

INTERGENERATIONAL DIFFERENCES IN INCOME OF YOUNG ADULTS IN EUROPE

NTA Meeting | 04.08.2020

Sonja Spitzer
Bernhard Binder-Hammer
Alexia Prskawetz

Wittgenstein Centre for Demography and Global
Human Capital (IIASA, OeAW, University of Vienna)

The unluckiest generation in U.S. history

Millennials have faced the worst economic odds, and many will never recover

Millennials are getting screwed by the economy. Again.

Two once-in-a-lifetime crises have had devastating consequences for millennials.

By Sean Illing | @seanilling | sean.illing@vox.com | Apr 21, 2020, 9:10am EDT

Vox

Millennials being squeezed out of middle class, says OECD

IDEAS

Millennials Don't Stand a Chance

They're facing a second once-in-a-lifetime downturn at a crucial moment.

APRIL 13, 2020

Millennials are struggling. Is it the fault of the baby boomers?



IDEAS

The Next Recession Will Destroy Millennials

Millennials are already in debt and without savings. After the next downturn, they'll be in even bigger trouble.

AUGUST 26, 2019



Annie Lowrey
Staff writer at The Atlantic



Ads by Google

Stop seeing this ad

Why this ad?

PREVIOUS WORK

Focus on single countries:

- **France:** *“no generation less fortunate than its ancestors”*
(d’Albis and Badji 2017, cohorts 1901-1979)
- **UK:** *“millennial households [...] no better off”*
(Corlett 2017, cohorts 1886-1995)

Focus on Europe:

- **Conservative welfares states:** strongest intergenerational differences (Chauvel and Schröder 2014, cohorts 1935-1975)

AIM AND RESEARCH QUESTIONS

Analysing intergenerational differences in income from employment for young adults in Europe:

Is the claim about disadvantaged millennials true?
How do European countries differ?

What is the role of education and employment?

GENERATIONS

Corlett 2017:

Baby boomers



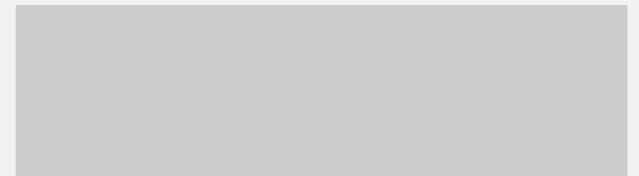
1946 ————— 1965

Generation X



1966 ————— 1980

Millennials



1981 ————— 2000

DATA

European Union Statistics on Income and Living Conditions

- 31 European countries
- 2.54 million observations

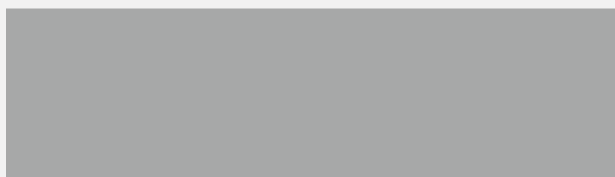
APC Dimensions

- Ages 20-44 (young adults)
- Period 2003-2018 (varies by country)
- Cohorts 1959-1998

GENERATIONS

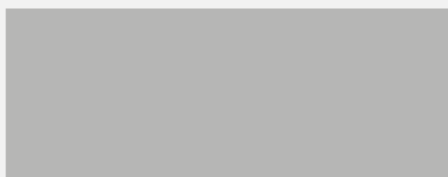
Corlett 2017:

Baby boomers



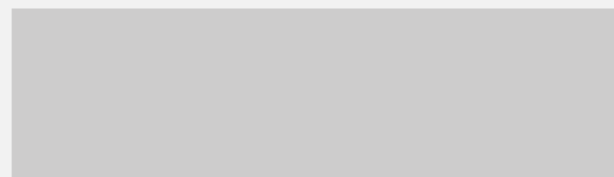
1946 ————— 1965

Generation X



1966 ————— 1980

Millennials



1981 ————— 2000

EU-SILC:

(Late) baby boomers



1959 — 1965

Generation X



1966 ————— 1980

Millennials



1981 ————— 1998

METHOD

APC decomposition

(Deaton and Paxson 1994, d'Albis and Badji 2017, 2019, 2020)

- **Assumption:** period effects average to zero in the long run
- Robustness analyses: APC detrended model
(Chauvel and Schröder 2014)

Incorporating mediating variables

(Gustavsen and Rickertsen 2014)

DEPENDENT VARIABLE

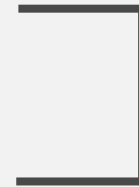
Individual annual income from employment

- Employee income...
- ... plus profits and losses from self-employment
- Gross (neither taxes nor social contributions deducted)
- Inflation adjusted
- In euros

EXPLANATORY AND MEDIATING VARIABLES

- APC
- Educational attainment (ISCED)
- Work status (full-time, part-time etc.)

