Department of Education** - Office of Postsecondary Education - Office of Vocational and Adult Education **Department of Commerce** Minority Business Development Agency
Decreased Fertility	- The United States total fertility rate is currently 1.93, below the replacement rate of 2.1 – the rate of births needed to maintain a stable population - Since 2000, the fertility rate among Latina women dropped from 2.7 to 2.4, and among black women it dropped from 2.2 to 2.0 - The average age for a woman's first birth is now 25 in the United States, up from 21.4 in 1970—this decreases the amount of *viable* child birthing years, which could further reduce fertility rates - The number of retired Americans for every working American will double by 2020 – resulting in 50 percent increase in the estimated economic burden of retirees on a child born in 2015 vs. 1985	- If the US fertility rate remains below replacement levels, there will be increased burden on the next generation of tax payers in order to sustain the social safety net - If the US population declines, US talent and the labor supply will decline, making it harder for business to fill vacancies - If the US population becomes disproportionately old, US productivity will decline - If the US population becomes disproportionately old, US innovation will decline	- Consideration of pro-natalist policies to increase US natural birthrate - Consideration of immigration reform to increase total population - Increased need/capacity to plan for impacts of population decline on entitlements - Increased need to help older Americans plan and manage their retirement income	**Health and Human Services** - Administration and Aging - Center for Medicare & Medicaid Services **Department of Labor** - Employee Benefits Security Administration **Department of Commerce** - Economic Development Administration
Decreased Car Ownership/Decreased Licensing/Changes in Transportation Preferences	- Twenty-somethings buy just 27 percent of all new vehicles sold in the United States, down from the peak of 38 percent in 1985 - People age 16 to 34 drove 23 percent fewer miles on average in 2009 than the same age cohort in 2001 - While vehicle miles traveled declined among 16 to 34 year olds between 2001 and 2009, the same ago cohort took 24 percent more total bike trips and traveled 40 percent more miles on public transportation than their counterparts in 2001 - If Millennials retain their current propensity to drive less as they age and future generations follow, driving could increase by only 7 percent by the year 2040	- If Millennials do not drive cars, there will be less revenue from gas consumption and personal property taxes - If Millennials do not drive, there will be less need for highway transportation infrastructure, and more need for public transportation. - To facilitate expansion of the shared economy and to monetize the shared economy, regulatory and policy changes will be necessary - If Millennials demand expensive, technologically advanced transportation solutions, the government will need to seek creative ways to finance infrastructure projects	- Revision of investment and development plans to include increased ride share and public transportation options - Increased / revised regulation and oversight over shared transportation services - Grant funding for pilot programs that change public transportation infrastructure - Establishment of policies to govern Public Private Partnerships	**Department of Transportation** - National Highway Transportation Safety Administration - Research and Innovative Technology Administration
Decreased Home Ownership/Changes in Homeownership Preferences	- Nine percent of 29-34 year olds entered a first time home mortgage agreement from 2009-2011, compared to 17 percent a decade earlier - At 641, the average credit score among 20-29 year olds is considered "poor," and is nearly100 points shy of the 720 credit score needed to qualify for a mortgage - Homeownership rates for those under 35 is down 5 percent from 2 decades ago decreasing the levels of wealth creation and asset investment early in life - Almost half of Millennial survey respondents in an Urban Land Institute study stated they would rather live in a city over a suburb, making turnover of suburban homes more difficult at the same time the Boomer generation needs to sell their suburban homes to afford retirement	- If Millennials do not buy houses – the primary vehicle for family savings – a new form of savings - If Millennials become a generation of renters, property taxes structure will need to be revised in order for states and localities to obtain the same amount of revenue - If Millennials live in urban areas instead of suburbs, there will be less need for suburban public infrastructure, like schools - If Millennials choose to live in cities, current urban infrastructure will need to change to support the population influx - If Millennials cannot afford nor do not want luxury suburban houses by Boomers will be unable to sell their homes in order to support their retirement	- Alignment of personal vs. corporate real-estate oversight infrastructure - Inappropriate placement of municipality assets and investments - Underutilization of suburban infrastructure, like schools - Need to revise housing affordability and attainability policies - Need for new ways to safely invest for retirement	**Housing and Urban Development** - Federal Housing Administration - Multifamily Housing Office - Office of Community Planning and Development - Office of Fair Housing and Equal Opportunity - Policy Development and Research - Public and Indian Housing