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BRIEFING PAPER

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Millennials

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Summary

Millennials are the generation of people now in their young adulthood. Roughly aged between 25 and 34. Millennials make up 13.9% of the total UK population.

Millennials entered young adulthood in the midst of the 2008 financial crisis. The impact of this on their socio-economic outcomes as they have aged has been the subject of much debate. Policy makers and political commentators alike have discussed how factors such as stagnant pay, a changing labour market and the rising cost of housing have impacted upon millennials. [1]

In this paper we tackle a series of questions regarding millennials, and the challenges they face. We have asked:

What is the demographic make-up of the millennial generation?

- Millennials are concentrated in London where around 19% of them live.
- Around 17% of millennials are in non-white ethnic groups.
- Around 26% of millennials were born abroad. Around 13% of millennials were born in another EU country.

Are millennials underperforming in the labour market compared to other generations?

- The employment rate for millennials is at a near record high for the 25-34 age group at 82.0%.
- The unemployment rate for millennials is low at around 4.5%.
- The most common sectors for employment of millennials are the wholesale and retail sector (13.5% of working millennials), health and social work (12.4%) and education (9.8%).
- Employees aged 22-39 experienced the largest falls in real average earnings following the 2008 recession.

What effect has higher education had on the employment prospects of millennials?

- Almost 40% of the population in their late 20s and 30s were graduates.
- 2013 ONS analysis showed that 47% of 'recent graduates' were in non-graduate roles.[2]

How wealthy are millennials compared with those in older generations?

- Unsurprisingly, because they have had less time to accumulate wealth, millennials have less financial assets and wealth than older generations.
- Cohort analysis shows that both the generation born in the 1970s and millennials (mostly born in the 1980s) lag behind those born in the 1960s at the same age in terms of wealth accumulation.[3]

Are millennials less likely to own their own home than older generations?

- 59% of households led by a millennial were renting their home.

[1] See further reading section for a number of relevant sources
[2] See Section 4 for more details
[3] See section 5 for more details

- Twenty years ago, households led by people aged 25-35 were more likely to own than rent. In 1996 the trend was almost the reverse as it is today, 55% of households led by a 25-29 year old person and 68% of those led by 30-34 year olds were owner occupiers.

Do millennials have different political participation behaviours than other generations?

- In the most recent general election (2015) millennials were more likely to vote for Labour than any other political party. Around 32.4% of millennials voters voted for Labour in 2015.
- Millennials were more likely to vote 'Remain' in the 2016 Referendum, around 60% of millennial referendum voters voted to 'Remain' in the European Union.

1. Who is a 'millennial'

The term 'millennial' is widely used but not formally defined. It is usually used to describe those born between the mid-1980s to the mid-1990s, those who are now aged between their mid-twenties and mid-thirties.[4] This is the generation that entered adulthood during the first decade of the millennium.

As there is no official definition of a millennial the exact range of birth years used to place someone as a millennial often differ when the term is used by researchers, journalists and policy makers. The most common expansion of the generation is to include those born up to and (sometimes) after the millennium.[5] This wider definition would include those now in their early twenties and younger.

Box 1: Millennials in the 'generational time-line'

Millennials are not unique in having a generational label. Other generations of the 20th Century include;

- G.I or Greatest generation (Born 1901-1924): Generation which were young adults during WWII.
- Silent Generation (Born 1925-1942): Generation which were young adults in the immediate post war period.
- Baby Boom Generation (Born 1943- 1960): Generation born during the 'baby boom' in the post war period who were young adults in the 1970s and 80s.
- Generation X (Born 1961-1981): Generation who were young adults in the 1980s and 90s. [6]

Events that 'shaped' the generation.

Commentary surrounding 'millennials' notes the unique experiences and challenges this generation has faced. Recent significant world events such as the 9/11 terrorist attacks and the 2008 financial crises are seen as having a major impact on millennial's socio-political outlook. For example (as is discussed later in this note) it is argued that millennials have experienced long term 'scarring' in the labour market by having the misfortune to enter the workforce at the height of the financial crises.[7] Although more recent research has emphasised factors beyond

4 Oxford Dictionary, *Millennial*, [accessed 02 February 2016]
Wallop, H, *Gen Z, Gen Y, baby boomers – a guide to the generations*, The Telegraph, 31 July 2014
Lyons, K, *Generation Y: a guide to a much maligned demographic*, The Guardian, 07 March 2016
Hope, K, *The millennial generation shaking up the workplace rules*, BBC News, 02 February 2016

5 Strauss and Howe Howe & Strauss (2000) *Millennials Rising: The Next Generation*, Random House
PewResearch centre, *Definitions*, Generations, [accessed 02 February 2016]
Resolution Foundation, *Millennials facing 'generational pay penalty' as their earnings fall £8,000 behind during their 20s*, 18 July 2016
Stein, J, *Millennials: The Me Me Me Generation*, Time Magazine, 09 May 2013
Goldman Sachs, *Data Story Millennials*, [accessed 02 February 2016}

6 Howe & Strauss (2000) *Millennials Rising: The Next Generation*, Random House
Pirie & Worcester (1998) *The Millennial Generation*, MORI Social Research Institute

7 Thomson, D (2013) *The unluckiest generation: What will become of millennials*, The Atlantic [accessed 06 March 2017]
Gutierrez, L (2015) Millennials are still crushed by recession and could be for decades, The News & Observer [accessed 06 March 2017]

the financial crisis to explain the outcome differences of millennials in the labour market.[8]

Definition used in this brief

This brief generally uses the 25-34 year old definition, although where available data confines, small variations may have been used. When using a definition outside of the 25-34 year old age bracket this has been noted.

Barr, C & Malik, S (2016) Revealed: the 30-year economic betrayal dragging down Generation Y's income [accessed 06 March 2017]
Cooper, C (2017) *Millennials will see two recessions before the age of 30. Brexit is turning a clash of generations into a crisis* [accessed 06 March 2017]

8 Resolution Foundation (February 2017) Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts

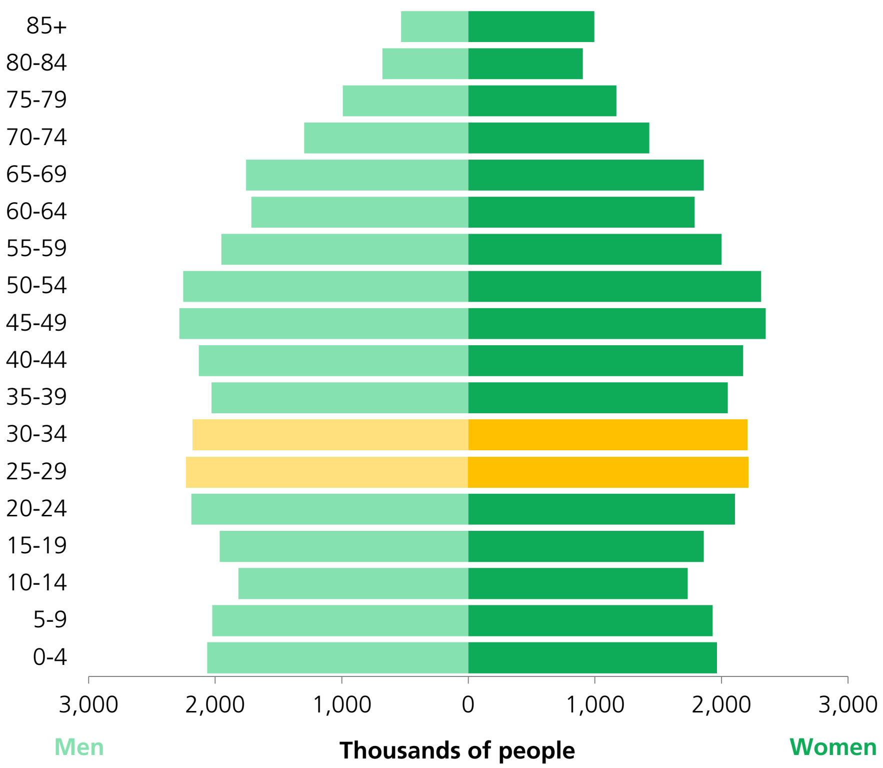
2. Demography

What is the demographic make-up of the millennial generation?
This section explores where millennials live, the ethnic make-up of the generation and their religiosity.

2.1 Population

In 2015, there were around 8.82 million people aged 25-34 living in the UK, which was 13.6% of the population. Around 30% of the population was younger than people in this age group and 56% was older.

Population of the UK in five-year age groups, 2015



Source: ONS, Annual mid-year population estimates (via Nomis)

2.2 Geographic distribution

People aged 25-34 (millennials) are more concentrated in London than in any other region of the UK. There were around 1.69 million millennials living in London in 2015.

The chart below shows the percentage of the population aged 25-34 in each country and region of the UK in mid-2015. Around 20% of the population of London was aged 25-34, compared with around 14% of the UK as a whole. In every other region of the UK, the percentage of people in this age group was smaller than across the UK as a whole.

Outside London, the regions with the largest percentage of the population aged 25-34 were Northern Ireland, Scotland, and the North West, each with around 13% of the population in this age-group. The regions with the smallest population in this age-group were the South West, Wales, and the South East, each with around 12%.

Population of the UK aged 25-34 by country and region, 2015

Source: ONS, Annual mid-year population estimates (via Nomis)

The map overleaf shows the percentage of the population aged 25-34 in each Parliamentary constituency in the UK in 2015. Of the 50 constituencies with the largest percentage of the population in this age group, 32 were in London.

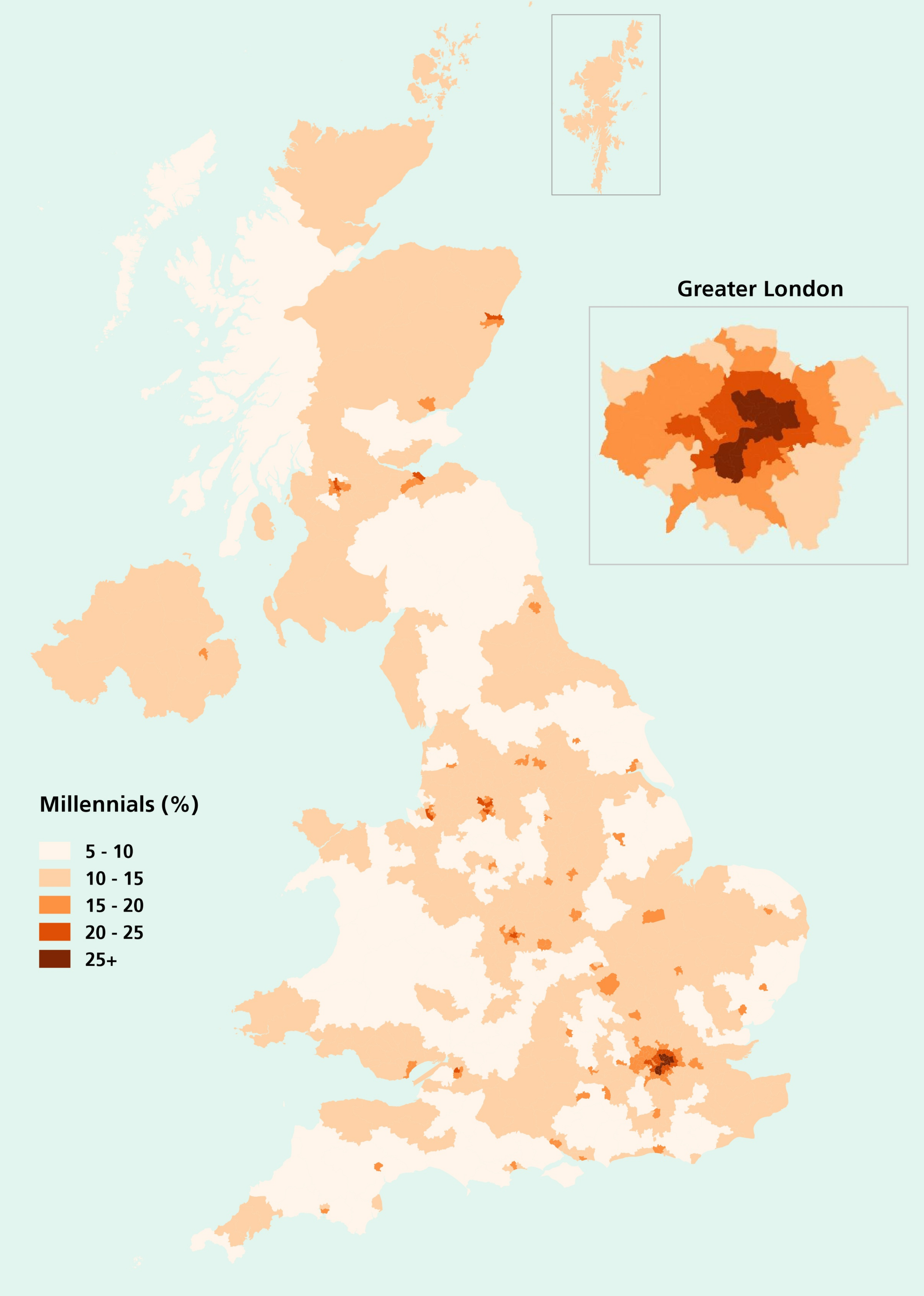
The table below shows the ten constituencies with the largest percentage of the population aged 25-34, and the ten constituencies with the smallest. The largest were Battersea (32%), Vauxhall (31%), and Bethnal Green and Bow (30%). The smallest were Arundel and South Downs (7%), Christchurch (8%), and New Forest West (8%).