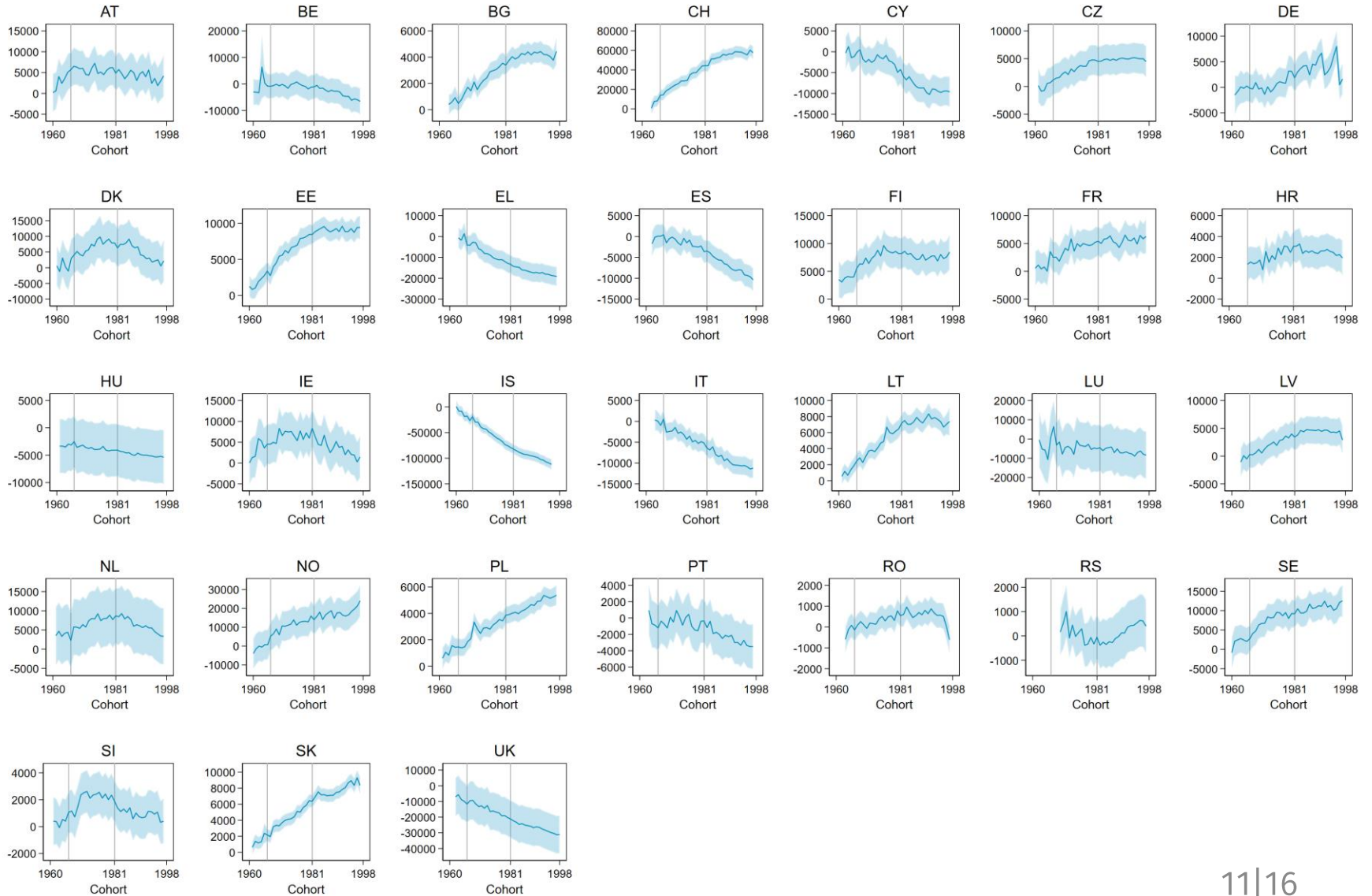
- Gender
- Occupation (ISCO)



