INTERGENERATIONAL DIFFERENCES IN INCOME OF YOUNG ADULTS IN EUROPE

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The luckiest 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

Millennials being squeezed out of middle class, says OECD

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 29, 2019

Annie Lowrey
Staff writer at The Atlantic

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

No mediators

Including mediator
MEDIATOR WORK STATUS

Estimated effects

No mediators
Including mediator
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?

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REFERENCES