Parliamentary constituencies with the largest and smallest percentage of the population aged 25-34, 2015

Largest	%	Smallest	%
Battersea	31.5%	Arundel and South Downs	7.4%
Vauxhall	30.8%	Christchurch	7.5%
Bethnal Green and Bow	29.1%	New Forest West	7.6%
Poplar and Limehouse	28.9%	Derbyshire Dales	7.9%
Streatham	28.7%	West Worcestershire	7.9%
Hackney South and Shoreditch	27.8%	Bexhill and Battle	7.9%
Bermondsey and Old Southwark	27.7%	West Dorset	8.1%
Tooting	27.0%	Clacton	8.1%
Islington South and Finsbury	26.7%	The Cotswolds	8.1%
Islington North	26.3%	Totnes	8.2%

Source: ONS, Parliamentary Constituency Mid-Year Population Estimates; NRS, UK Parliamentary Constituency Population Estimates; NISRA, Parliamentary Constituencies

Percentage of the UK population aged 25-34 by Parliamentary constituency, mid-2015

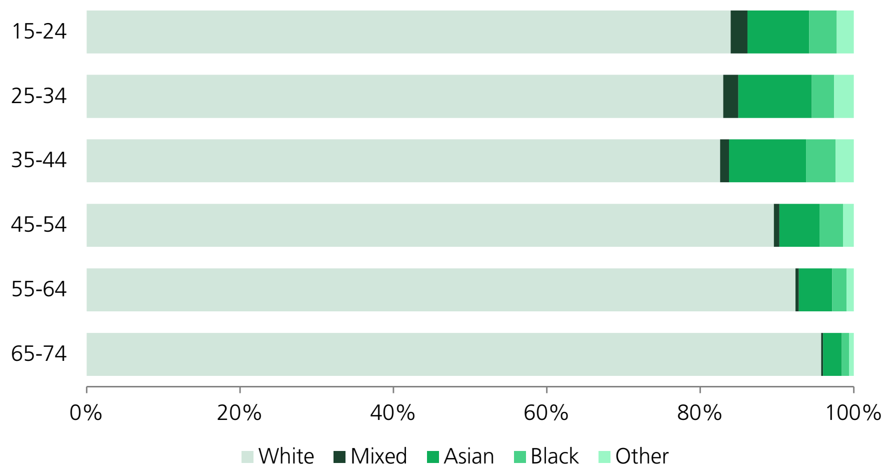


Constituencies outside London with a large percentage of people aged 25-34 include Glasgow Central (25%), Edinburgh North and Leith (25%), Manchester Central (24%), and Bristol West (24%).

2.3 Ethnicity

The percentage of the population in non-White ethnic groups is larger among people aged under 45 than among people in older age-groups. The chart below shows Labour Force Survey estimates of the population of the UK by ethnic group in ten year age groups in Q3 2016.[9]

Population of the UK by age and ethnic group, Q3 2016



Source: Labour Force Survey, Q3 2016

Around 17% of millennials were in non-White ethnic groups compared with around 13% for the UK population as a whole. Around 10% were Asian or Asian British, 3% were Black or Black British, 2% were in Mixed or Multiple ethnic groups, and 3% were in other ethnic groups.

Among people aged 45 and older, around 7% of people were in non-White ethnic groups. Around 10% of those aged 45-54, and around 8% of those aged 55-64, and only around 4% of those aged 65-74.

2.4 Country of birth

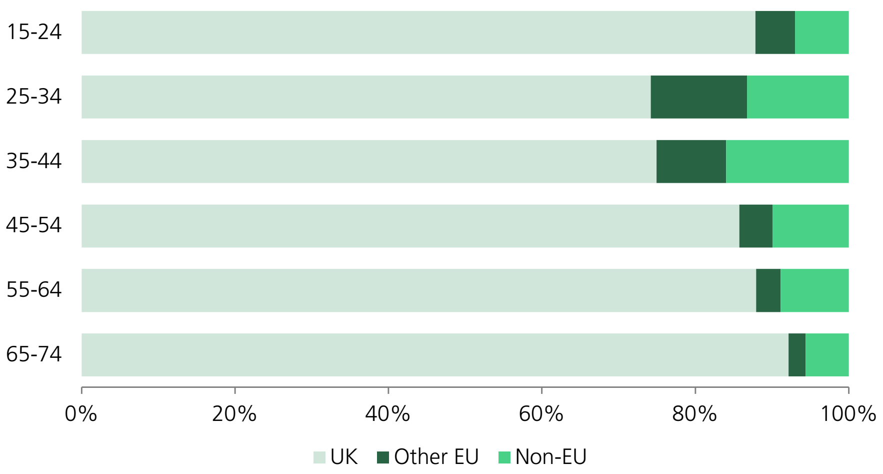
The proportion of people born abroad is larger among people aged 25-34 than any other age-group. This age group also has the highest percentage of people born in other European Union countries. The chart below shows Labour Force Survey estimates of the population of the UK by country of birth in ten year age groups in Q3 2016.

Around 26% of millennials were born abroad, compared with 14% of the UK population as a whole. Around 13% of the population aged 25-34 was born in other EU countries, compared with 6% of the UK population.

Among those aged 45 and older, around 11% were born abroad and 3% were born in other EU countries.

9 Ethnicity is self-defined. People belong to whichever ethnic group they identify in response to the question: "What is your ethnic group?"

Population of the UK by age and country of birth, Q3 2016

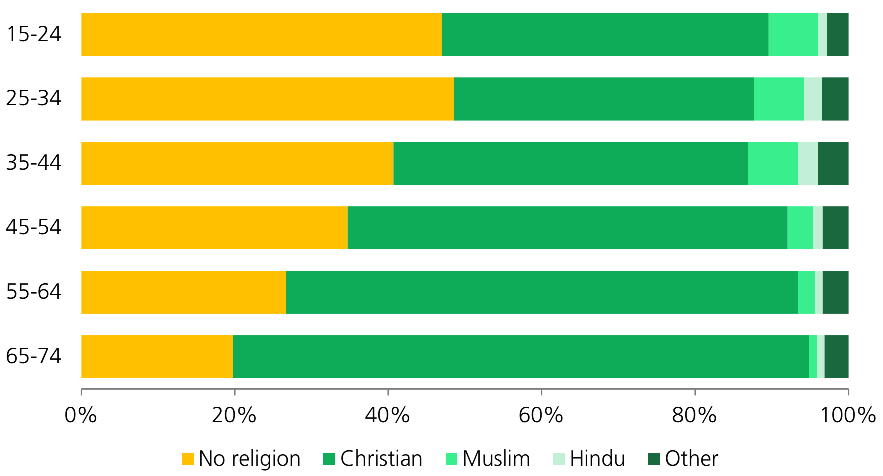


Source: Labour Force Survey, Q3 2016

2.5 Religion

Comparable estimates of the population by religious affiliation are only available for Great Britain and not for the UK as a whole.[10] The chart below shows Labour Force Survey estimates of the population of Great Britain by religion in ten-year age groups in Q3 2016.

Population of Great Britain by age and religion, Q3 2016



Source: Labour Force Survey, Q3 2016

People aged 25-34 were the age-group with the largest percentage of the population with no religion (49%) and the smallest percentage of the population that was Christian (39%). However, it is possible that people in younger age groups may be less religious and less Christian than those aged 25-34, but this is not fully captured by the survey. This is because the Labour Force Survey uses a household questionnaire and in some cases older household members may respond to the questionnaire on behalf of younger household members.

[10] This is because the Labour Force Survey question on religion uses different response categories in Northern Ireland.

3. Labour market

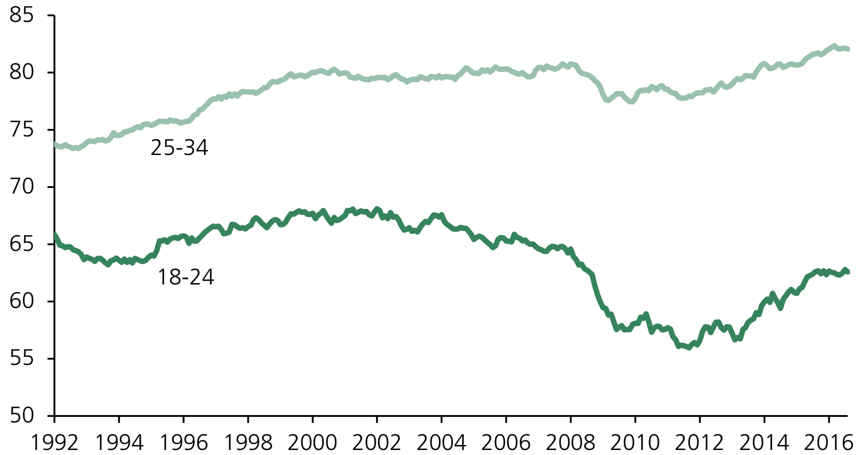
Are millennials underperforming in the labour market compared to other generations? This section explores recent trends in unemployment, employment and pay among age cohorts over time.

3.1 Employment

Employment rates have recently reached record highs. Between October and December 2016 the employment rate for those aged 25-34 (millennials) was 82.1% (the employment rate for millennials between May and July 2016 of 82.4%, was the highest for those aged 25-34 since the current series began in 1992).

The employment rate for 25-34 year olds has been generally rising since the post 2008 recession low of 77.6% in mid-2009.

Employment rates by age, UK, 1992-2016



Source: ONS, Labour Force Survey, Table A05 and A06

Notes: Seasonally adjusted

Relatively low employment rates for millennials when they were 18-24 have not translated to low employment levels for millennials now they are aged 25-34. Millennials today have higher employment rates than both previous generations at the same age.

Employment rate at age 25-34 by generation

Birth years	Aged 25-34 in…	Current age	Employment rate at age 25-34
1962-71	1996	45-55	76.3
1972-81	2006	35-44	79.9
1982- 91	2016	25-34	82.1

Source: ONS, Labour Force Survey, YCGP

Notes: Q3 of each year

3.2 Unemployment

The UK currently has relatively low unemployment rates. The UK wide unemployment rate for July- September 2016 (Q3 2016) was 4.8% the lowest it has been in the last ten years. In Q3 2016 millennials had an unemployment rate of 4.5%, 0.3 percentage points lower than the UK average in the same period of 4.8%.[11]

The standard international measure for unemployment is the **ILO definition**, which includes everyone looking and available for work. The unemployment rate is calculated as a proportion of those economically active who are unemployed.

The only age group (of working age) that had a higher rate of unemployment than millennials in Q3 2016 was those aged 16-24 years old, who had an unemployment level of 13.1%. The 16-24 year old age band was a clear outlier, with an unemployment rate much higher than other age groups of working age.