Focus of this
presentation

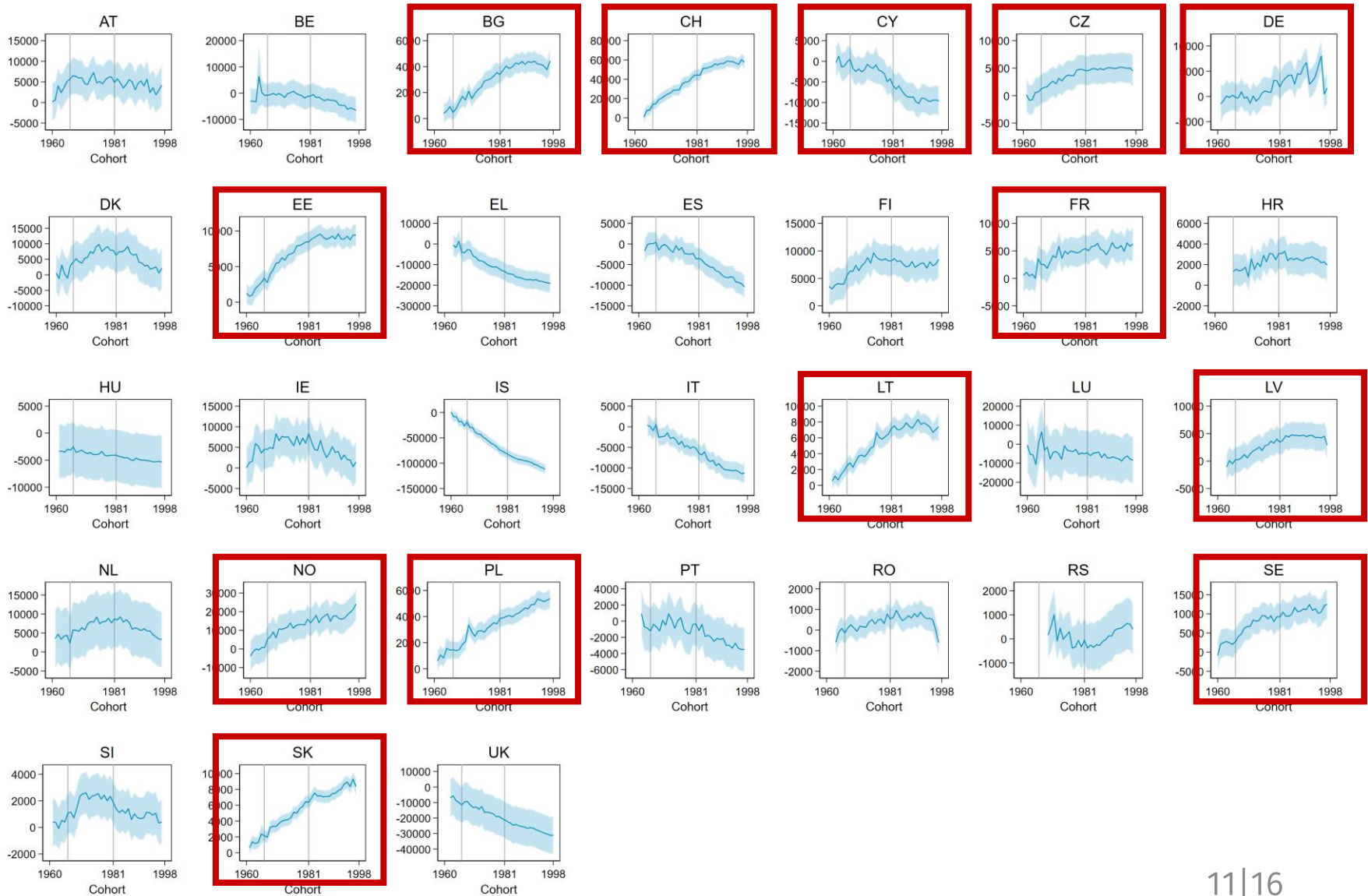
MAIN RESULTS

Estimated effects

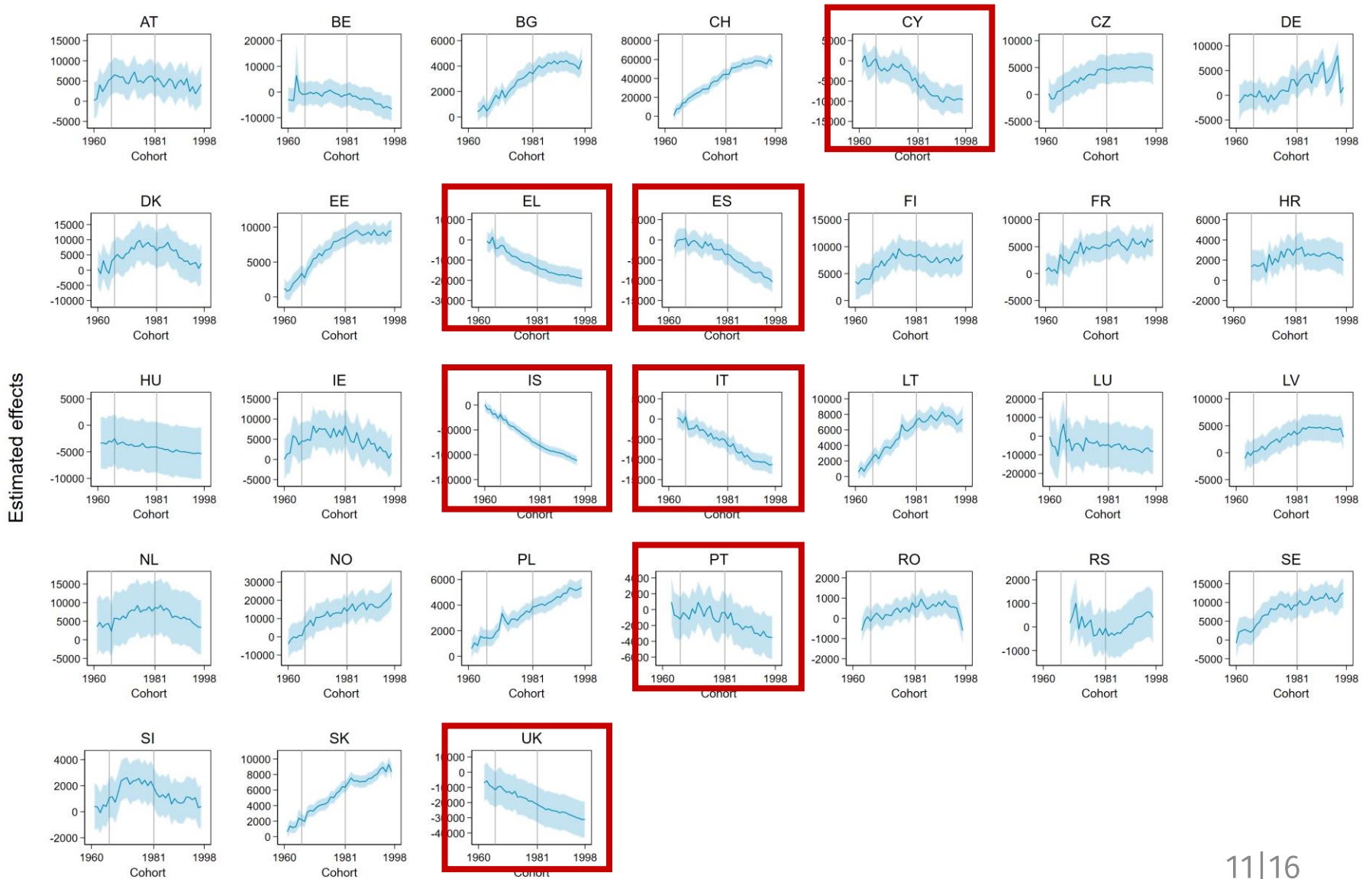


