INCOME AND EARNINGS

Christine Percheski

KEY FINDINGS

- **For men, the conventional "gloomy millennial stories" have some merit, as the median income of millennials is lower than that of Gen X, and the median earnings of millennials are not any higher than those of Gen X.**
- **For women, the American Dream lives on in the sense that there's a steady generational improvement in median earnings and income, an improvement that is carrying on into the millennial generation.**

When millennials entered the labor market during the Great Recession and its aftermath, there were uniformly gloomy predictions about their fate. Because unemployment rates were so high, millennials were expected to face difficulties in getting a decent full-time job, difficulties that would then translate into an ongoing "scarring" effect on their longer-term earnings trajectory. Moreover, they faced the rise of a gig economy with short-term work contracts and irregular work hours, both of which could reduce earnings and make earnings trajectories more volatile. And, finally, they entered the labor market when income inequality was high and showed no sign of abating, with the implication that, although the few winners might win big, there would be many more losers.

Does the evidence bear out such gloomy predictions? As laid out below, the millennial story is in fact two stories, one for men and an altogether different one for women. Although the conventional pessimistic story is roughly on the mark for men, it provides a misleading account of income and earnings trajectories for women.

Methods

In this analysis, I describe trends by age in personal income and earnings.[1] When measuring personal income, I include *all* individuals between 20 and 35 years old, even those who were full-time students, stay-at-home parents, or unemployed workers. The virtue of this approach is that it provides an omnibus account of the extent to which millennials are commanding income that then accords them some measure of independence. It should be borne in mind, of course, that millennial income will be held down among younger individuals simply because they are attending college at higher rates than previous generations.[2] Because my income measure captures many different types of processes (e.g., college attendance, unemployment rates, wages), I supplement it with a more conventional measure of earnings, a measure that pertains to earnings for workers employed in the previous year.[3]

Throughout the analysis, I use the conventional cutpoints for millennials, Generation X, baby boomers, and the Silent Generation.[4]

Income, earnings, and inequality for men

As shown in Figure 1, millennial men had less income in young adulthood than their predecessors, although their incomes recover somewhat when they reach their 30s.[5]

In their 20s, millennial men had lower median annual incomes than all other generations, including Generation X. In their early 30s, millennial men's median income edged slightly above that for baby boomer men but was still below that of Gen X men until age 35.

As noted earlier, these results provide an omnibus account of the trend in personal income that reflects changes in the propensity to go to college, to be unemployed, and to secure high or low earnings when employed. To remove the effects of changes in college attendance and labor force

Figure 1. Income trajectories were lower for millennial men until age 35.

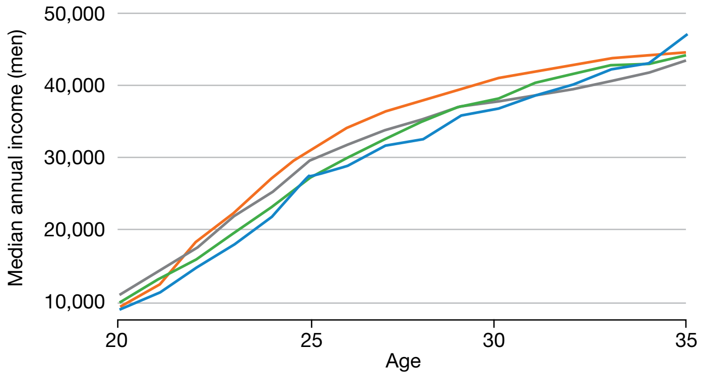


Figure 2. Employed millennials had median annual earnings that were slightly higher than those of Generation X.