Unemployment Rates, by age, Q3 2016

	Unemployment rate
16-24	13.1%
25-34 (Millenials)	*4.5%*
35-49	3.2%
50-64	3.3%

Source: ONS, Labour Force Survey, tables A05 and A06

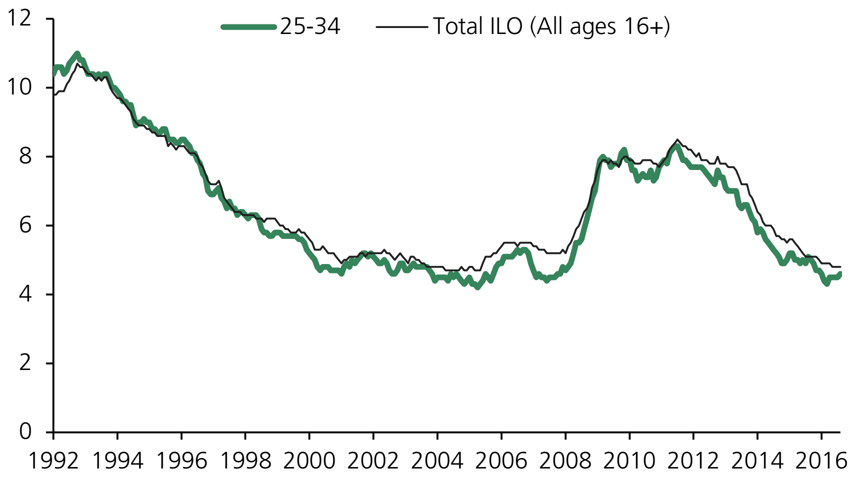
The current unemployment rate of millennials at 4.5% is the lowest it has been for those aged 25-34 since 2005.

The highest rate of unemployment for those aged 25-34, since comparable records began in 1992, was January 1993; when those aged 25-34 experienced an unemployment rate of 11.0%.

However as the graph below shows the unemployment rate for 24-35 year olds has mirrored the total unemployment rate closely since 1992. This suggests that the unemployment rate of 24-34 year olds has not been disproportionately affected in times of high unemployment across this period.

[11] ONS, Labour Force Survey, table A05

Unemployment rates, UK, 1992-2016

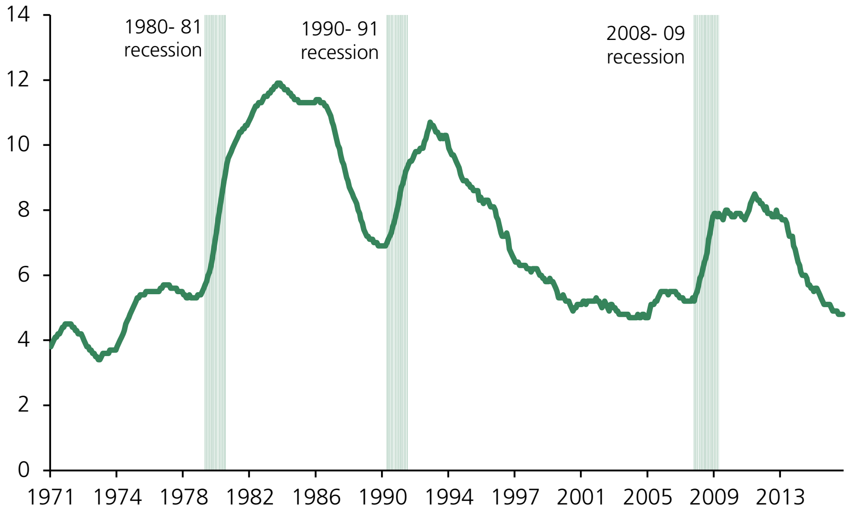


Source: ONS, Labour Force Survey, YCGV and MGSX

Impact of recent recessions

During the three most recent recessions (consecutive quarters of negative GDP growth) unemployment has risen. Unemployment has tended to continue to rise even after GDP returns to positive growth. As shown in the graph below the most recent recession (during 2008/09) did not follow this trend. Though unemployment did rise during the recession as the economy returned to positive GDP growth the unemployment rate remained relatively stable rather than continuing to rise.

Unemployment rate, UK, 1971-2016



Source**:** ONS, Labour Force Survey, MGSX[12]

Notes**:** Light green shaded areas represent consecutive quarters of negative GDP growth.

Millennials were entering the labour market around the time of the 2008/09 recession. However the high levels of unemployment

[12] Copy of chart in Jenkins, J, The labour market in the 1980s, 1990s and 2008/09 recessions, ONS

millennials experienced whilst in the 16-24 year old age group has not fed through to high levels of unemployment now. The UK has low unemployment levels and millennials also currently experience low unemployment levels.

The resilience of unemployment figures post the 2008/09 recession helps explain this. Comparing millennials to those now aged 35-44 we can see that millennials have had lower levels of unemployment at ages 16-24 and 25-34 than this age group. Those now aged 35-44 were affected by high unemployment in their early 20s in the 1990s recession and in their early 30s by high unemployment levels during the 2008/09 recession, whereas millennials currently experience relatively low unemployment levels (as does the labour market as a whole).

Unemployment rate at 25-34 by generation

Birth years	Aged 25-34 in…	Current age	Unemployment rate
1962-71	1996	45-55	8.1
1972-81	2006	35-44	5.1
1982- 91	2016	25-34	4.5

Source: ONS, Labour Force Survey, YCGP

Notes: Q3 of each year

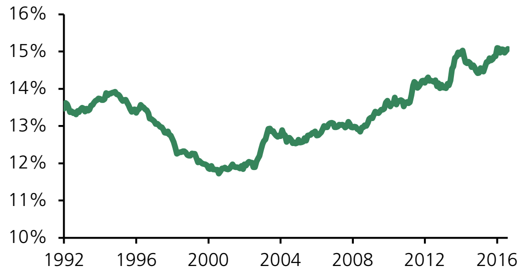
3.3 Types of employment

The make-up of the labour market has been changing and this has effected the types of employment millennials are undertaking.

Self-Employment

Between November 2006 and November 2016 the proportion of those in employment who are self-employed rose from 13.0% to 15.1%. The strong increase in the number of self-employed people since the 2008/09 recession aided the relatively quick recovery in employment levels.[13]

Percentage of those in employment who are self-employed, UK, 1992-2016



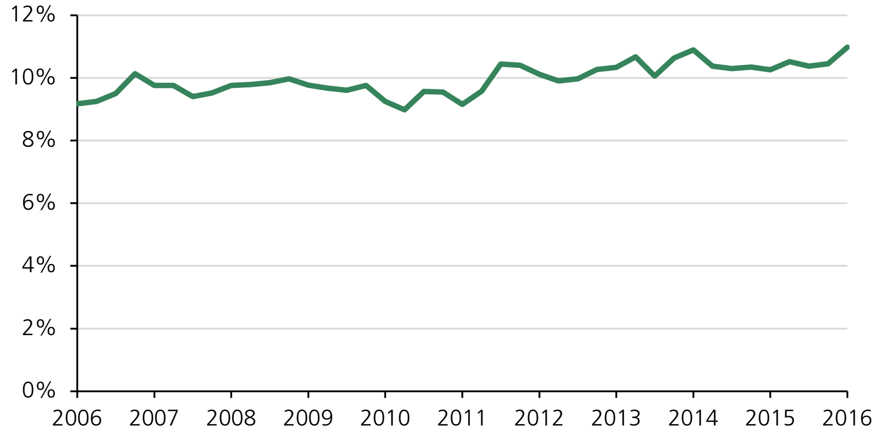
Source: Labour Force Survey

The percentage of those aged 25-34 in work who are self-employed has also increased slightly. Since 2006 the percentage of those aged 25-34 in work, who are self-employed has risen by around 1.8 percentage points, from 9.2% in 2006 to 11.0% in 2016.[14] Millennials are therefore less likely to be self-employed than the population as a whole.

[13] Wales, P & Amankwah, A (2016) *Trends in self-employment in the UK: 2001-2015*, ONS

[14] Comparing Q1 in 2006 with Q1 in 2016 of the user requested release data

Percentage of those in employment, 25-34 year olds, who are self-employed, 2006-2016



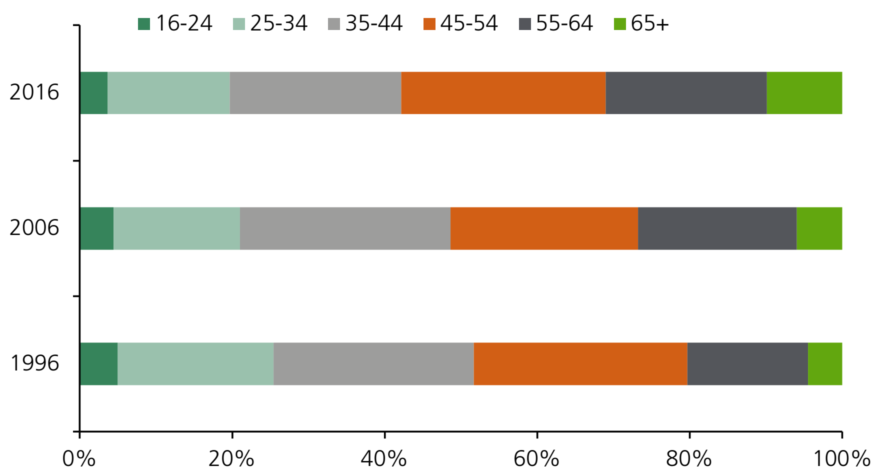
Notes: Not seasonally adjusted

Source: User requested release, Employees and Self-employment by age, UK, 2001 to 2016, ONS[15]

Though the proportion of workers aged 25-34 who are self-employed has increased slightly over the past ten years, the growth in self-employment has not been driven by younger workers.

In 1996 those aged 25-34 made up 20.4% of all self-employed workers. In 2016 millennials accounted for 16.0% of self-employed workers.[16] Those aged 55 and over have seen the largest increases in their share of the self-employed workforce. In 1996 those aged 55 and over accounted for 20.3% of self-employed people, in 2016 they accounted for 31.0% of the workforce.

Self-employed workers by age group, UK, 1996, 2006, 2016



Notes: Data refers to Q3 of each year
Not seasonally adjusted
Source: House of Commons Library, microdata analysis, Labour Force Survey

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[15] Copy of chart in Jenkins, J, The labour market in the 1980s, 1990s and 2008/09 recessions, ONS

[16] House of Commons Library, microdata analysis, Labour Force Survey, data refers to Q3 of each year.

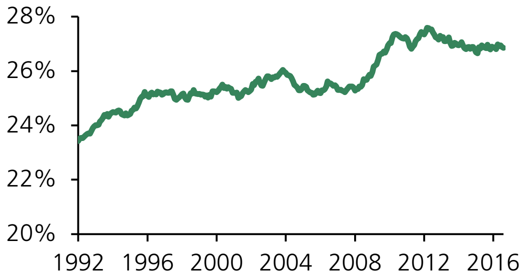
Part-time work

The proportion of workers working part-time has been increasing. Since 2006 the proportion of workers working part-time has increased by around 1.3 percentage points, from 25.6% in 2006 to 26.9% in 2016.[17]

However the proportion of workers aged 25-34 who are working part-time has not increased significantly. In 1996 around 18.1% of 25-34 year-olds in employment were working part-time compared with 19.0% of millennials today.[18]

The age spread of part-time workers has little changed in the last 20 years, except for an increase in the number of 16-24 year old in employment working part-time.[19]