MAIN RESULTS

Estimated effects



MAIN RESULTS



MAIN RESULTS

1. Cohort effects differ substantially:

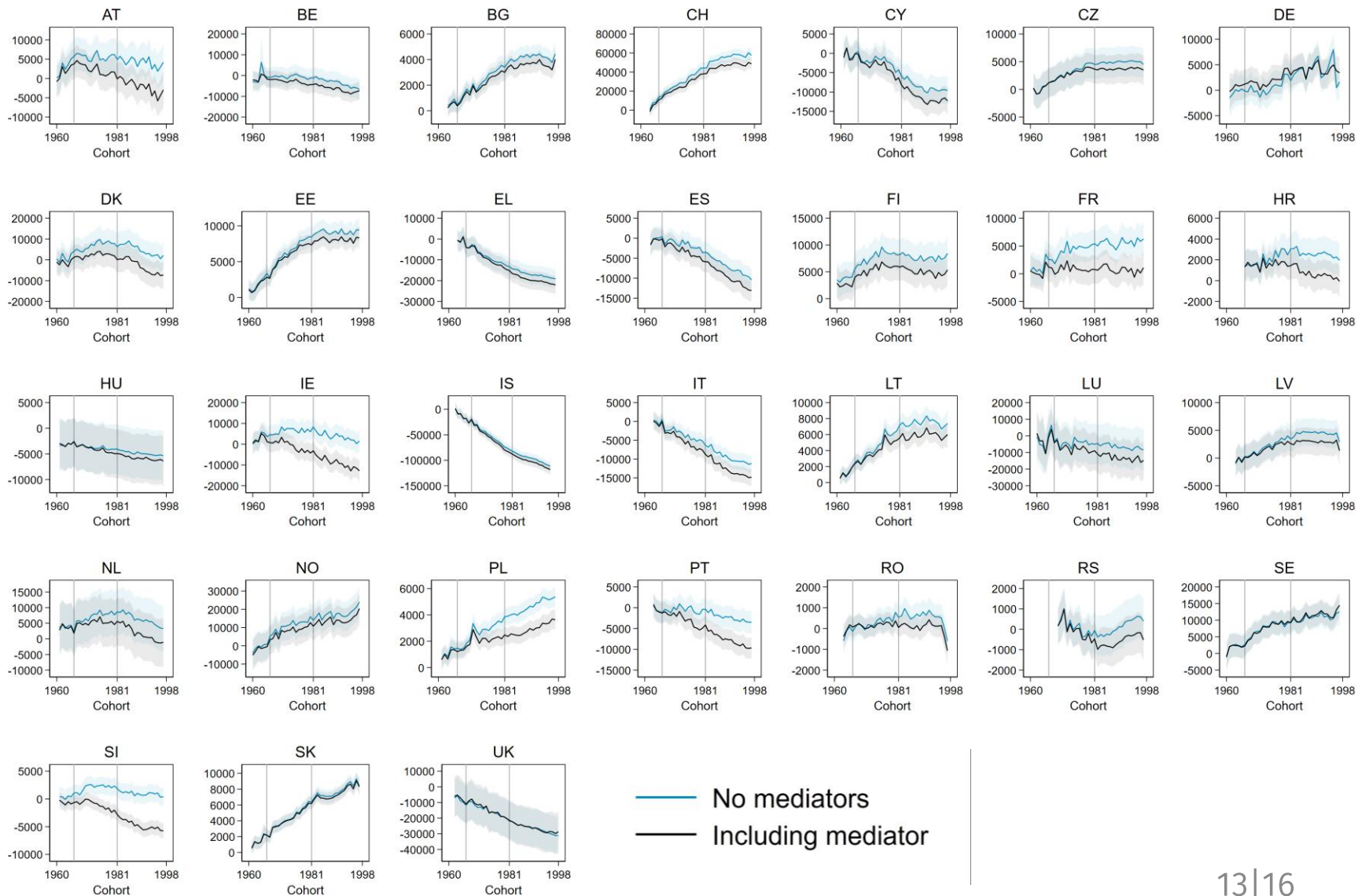
- Positive trend: CEE countries, CH, DE, FR, NO, SE
- Negative trend: Southern Europe, Iceland, UK