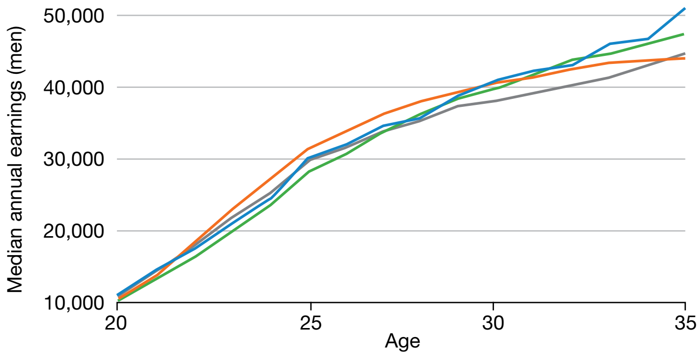
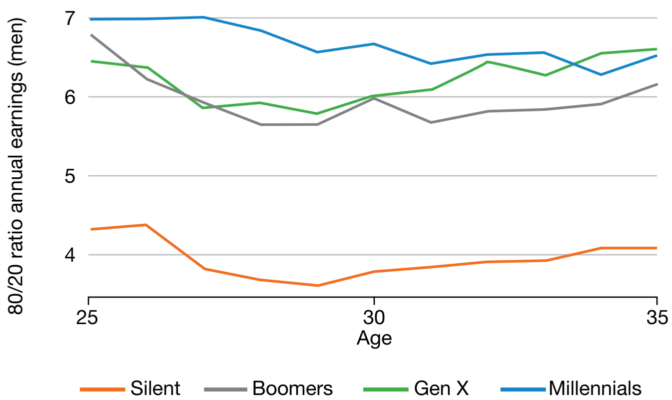


Figure 3. Earnings inequality is growing for men.



participation, let's next consider the average earnings of *employed* millennial men. This analysis, as shown in Figure 2, paints a somewhat less bleak picture. Throughout their 20s, employed millennial men had median annual earnings that were slightly higher than those of Gen X working men and similar to those of baby boomers, but notably lower than the Silent Generation's. In their early 30s, median earnings among employed millennial men were similar to those of Gen X and higher than the boomers' or the Silent Generation's.

These results, which pertain to medians, of course don't tell us about the extent to which young millennials are living in a more unequal world. As Figure 3 shows, millennial men in young adulthood have higher levels of earnings inequality than Gen X, baby boomer, and Silent Generation men of the same ages. The 80/20 ratio of annual earnings—which measures inequality between men with high earnings (80th percentile) and low earnings (20th percentile)—shows that high-earning millennial men earned between six and seven times as much money as low-earning millennial men, a much higher ratio than for employed men in the Silent Generation and somewhat higher than for boomers and Gen Xers. This increase in inequality arises because top-earning millennial workers command larger paychecks than top earners in any previous cohort, whereas millennial men at the bottom of the earnings distribution had fairly similar (low) annual earnings as Generation X men. We're seeing, in other words, a takeoff at the top.

The overall story for men is, then, largely in accord with the conventional gloomy account. To be sure, the evidence on earnings is not as bleak as many might have imagined. Even so, earnings for millennials in their early 30s were approximately the same as those of Gen X, whereas Gen X had registered substantial improvements relative to prior generations.

Income, earnings, and inequality for women

The story for women is quite different. In contrast to the relatively poor standing of millennial men vis-à-vis previous cohorts, millennial women had higher income and earnings throughout young adulthood as compared with their predecessors.

Why is this? Because millennial women are working at much higher rates throughout young adulthood than baby boomer and Silent Generation women, it is unsurprising that their median income is higher than for older cohorts with many nonworking women. The more relevant comparison is between millennial and Generation X women during young adulthood because their rates of employment are approximately the same. As Figure 4 shows, median incomes for these two cohorts are fairly similar, although there is some variability in the age–income profile. We see that incomes are slightly lower for millennials through age 24 but then slightly higher for millennials after that.

The age–earnings profile yields largely similar conclusions (Figure 5). In this case, median earnings for employed millennial women closely track median earnings for Gen X women through their early 20s but exceed those of Gen X working women thereafter. These results contrast, then, with those for men: Whereas millennial men in their 30s aren't earning much more than previous cohorts, there is not a corresponding stalling out in earnings for millennial women in their 30s.

The inequality story is also very different by gender. Although millennial inequality among men registers at an all-time high, millennial inequality among women registers at an all-time low (Figure 6). But it should be noted that, although inequality among women has been declining across generations, it remains much greater than inequality among men.[6]

Conclusions

In sum, the conventional pessimistic story has at least some merit for millennial men, but certainly not for millennial women. Among women, it's a straightforward "American Dream" story in which each generation does better than the one preceding it, for earnings and income alike. There's simply no evidence of a stalling out in the dream for women.

But, of course, there still are profound gender gaps in income and earnings. Although millennial women are doing better than women of preceding generations, they still haven't caught up with men.

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Figure 4. Millennial women have higher incomes than their predecessors.