Percentage of those in employment who are self-employed, UK, 1992-2016



Source: ONS, Labour Force Survey, YCBH and MGRZ

Proportion of those working, working part-time by age, 1996, 2006, 2016

Notes: Data refers to Q3 of each year

Source: House of Commons Library, microdata analysis, Labour Force Survey

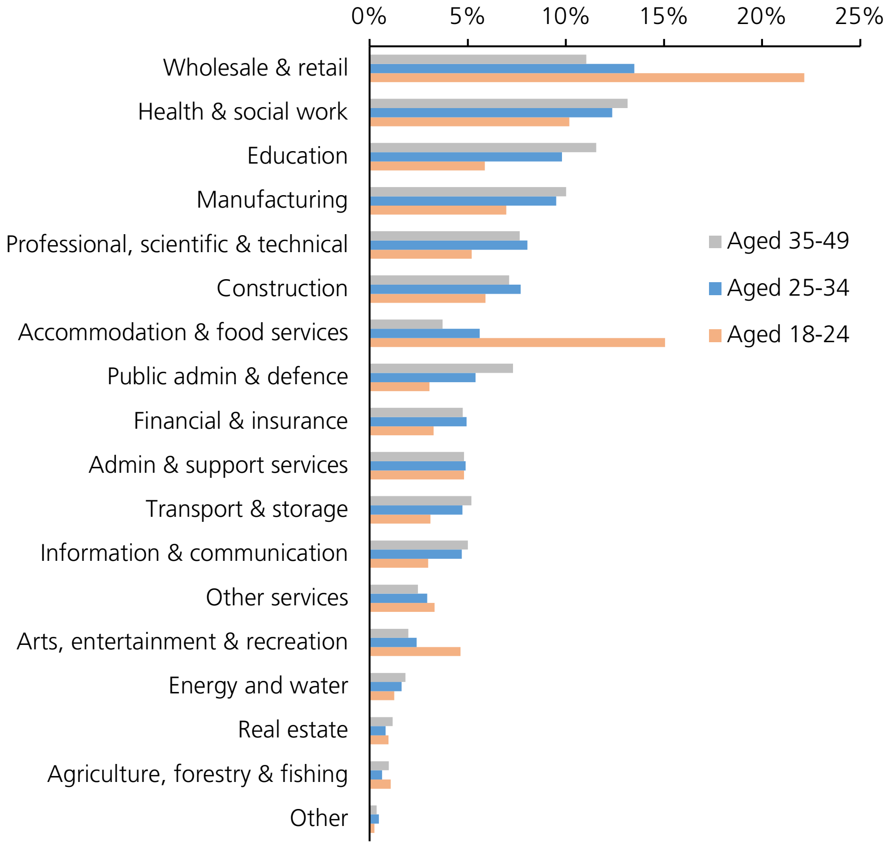
3.4 Employment by sector

The most common sectors of employment for millennials are the wholesale and retail sector (accounting for 13.5% of all workers aged 25-34); health and social work (12.4%); education (9.8%) and manufacturing (9.5%). The distribution of workers by sector for this age group more closely resembles the distribution for 35-49 year olds than that for 18-24 year olds, as shown in the chart.

17 Comparing November 2006 with November 2017, Labour Force Survey ONS (YCBH)
18 House of Commons Library microdata analysis of the Labour Force Survey, data refers to Q3 of each year
19 29.9% of 16-24 year olds in work in 1996 were working part-time compared with 38.0% in 2016. House of Commons Library microdata analysis of the Labour Force Survey

Employment by age group and sector, UK, Q3 2016

% of workers in age group employed in each sector

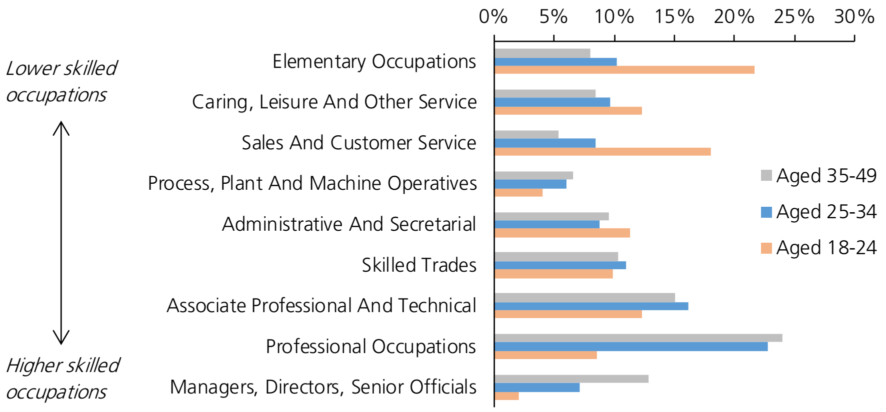


Note: Not Seasonally Adjusted

Source: ONS Labour Force Survey microdata for Q3 2016

30% of workers aged 25-34 were employed in high-skilled occupations (these include professional or managerial occupations) at Q3 2016. 10% worked in low-skilled (elementary) occupations. The chart shows how the distribution of workers in this age group varies across broad occupation groups, compared to people aged 18-24 and aged 35-49.

Employment by age and occupation, UK, Q3 2016
% of workers in age group employed in each broad occupation group



Note: not seasonally adjusted. Based on Standard Occupational Classification 2010. Occupations ordered according to skill using median hourly pay (excluding overtime) at April 2015 as a proxy for skill level.
Source: ONS Labour Force Survey microdata for Q3 2016

3.5 Earnings and incomes

Earnings

Employees in the 22-29 and 30-39 age groups saw the largest falls in real average earnings following the 2008 recession.

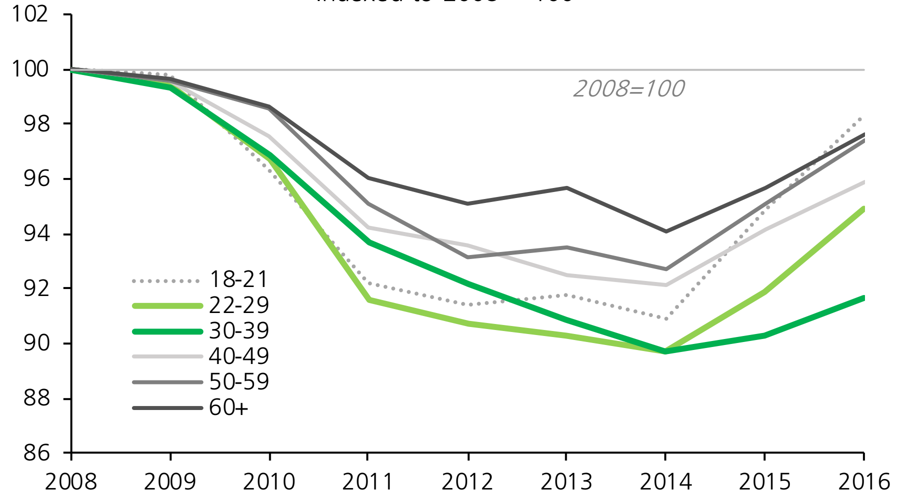
Median weekly earnings for full-time employees aged 22-29 were 5.1% lower in real terms (i.e. adjusted for inflation, as measured by the Consumer Prices Index) in April 2016 compared to 2008. Median weekly earnings for full-time employees aged 30-39 were 8.4% lower.[20] (The median is the point at which half of people earn more, and half earn less).

By comparison, real median earnings fell by 4.1% and 2.6% for the 40-49 and 50-59 age groups respectively.

[20] ONS *Annual Survey of Hours and Earnings*

Real median weekly earnings of full-time employees by age, 2008-2016

Indexed to 2008 = 100



Source: ONS *Annual Survey of Hours and Earnings* and ONS *Consumer Price Inflation* dataset

Of course, people move up age groups as they grow older, so these figures do not show change in earnings for a fixed group of individuals. Indeed, the group of people aged 22-29 in 2008 were all in the 30-39 age band by 2016; furthermore, people may have moved in or out of employment (perhaps multiple times) over this period.

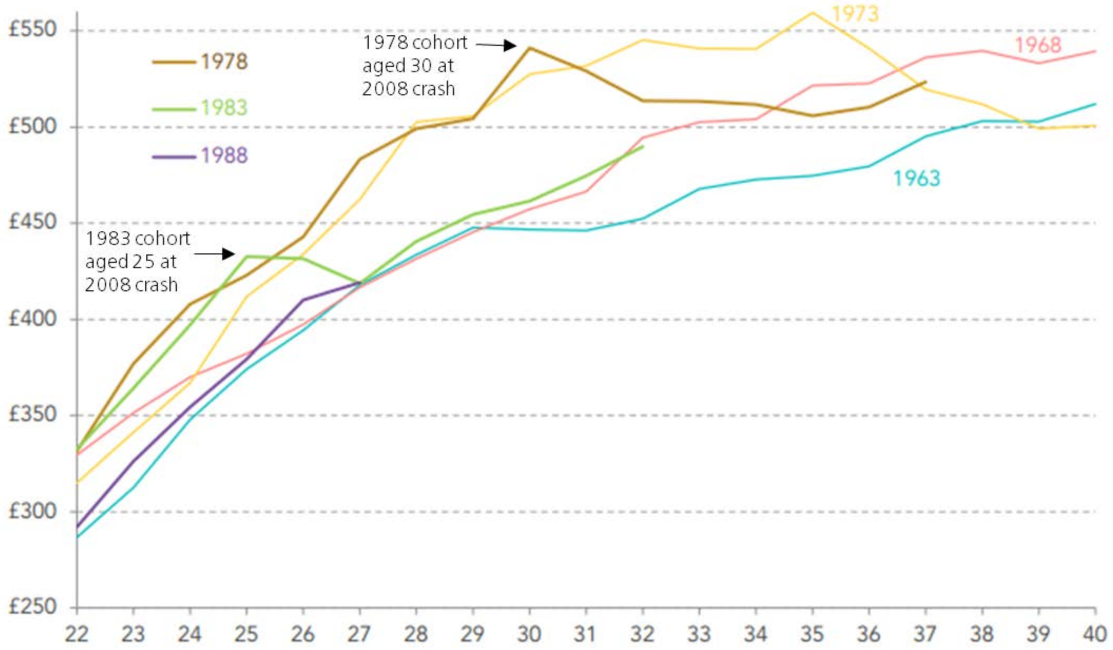
Therefore we can look at what has happened for earnings for a particular cohort over time. Analysis by the Resolution Foundation (an economic think tank) shows that the millennial age group departs from the usual pattern of younger cohorts earning more in real terms than older cohorts did at the same age (which arises because in 'normal' times growth in earnings exceeds inflation), as can be seen in the chart below.[21]

The chart shows median pay received by people born in selected years at different ages. Median pay during their 20s was comfortably higher in real terms for people born in the 1970s (the yellow and brown lines on the chart) than it was for people born in the late 1980s (the purple line). For the group born in 1983 (the green line), median pay during their 20s initially kept up with that received by the 1978 cohort before being knocked off course by the economic downturn in 2008:

[21] L Gardiner, [Stagnation Generation](), Resolution Foundation, July 2016, p24

Figure 7: **Median pay by age for single-year birth cohorts: UK, 1985-2016**

Median real weekly pay for all employees (RPIJ-adjusted to 2016 prices)



Notes: For the years in which it is available, published *Annual Survey of Hours and Earnings* pay estimates (which cover the UK as a whole, as opposed to the microdata which only covers Great Britain) are used as control totals, and the results from each individual dataset are indexed to those from the *Annual Survey of Hours and Earnings* to create a consistent series over time.

Source: RF analysis of ONS, *Quarterly Labour Force Survey*; ONS, *Annual Survey of Hours and Earnings*; ONS, *New Earnings Survey Panel Dataset*

[22]

For the 1988 cohort, who were starting out in work around the time of the 2008 downturn, median pay at age 22 was below that seen for cohorts born between 1968 and 1983 at the same age.

Although the effects of the downturn are visible across cohorts (including for those born in 1973 and 1978), the Resolution Foundation points out that this occurred at ages "when we would expect earnings progression to be flattening out anyway". The impact on younger cohorts is of greater concern "because pay gains are usually most rapid at the beginning of careers – reducing or removing such early career progression can have long-lasting scarring effects."[23]

Household incomes

The above analysis only considers earnings for individual employees. We can look at trends in total household income to take into account earnings of all household members, as well as income from other sources such as self-employment, benefits and tax credits, occupational pensions, or savings and investments.