2. Income of millennials has either decreased or stagnated

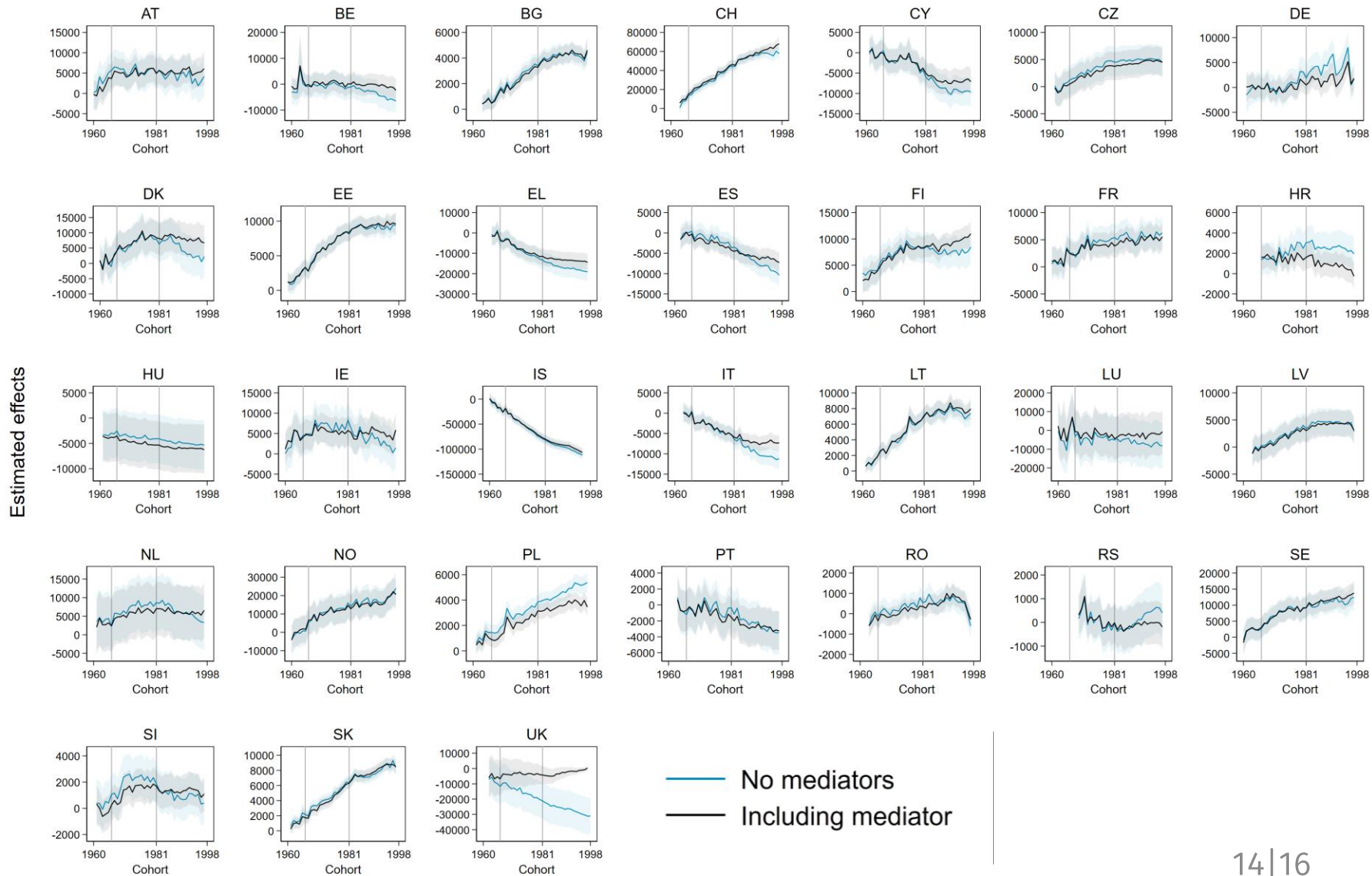
- Some exceptions: PL, SK, CH, NO

MEDIATOR EDUCATION

Estimated effects



MEDIATOR WORK STATUS



MAIN RESULTS

1. Education expansion is important for cohort trends

- Positive trend (partly) due to education expansion, e.g. FR, CEE countries
- Considering education expansion, recent cohorts earn less, e.g. AT, DK, NL

2. Work status is important mediator for cohort effects of millennials in most countries, except CEE, FR, NO, PT

(FUTURE) ROBUSTNESS ANALYSES

- Different method for APC decomposition
- Income transformation (cube root)
- National currency instead of euros
- Net income instead of gross income for some countries
- Drop negative and zero income
- Work status in income reference period
- Different age range

QUESTIONS?
SUGGESTIONS?

sonja.spitzer@univie.ac.at

REFERENCES

Chauvel, L. & Schröder, M. (2014). Generational inequalities and welfare regimes. *Social Forces*, 92(4)arXiv arXiv:1011.1669v3, 1259–1283.

Corlett, A. (2017). *As Time Goes By: Shifting incomes and inequality between and within generations*. Resolution Foundation Report.

D’Albis, H. & Badji, I. (2017). Intergenerational inequalities in standards of living in France. *Economie et Statistique / Economics and Statistics*, (491-492), 71–92.

D’Albis, H. & Badji, I. (2019). Intergenerational inequalities in mortality-adjusted disposable incomes. *Vienna Yearbook of Population Research*, 17, 37–69.

D’Albis, H. & Badji, I. (2020). Intergenerational equity by educational attainments in France. Paris School of Economics Working Paper, (2020-19).

Deaton, A. S. & Paxson, C. H. (1994). Saving, growth, and aging in Taiwan. In D. A. Wise (Ed.), *Studies in the economic of aging*. University of Chicago Press.

Gustavsen, G.W. & Rickertsen, K. (2014). Consumer cohorts and purchases of nonalcoholic beverages. *Empirical Economics*, 46(2), 427–449.