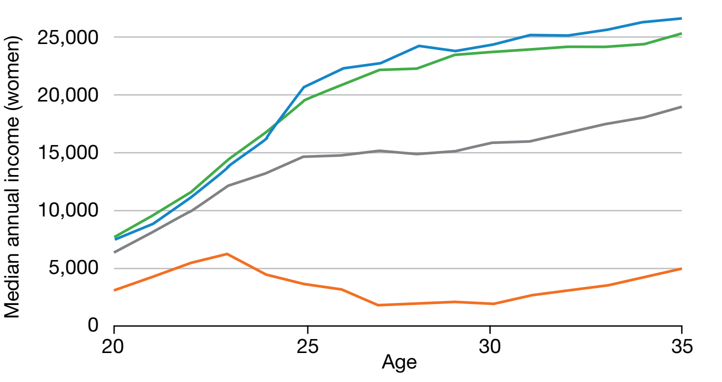


Figure 5. There is no stalling out in earnings for employed millennial women in their 30s.

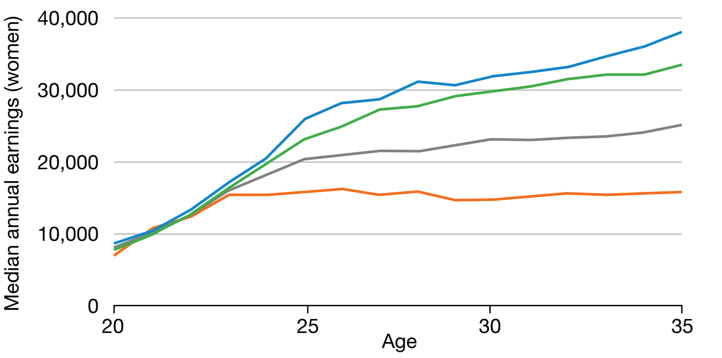
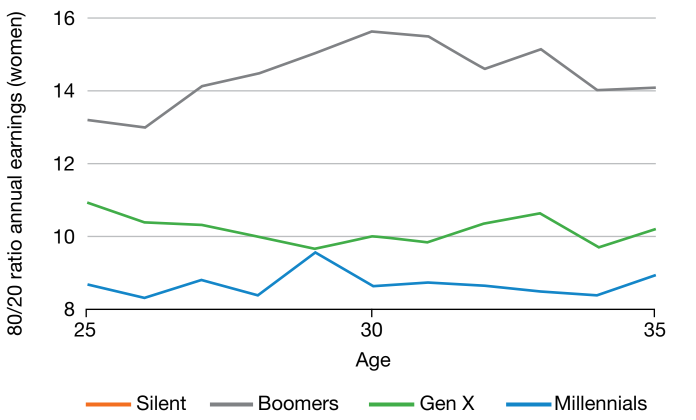


Figure 6. Inequality among millennial women is at an all-time low.



Notes

1. The earnings and income estimates reported in this article are based on the author's tabulations of survey data from the Annual Social and Economic Supplement to the Current Population Survey from the survey years of 1965–2018. Earnings and income are adjusted for inflation using the Personal Consumption Expenditures deflator [DPCERD3A086NBEA], retrieved from the Federal Reserve Bank of St. Louis, and all amounts are reported in 2018 dollars. The author used the IPUMS harmonized files from Sarah Flood, Miriam King, Renae Rodgers, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 6.0 [dataset]. Minneapolis, MN: IPUMS, 2018. https://doi.org/10.18128/D030.V6.0, hereafter "IPUMS-CPS."

2. Millennials are attending college at higher rates than previous cohorts, with fewer millennials seeking full-time employment straight out of high school. This later entry into full-time work likely contributes to the lower average incomes of millennials in their early 20s compared with previous cohorts.

3. For young adults in the U.S., personal income derives mostly from employment earnings. The earnings analysis includes any individual who reported earnings in the previous year, including part-time and partial-year workers.

4. Millennials: 1981–1996; Generation X: 1965–1980; baby boomers: 1946–1964; Silent Generation: 1928–1945.

5. At age 35, millennial men pull ahead of other birth cohorts, but this data point is derived only from the oldest members of the millennial cohort and likely will not represent the experience of the whole cohort.

6. The lower 80/20 ratio for millennials does not mean that hourly pay rates are becoming more equal. Rather, the lower ratio largely reflects a narrowing of differences among women in employment hours.