Household income is typically measured after taxes and benefits (i.e. disposable income) and is equivalised, to take into account differences in household size and composition. Equivalisation reflects the likelihood

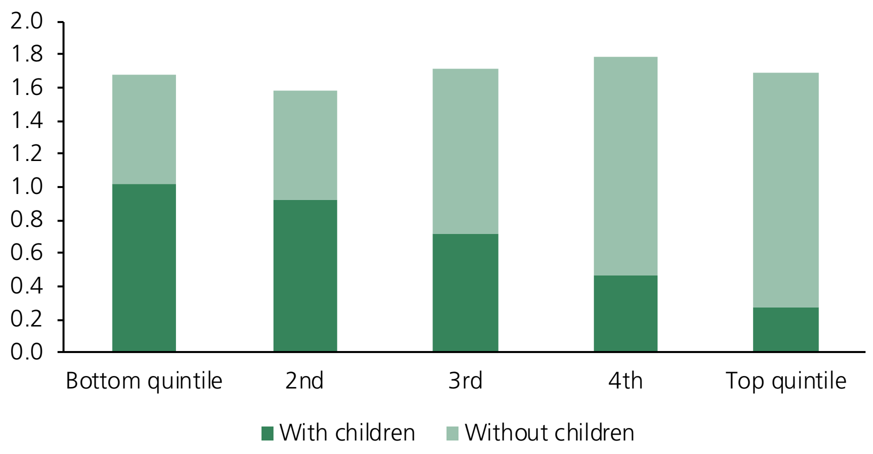
22 Chart taken from L Gardiner, *Stagnation Generation*, Resolution Foundation, July 2016

23 Ibid, p23

that a couple with children will need a larger income than a single person (say) in order to experience the same standard of living.[24]

As a whole, adults in families headed by someone aged 25-34 are spread fairly evenly between high- and low-income households. However, those who have children are concentrated towards the bottom end of the income distribution. Those without children tend to be concentrated in higher income groups, as can be seen from the chart:

Number of adults by income quintile (20% band) living in families where head is aged 25-34: UK
Millions, after housing costs, data for 2015/16



Source: DWP *Households below average income, 1994/95-2015/16*, Table 5.2db

Incomes since the downturn

Analysis by the Institute for Fiscal Studies (IFS) (an economic think tank) found that real median household income for people aged 22-30 was 7% lower in 2014/15 than it was in 2007/08 (where income is measured before taking into account any housing costs). By contrast, median household income for people aged 31-59 was about the same in 2014/15 as it was immediately before the recession, while median income for people aged 60 and over was 11% above its pre-recession level. The IFS attributes this to "much weaker labour market outcomes for younger people since the recession".[25]

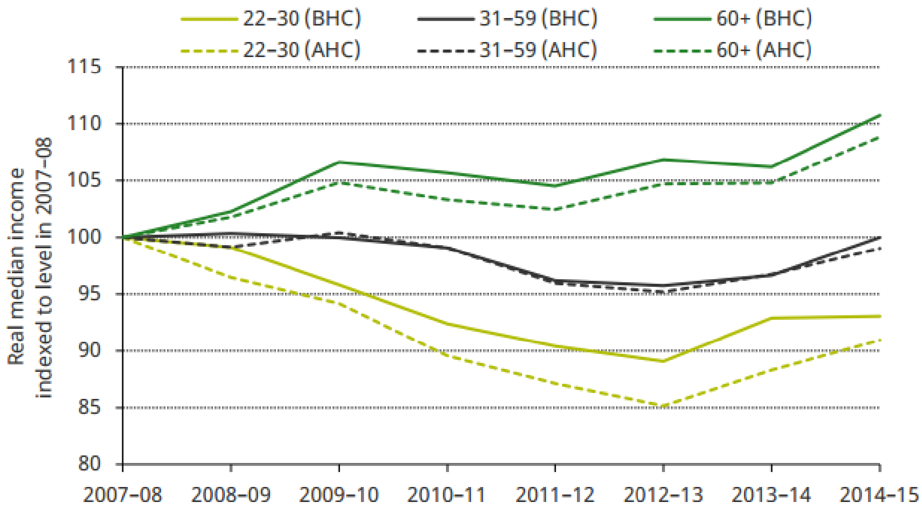
The chart shows the trend since 2007/08 for each age group, when household income is measured before housing costs (BHC) and measured after deducting housing costs (AHC). For each of these age groups, income growth is weaker when income is measured after deducing housing costs (the dashed lines in the chart).[26]

[24] For example, suppose a couple with children and a single person have the same amount of money going into their bank accounts each month. On an equivalised basis, the couple with children have a lower income. This is because there are more people in the household and the money has to be spread around more.

[25] C Belfield, J Cribb, A Hood and R Joyce, *Living Standards, Poverty and Inequality in the UK: 2016*, IFS Report R117, 19 July 2016, p12

[26] Ibid, p13

Figure 2.6. Real median household income since 2007–08 (UK), by age group



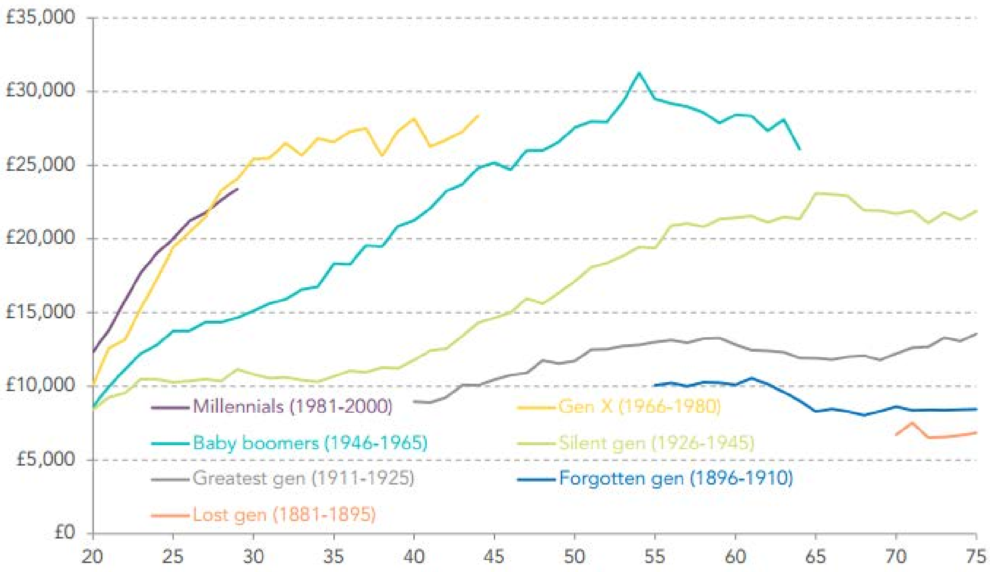
Source: Authors' calculations using Family Resources Survey, various years.

Differences between generations

Similarly to earnings, the Resolution Foundation observes that for most of the past century, successive cohorts of individuals have a higher average income at a given age than the previous cohort as can be seen from the chart below. However, for those born between 1981 and 2000, their averages incomes during their 20s, after deducting housing costs, were about the same as those received at the same age by people born between 1966 and 1980 (the purple and yellow lines).[27]

Figure 2: **For the first time, one generation has been worse off than its predecessor**

Average household income for each generation by age, after housing costs



Notes: Data covers Great Britain, 1961 to 2014-15. Real, equivalised incomes in 2014-15 prices using a CPI variant that excludes all housing costs. Figures for each generation are derived from a weighted average of estimates by single year of age for each single-year birth cohort within that generation; generations are included if at least five birth years are present in the data.

Source: RF analysis of IFS & DWP, *Households Below Average Income*

28

27 A Corlett, *As time goes by: Shifting incomes and inequality between and within generations*, Resolution Foundation, February 2017, p10

28 Chart taken from A Corlett, *As time goes by: Shifting incomes and inequality between and within generations*, Resolution Foundation, February 2017

Separate analysis by the Institute for Fiscal Studies notes that patterns of median income by age are not substantially different whether we measure income before or after housing costs have been deducted. This is despite a fall in the proportion of young people who own their own home (as discussed in section 6). However, although **average** housing costs as a share of income may not have changed between recent cohorts, this "masks a dramatic divergence between the housing costs of renters and owner occupiers".[29]

The IFS finds that average housing costs as a share of income have risen for those people in recent cohorts who are renting their home. This is due to more people in private rented accommodation and a general rise in rents. For homeowners on the other hand, average housing costs as a share of income have decreased for recent cohorts thanks to falls in mortgage interest rates and possibly because, as homeowners become a more select group, they have higher average incomes to begin with.

[29] Jonathan Cribb, Andrew Hood and Robert Joyce, *The economic circumstances of different generations: the latest picture*, Institute for Fiscal Studies, Briefing Note BN187, 29 September 2016, p7

4. Higher education

How many millennials are graduates? What affect has higher education had on millennials employment prospects? This section looks at the numbers of millennials who are graduates and how many millennial graduates are in graduate and non-graduate jobs.

The table opposite gives the latest estimates of the population educated to degree level or above by broad age band. Overall almost 40% of the population in their late 20s and their 30s were graduates compared to just over 30% of those in their 40s and just under 35% of those aged 50 plus. There is a clear generational pattern among the older age groups with increasing proportions of graduates. Given typical ages when people qualify it is highly likely that the cohort currently in their late 20s will 'overtake' those in their 30s in terms of the proportion who are graduates.

Estimated % of the population with a degree-level qualification or higher, by age group, 2015

	England	Wales	Scotland	Northern Ireland	**UK**
25-29	39.9	32.3	38.7	28.3	**39.2**
30-39	40.0	35.3	40.1	29.8	**39.5**
40-49	31.7	27.1	29.0	26.3	**31.1**
50-64	23.6	20.6	23.6	17.8	**23.3**
16-64	**28.9**	**24.1**	**27.8**	**21.8**	**28.3**

Source: Annual population survey, ONS (via nomisweb.co.uk)

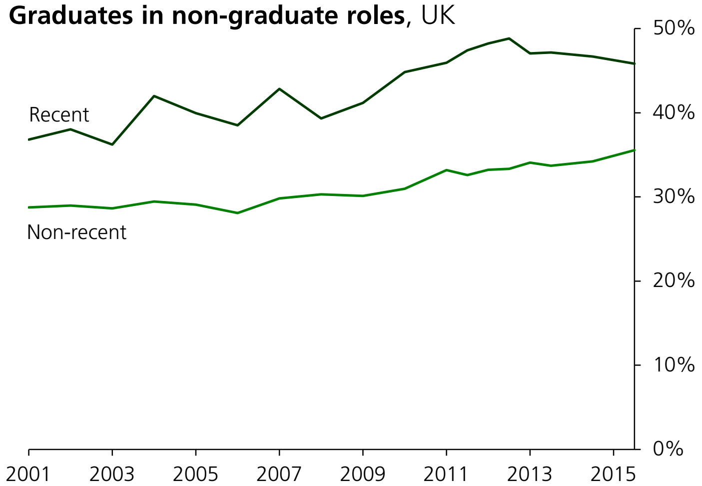
Overall graduate rates vary between the home countries with somewhat lower levels in Wales and Northern Ireland. Given the nature of these estimates the pattern of graduates by age band is broadly consistent across the home countries.

A recent IFS paper that looked at graduate wages included estimates of the proportion of different birth cohorts who had a degree by their late 20s. This showed a very clear pattern of increase from around 14% among the cohort born in the late 1960s to around 34% for the late 1980s cohort. The increase was even greater among women. While the largest growth in participation was between the cohorts born in the late 1960s and late 1970s, participation increased for each successive cohort.

The Office for National Statistics has estimated the proportion of graduates who are employed in 'non-graduate'[30] roles.[31] This was analysed over time and broken down between recent (within five years) and non-recent graduates. These estimates are illustrated opposite and show for recent graduates:

- They are more likely to be working in non-graduate roles

Graduates in non-graduate roles, UK



Source: Graduates in the UK Labour Market: 2013, ONS; Percentage of graduates working in non-graduate roles in London and the UK: 2011 to 2015, ONS

[30] The definition of non-graduate roles has been devised by academics at Warwick from very detailed occupational classification data. "Professors Peter Elias and Kate Purcell at the University of Warwick have defined a non-graduate job as one in which the associated tasks do not normally require knowledge and skills developed through higher education to enable them to perform these tasks in a competent manner. Examples of non-graduate jobs include receptionists, sales assistants, many types of factory workers, care workers and home carers."

[31] *Graduates in the UK Labour Market: 2013*, ONS

- The proportion in non-graduate roles increased up to 2012 at a faster rate than among non-recent graduates.
- Since 2012 the gap has fallen as fewer are in non-graduate roles
- The proportion in non-graduate roles is more volatile than for non-recent graduates

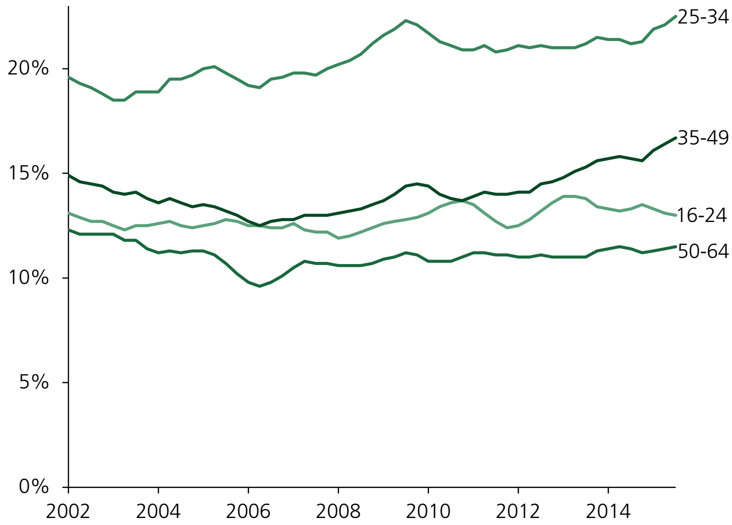
The underlying report covering the earlier data gives more background on graduates including changes in qualification levels over time, differences in the concentration of graduates across the country and wage levels.

Graduates in the UK Labour Market: 2013, ONS

A more recent report from the ONS on 'skills mismatch' looked at estimates of over and under education in the UK. The analysis by age found that those aged 25 to 34 were more likely to be 'overeducated'[32] for their job than any other age group. They had also seen the largest increase in the over educated rate during the recession. Trends are illustrated opposite. It is important to note that this analysis convers all levels of qualifications, not just graduates. The ONS suggests:

> ..the relatively high rate of overeducated for 25-34 year olds may be more a reflection of the relationship between this age group, their occupation in these years and their position in their careers.

Estimated % 'overeducated' by age, UK



Source: Analysis of the UK labour market - estimates of skills mismatch using measures of over and under education: 2015, ONS

[32] The definition compares the highest level of education of an individual to the mean average for their occupation. Matched skills levels are where this is within one standard deviation of the mean, over education greater than one standard deviation above the mean and undereducated greater than one standard deviation below the mean.

5. Savings and pensions

How wealthy are millennials compared with those in older generations? This section looks at the financial wealth of households by age group.

5.1 Finance and savings

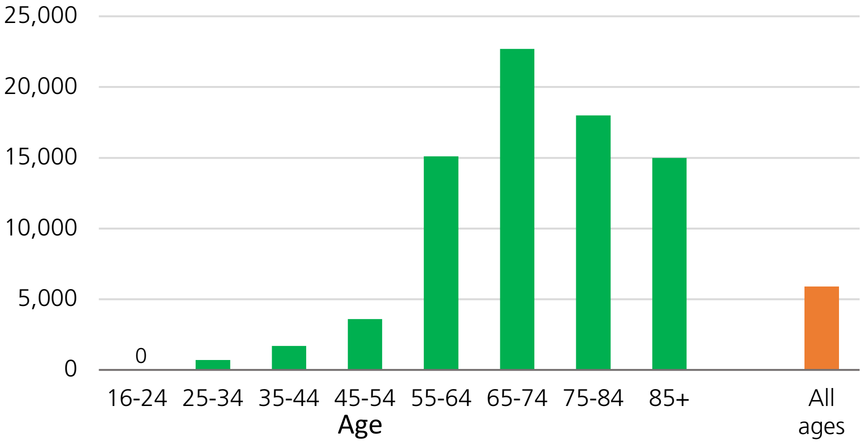
Financial assets held by households are the total amount of savings that are held in bank accounts, financial investments (bonds, shares etc) and other informal savings.

As well as financial assets, households can also have financial debts such as overdrafts, outstanding balances on credit cards, outstanding personal loans, or student loans, among other things.

By deducting financial debts from financial assets we can see the net financial wealth of a household. This is what we focus on in this section.

The chart below shows the median net financial wealth of households according to the age of that household's highest earner.[33] It clearly shows that those in older age groups have much higher net financial wealth than younger ones.[34] We would generally expect younger people to have less wealth as they have had less time to accumulate savings.

Median net financial wealth (£) by age group, 2012-2014
Net financial wealth of household; grouped by age of person with highest income in household



Source: ONS, Wealth and Assets Survey

Half of households with its highest earner aged 16-24 have either negative or zero net financial wealth (where debts exceed assets).[35] Half

---

33 In this case, the median of each age group is the amount of net financial wealth that half of households have higher net financial wealth than and half less than.

34 Data from ONS, User requested data: Wealth by components and HRP age for July 2012 to June 2014, 2 March 2016

35 Net financial wealth figures are the total of all those living in the household. The household is grouped according to the age of the resident whose income is the highest of all individuals in the household.

of those with its highest earner aged 25-34 have net financial wealth of £700 or less.[36] For the 35-44 age group the equivalent figure is £1,700.

In contrast, half of households whose highest earner is aged 65-74 have net financial wealth of £22,700 or more – the highest figure of all age groups.

The above information on financial wealth comes from the Office for National Statistics' Wealth and Assets Survey for the period July 2012 to June 2014 and is for Great Britain.[37] Other measures of wealth that are excluded in this analysis are property wealth, pension wealth and physical wealth (the value of possessions). As these estimates come from a survey of households, they will be subject to some uncertainty.

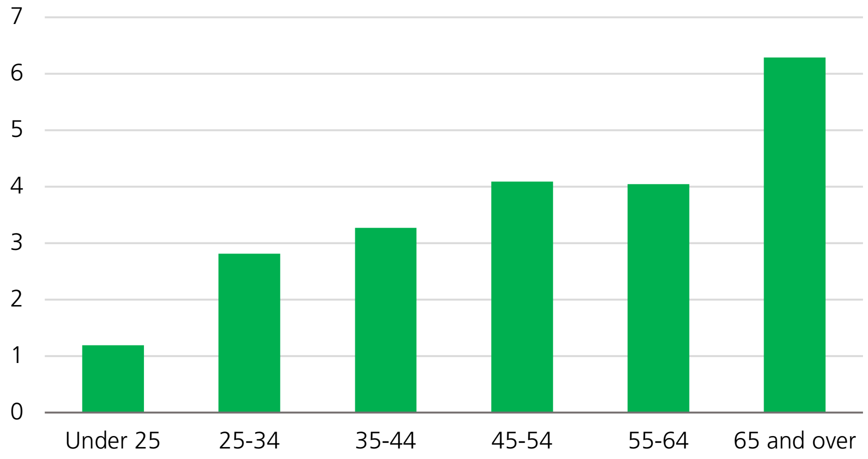
ISA statistics

Individual Savings Accounts (ISAs) allow individuals to earn tax free interest in savings accounts and returns on stock market investments. There is an annual limit on how much money an individual can invest in ISAs in each year (in 2016/17 it is £15,240), but previous years' ISA investments retain their tax-free advantages.

This section provides some statistics on the differences by age group of the amount of money that is held by individuals in this popular financial product.

A total of 21.7 million people held an ISA as of 2013/14 (latest available figure).[38] 10.3 million ISA subscribers were held by those aged 55 or over (nearly half of the total). 4.0 million were aged under 35 (18% of the total), with 2.8 million aged 25-34 (13%).[39]

Number of individuals subscribing to ISAs by age, 2013/14
Millions

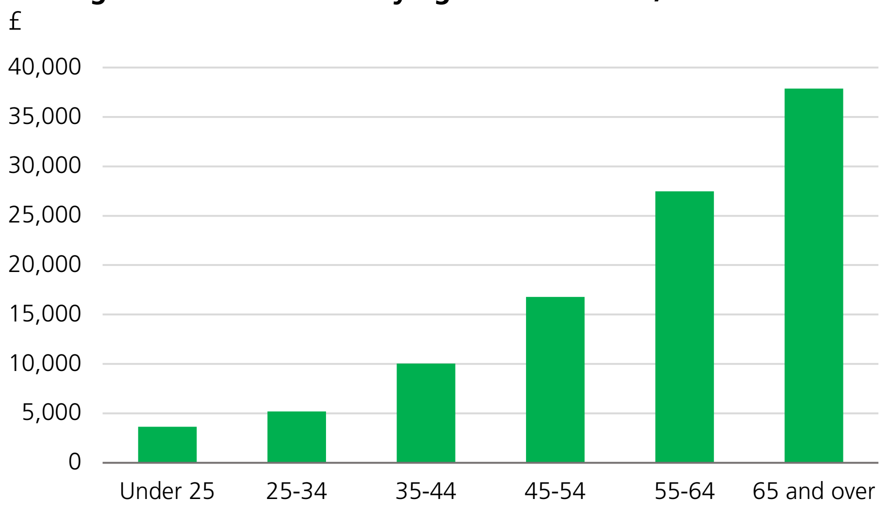


Source: HMRC, ISA Statistics, table 9.8

[36] All of the figures in this section are in cash terms and therefore not adjusted for inflation.
[37] ONS, Wealth in Great Britain Wave 4: 2012 to 2014: Chapter 5,18 December 2015
[38] HMRC, ISA Statistics, 26 August 2016
[39] HMRC, Number of individuals subscribing to an Individual Savings Account (ISA) by age and gender, 29 April 2016

The amount of savings held in ISAs tends to be higher the older the individual holding them is. The average value of ISAs held by those aged 65 and older was £37,864 in 2013/14, compared to £3,650 for those aged under 25 and £5,186 for those aged 25-34.[40] That older people have more savings is not surprising as they have had more time to save.

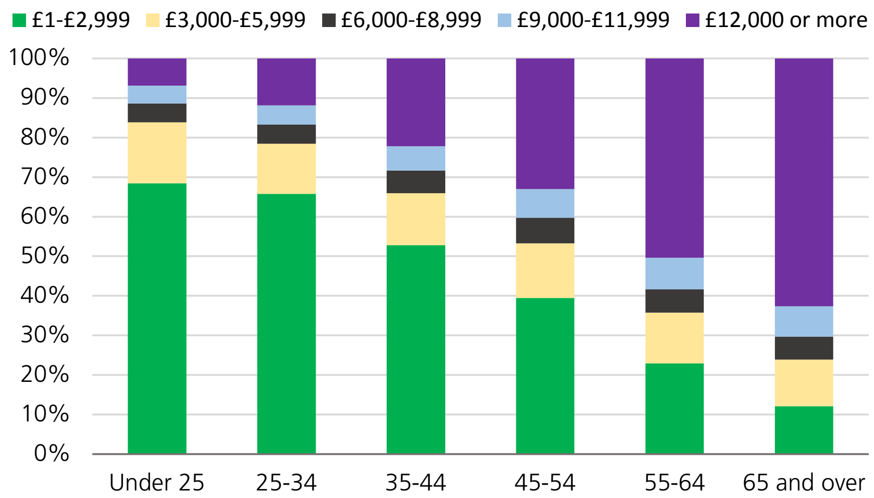
Average ISA market value by age of subscriber, end 2013/14



Source: HMRC, ISA Statistics, table 9.11

The chart below shows the distribution of ISA holdings by age group.[41] Around two-thirds of ISA subscribers aged 25-34 have ISAs valued at less than £3,000. This proportion decreases among older age groups who have ISAs, who on average tend to have higher-value ISAs.

ISA holdings by age and market value range, end 2013/14



Source: HMRC, ISA Statistics, table 9.11

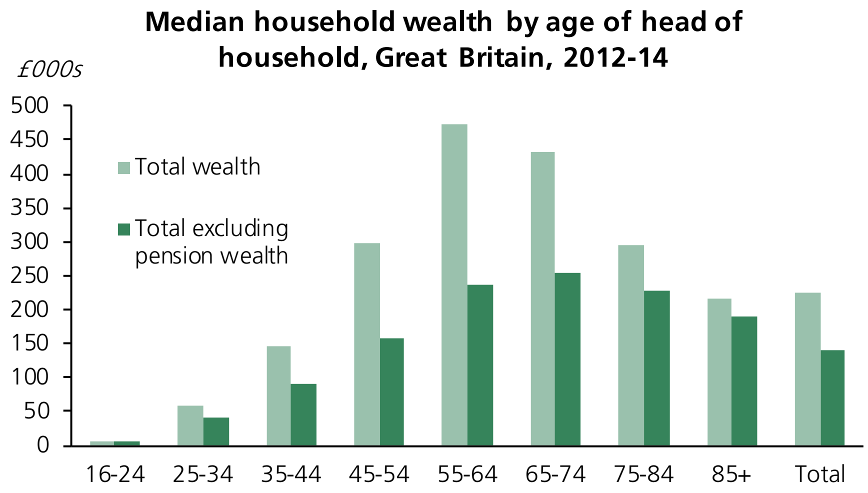
[40] HMRC, Market value of Individual Savings Accounts (ISA) funds by age and gender , 29 April 2016

[41] HMRC, Market value of Individual Savings Accounts (ISA) funds by age and gender , 29 April 2016

5.2 Wealth

Median total wealth (the value of accumulated assets minus the values of accumulated liabilities) of households in Great Britain headed by someone aged 25-34 was £59,000 in 2012-14, compared to £225,000 across all age groups. This increased to £472,000 for households headed by someone in the 55-64 age group.[42] The steep gradient in wealth between age groups is to be expected, because older age groups have had more years to accumulate wealth than younger age groups.

Excluding wealth held in private pensions (which unlike other forms of wealth, is not immediately accessible for most individuals), median total wealth of households headed by 25-34 year olds was £42,000 compared to £141,000 for all households.[43]



Source: Library analysis of ONS Wealth and Assets Survey wave 4 microdata

Data in this section are based on the ONS Wealth and Assets Survey. When comparing the household wealth of different age groups, we look at the age of the **household reference person** (or the person 'heading' the household). The household reference person is the person with the highest income, or where two household members have the same income, the older person. So figures for the 25-34 age group do not include any 25-34 year olds who live with an older person with a higher income (e.g. a parent or spouse).

Components of wealth

The total amount of wealth held by households headed by someone aged 25-34 in 2012-14 was £354 billion (compared to £11,134 billion across all households). Compared to the population as a whole, a higher proportion of wealth held by households headed by someone aged 25-34 is in the form of physical wealth (for example, the value of household contents, vehicles or valuables):

[42] ONS Wealth and Assets Survey, ad hoc release 006054, 25 August 2016

[43] Library analysis of Wealth and Assets Survey microdata (Office for National Statistics. Social Survey Division. (2016). *Wealth and Assets Survey, Waves 1-4, 2006-2014*. [data collection]. *4th Edition.* UK Data Service. SN: 7215, http://dx.doi.org/10.5255/UKDA-SN-7215-4)

Total wealth held by private households, by age of head of household: Great Britain, 2012-14

	Total wealth (£ billion)		% of total wealth	
	Household head aged 25-34	All households	Household head aged 25-34	All households
Property wealth	124	3,927	35%	35%
Physical wealth	100	1,152	28%	10%
Private pensions	86	4,459	24%	40%
Financial wealth	45	1,596	13%	14%
Total wealth	**354**	**11,134**	**100%**	**100%**

Source: ONS *Wealth and Assets Survey*, ad hoc release 005437, 2 March 2016

That said, the figures need to be treated with some caution. In particular, estimates of physical wealth reflect the approximate costs of replacing items as estimated by respondents and so do not take into account depreciation.[44] Property wealth in the Wealth and Assets Survey is estimated based on respondents' own valuation of their property, minus any mortgage debt (to give net property wealth). So figures relate to the perceived property value, which may not be the same as the actual market value.

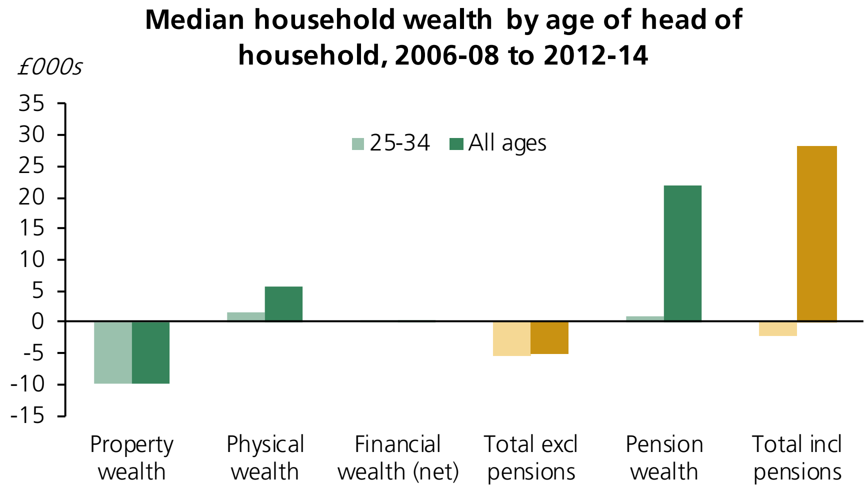
Changes in wealth

Levels of median wealth of older and younger age groups have followed a different course in recent years: median wealth for households headed by 25-34 year olds decreased by 3% between 2006-08 and 2012-14, compared to a 14% increase in median wealth of all households (not adjusted for inflation).[45]

Excluding pension wealth, median wealth for households headed by 25-34 year olds decreased by 12% compared to a 4% decrease for all households.

[44] Analysis by the Institute for Fiscal Studies excludes physical wealth from their definition of household total wealth due to such concerns. See Rowena Crawford, Dave Innes and Cormac O'Dea, *Household Wealth in Great Britain: Distribution, Composition and Changes 2006–12*, Fiscal Studies, March 2016. vol 37, p40

[45] ONS Wealth and Assets Survey, ad hoc release 006054, 2 March 2016



Source: ONS Wealth and Assets Survey

Explaining increases in pension wealth

There was a particularly large increase in estimated private pension wealth across all households between 2010-12 and 2012-14, from £3,530 billion to £4,459 billion. Rather than a change in the number of people saving for pensions or the amount being paid in, the increase was mainly attributable to the way in which pension wealth is valued. The estimated value of defined benefit pensions (for example, final salary pension schemes) and private pensions already in payment increased following a fall in annuity rates.[46]

This has most effect on estimated pension wealth for older age groups, who are more likely to already be receiving a private pension or to have built up more wealth in defined benefit pensions.

Estimating private pension wealth

The amount of wealth held in defined benefit pensions (for example, final salary pension schemes) is estimated as the size of the equivalent defined contribution pension needed to purchase the same level of annual income as expected from the defined benefit pension.

Money held in defined contribution pensions has historically been used to buy an annuity upon retirement and the annuity supplies a regular income over an agreed period. The size of pension pot needed to secure this level of income depends on the annuity rate; if annuity rates fall, a larger pension pot is required to receive a given income. Thus we would equate a defined benefit pension expected to provide such an income with a bigger total pension pot.

The total value of pensions already in payment is similarly estimated based on annuity rates.

The ONS draws a parallel with house prices: in the same way as the value of a property can change considerably without an individual changing their behaviour, so can the value of a defined benefit pension.

Estimates do not include state pension wealth.[47]

The Wealth and Assets Survey only indicates a modest increase in pension membership between 2010-12 and 2012-14. This is contrary to other sources, which indicate an increase in the proportion of

46 ONS, *Wealth in Great Britain Wave 4: 2012 to 2014*, Chapter 2: Total wealth, Table 2.1

47 ONS, *Wealth in Great Britain Wave 4: 2012 to 2014*, Chapter 6: Private pension wealth

employees saving into workplace pensions following the introduction of pensions auto-enrolment from October 2012 (discussed further in section 5.3 below). The difference is likely to arise for two main reasons: the Wealth and Assets Survey covers all people regardless of whether they are working as employees and rollout of auto-enrolment only progressed gradually over the period during which survey data were collected.

Cohort effects

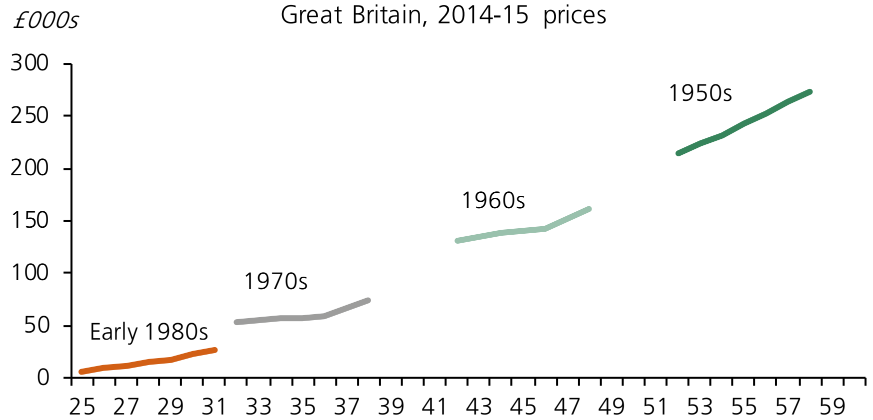
As with the analysis of incomes and earnings in section 3, we can look at wealth trends for particular cohorts of individuals.

Analysis by the Institute for Fiscal Studies (IFS) compares median and mean household wealth *per adult* for different birth cohorts, adjusted for inflation.[48] (The IFS excludes physical wealth from its measure of total household wealth, due to concern with the way household goods are valued.[49]) For people born in the 1980s, by the time they were in their early 30s their median wealth was only around half that of the 1970s cohort at the same age.

Similarly, although we do not have a sufficiently long time series to demonstrate it, it appears the 1970s cohort lags behind the 1960s cohort in terms of median wealth at a given age.

Real median net household wealth per adult by age, for people born in different decades

Great Britain, 2014-15 prices



Note: 'Age' is median age of each cohort in a given wave of data. Data exclude households containing more than one family (benefit unit). Figures are converted to 2014/15 prices using variant of Consumer Prices Index that includes mortgage interest payments.

Source: Institute for Fiscal Studies analysis of ONS Wealth and Assets Survey microdata, published in: Jonathan Cribb, Andrew Hood and Robert Joyce, *The economic circumstances of different generations: the latest picture*, Institute for Fiscal Studies, Briefing Note BN187, 29 September 2016

By looking at the different components of mean household wealth, the IFS analysis shows the difference between the 1980s and 70s cohorts,

48 Jonathan Cribb, Andrew Hood and Robert Joyce, *The economic circumstances of different generations: the latest picture*, Institute for Fiscal Studies, Briefing Note BN187, 29 September 2016

49 See explanation in Rowena Crawford, Dave Innes and Cormac O'Dea, *Household Wealth in Great Britain: Distribution, Composition and Changes 2006–12*, Fiscal Studies, March 2016. vol 37, p40

and the 1970s and 60s cohorts, is largely attributable to lower property wealth among younger age groups. This reflects lower rates of home ownership among more recent cohorts (as discussed in section 6 of this paper).

Turning to pension wealth, younger cohorts appear to have similar or slightly higher average pension wealth than the previous cohort did at the same age. However, it seems likely that in future they will accumulate this pension wealth more slowly than previous cohorts: the replacement of defined benefit schemes with defined contribution schemes has resulted in "a large reduction in the generosity of employer pension contributions". On the other hand, thanks to pensions auto-enrolment, employees in later cohorts are now considerably more likely to be saving into a private pension than was the case for the previous cohort at the same age. Section 5.3 considers trends in pension saving in more detail.

The authors note other factors besides pension wealth will affect incomes in retirement, such as the level of the State Pension or inheritances. Separate research by the IFS indicates that younger generations are much more likely to expect to receive an inheritance than their predecessors: 75% of those born in the 1970s have received or expect to receive an inheritance, up from 55% of those born in the 1950s. Although people with higher incomes are more likely to receive an inheritance (or to expect to receive one) than those with lower incomes, the likelihood of receiving an inheritance has increased for both high- and low-income households between successive cohorts.[50]

5.3 Pensions

What income millennials can expect in retirement will depend to a large extent on pension income, from both the State Pension and private pensions.

Working longer and the State Pension

Increases in the State Pension age (SPA) since 2010 mean millennials will have to wait longer to receive the State Pension than previous generations.

From the 1940s, SPA was 60 for women and 65 for men. Since then:

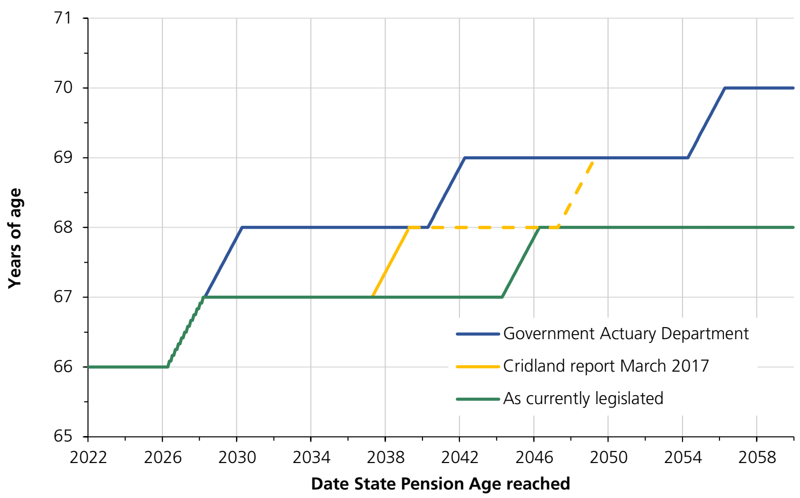
- The SPA for women started to rise from 60 in April 2010, to reach 65 in December 2018;
- The equalised SPA will rise to 66 between December 2018 and October 2020;
- The SPA will then rise to 67 between 2026 and 2028.[51]

The green line chart below shows how men and women's SPA is scheduled to increase under current legislation.

50 Andrew Hood and Robert Joyce, *Inheritances and inequality across and within generations*, IFS Briefing Note BN192, 5 January 2017

51 Pensions Act 1995, Schedule 4, as amended by the Pensions Act 2011 and Pensions Act 2014

State Pension Age for men and women once equalised



Note John Cridland's March 2017 State Pension Age report did not make recommendations for any SPA increase above 68. The increase in the yellow line from 68 to 69 in the chart above is infered from Cridland's recommendation that the SPA should not increase more than one year in any ten year period, assuming that there are no exceptional changes to the data. See below.

Current legislation also provides for the SPA to increase to 68 between 2044 and 2046.[52] However, this is under review as part of the first periodic review of the SPA legislated for by the Coalition Government. The aim was that the SPA should rise with life expectancy, with each generation able to spend roughly a third of adult life in receipt of State Pension. The reviews would be informed by a report from an independently-led body, looking at wider factors such as variations in life expectancy and would seek to provide a minimum of ten years' notice to people affected.[53]

John Cridland's report, published in March 2017 to support the first review, recommended that:

- The SPA should rise to age 68 over the two year period 2037 to 2039;
- The SPA should not increase more than one year in any ten year period, assuming that there are no exceptional changes to the data.
- If additional savings are needed, the triple lock should be withdrawn in the next Parliament.[54]

To mitigate the proposed increase to 68 on disadvantaged groups, it said:

- The age for claiming Pension Credit (the main means-tested benefit for pensioners) should be set one year below SPA for people who are unable to work through ill health or because of caring responsibilities;

52 Pensions Act 2007, section 13 and Schedule 3, Table 4
53 Cm 8528, Chapter 6; *Pensions Act 2014* s2
54 Independent review of the State Pension age: Smoothing the transition, March 2017, section 4.2.2

- The conditionality under Universal Credit should be adjusted for people approaching SPA.

At the same time, the Government Actuary's Department produced a report looking at two alternative scenarios. For the first of these (32% of adult life in receipt of a State Pension, rather than 33.3%) the SPA would need to increase:

- From 67 to 68 between 2028 and 2030;
- From 68 to 69 between 2040 and 2042;
- From 69 to 70 between 2054 and 2056.[55]

The Government will consider both reports before presenting its review to Parliament by 7 May 2017.[56]

A number of organisations expressed concern about Cridland's proposed timetable for the increase to 68. The TUC said that "substantial inequalities in life expectancy and, particularly, health life expectancy mean this policy will hit the poorest hardest."[57] Age UK said it did not believe that "the case had yet been made for raising the State Pension age for those in their mid-40s or younger today."[58] The Pension and Lifetime Savings Association recommended that the SPA should remain at currently legislated levels on the basis that the UK was already set to have the highest SPA of any OECD country and that raising it higher still would cause "unacceptable detriment" to those with lower than average life expectancies.[59] It was also concerned that the proposal would:

> …hit people in their late 30s and early 40s - the very group who are too young to have benefitted from final salary pensions and too old to benefit in full from automatic enrolment.[60]

Workplace pensions

Most millennials are expected to attain the 35 'qualifying years' required for full entitlement to the new State Pension, introduced for people reaching SPA from April 2016. However, there has been a large increase in the proportion of employees saving into workplace pensions following the introduction of pensions auto-enrolment from October 2012. 68% of employees were saving into a workplace pension in 2016, up from 47% in 2012.[61]

What is auto-enrolment?

55 GAD, Periodic review of rules about State Pension age: Report by the Government Actuary, March 2017, para 6.3-4; State Pension age independent review: final report, March 2017, p76
56 HCWS552, 24 March 2017
57 Cridland report calls for reshaping of benefits for older workers, Touchstone blog, 23 March 2017
58 Age UK response to the Cridland Review, 23 March 2017
59 PLSA response to State Pension age independent review, December 2016
60 PLSA welcome's John Cridland's proposal not to increase the SPA beyond 68, 23 March 2017
61 ONS, *Annual Survey of Hours and Earnings pension tables*, 2 March 2017, Table P1

From October 2012, the Government started to phase-in the "workplace pension reforms". These are new duties on employers to automatically enrol workers into, and contribute to, a workplace pension saving scheme. Workers covered by the rule are those who:

- are not already in a workplace pension scheme;
- are between age 22 and State Pension age; and
- earn more than a minimum earnings threshold (£10,000 since 2015/16).

Employers have to enrol them into a qualifying pension scheme that meets specified criteria. A new pension scheme, NEST (National Employment Savings Trust) has been established, available to any employer who chooses to use it.

Workers can choose to opt out. Where they remain in the scheme, minimum contributions must be made on a band of "qualifying earnings". Once the reforms are fully introduced, the minimum contributions will be 8% of qualifying earnings: 3% from the employer; 4% from the employee and 1% tax relief.

The reforms are being phased-in by employer size (number of employees) between October 2012 and February 2018. The minimum contribution is also to be phased-in, with employers paying the full 3% from April 2019.

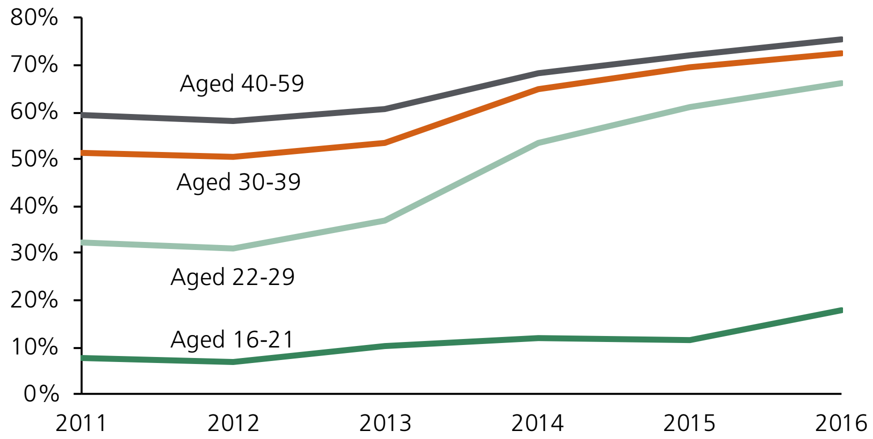
Further information is provided in Library briefing paper, *Pensions: automatic enrolment - 2010 onwards*.

Auto-enrolment and workplace pensions saving by age group

The increase in workplace pension saving since the introduction of auto-enrolment has been particularly marked among younger age groups.

The proportion of employees aged 22-29 saving into workplace schemes increased from 31% in 2012 to 66% in 2016. For 30-39 year olds, the proportion increased from 50% in 2012 to 73% in 2016.[62]

Proportion of employees saving into workplace pensions by age group: UK, 2011-16



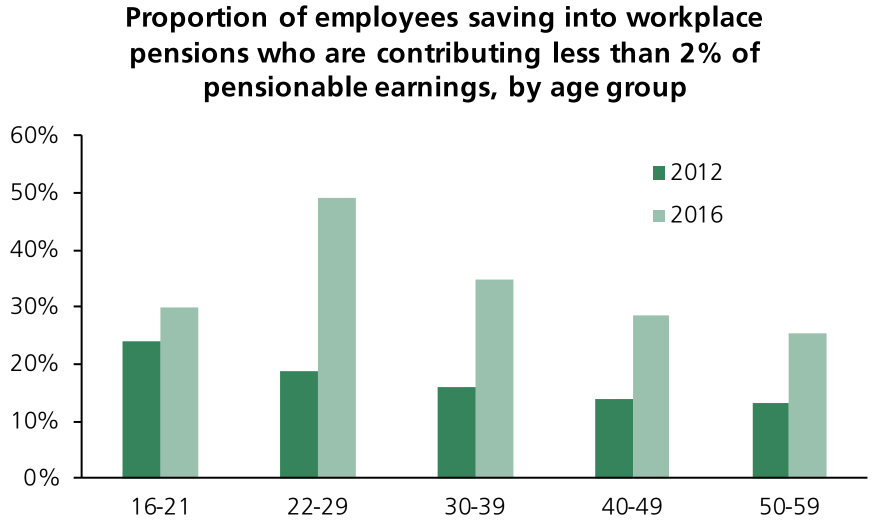
Source: ONS *Annual Survey of Hours and Earnings, pension tables*

For now, the recent increases in workplace pension saving mainly reflect more employees paying only relatively small amounts into a scheme. In 2016, 33% of employees saving into workplace pensions contributed under two percent of their pensionable earnings, up from 15% in 2012. The increase was more marked among employees in the 22-29 age

[62] Ibid, Table P1

group. 49% of those saving into workplace pensions contributed two percent of pensionable earnings in 2016, compared to 19% in 2012.[63]

This is, however, likely to be only a temporary concern. The auto-enrolment reforms are still being phased in and the minimum contribution rates for employees are set to rise substantially (to 4% once the reforms are fully introduced).



Source: ONS *Annual Survey of Hours and Earnings, pension tables*

Defined benefit pensions

The introduction of auto-enrolment has boosted pension saving among millennials compared to previous cohorts of workers at the same age. This does not mean, however, that millennials can necessarily expect to enjoy higher incomes in retirement on average than older colleagues. In particular, many firms have replaced defined benefit pension schemes (which are now mostly closed to new entrants) with less generous defined contribution schemes.

Millennials are much less likely than older colleagues to have had access to defined benefit pensions. The amount paid into a scheme by an individual's employer tends to be considerably higher under defined benefit schemes than defined contribution schemes. Additionally, since the investment risk in defined contribution schemes lies with the employee rather than the employer, there is less certainty as to what income can be expected in retirement. The House of Commons Work and Pensions Committee explains:

> …the relatively generous final-salary defined benefit (DB) pension schemes which were commonplace during the working lives of the baby boomer generation are now all but completely closed to new entrants. As a result, less than 10 per cent of private sector employees born in the early 1980s were active members of a DB scheme in their early 30s, compared with nearly 40 per cent of those born in the 1960s at the same age. Younger workers now tend to be enrolled on defined contribution (DC) schemes instead. These typically attract much lower levels of employer contribution: in 2015 the average employer contribution rate to

[63] Ibid, Table P5

> private sector DC schemes was 2.5 per cent of pensionable earnings, compared to 16.2 per cent for DB schemes. DC schemes make no promise as to the value of the pension pot upon retirement, meaning that employees bear the full risk of investment performance.[64]

What is more, the cost of defined benefit pensions currently in payment ultimately falls to younger workers, as firms spend money keeping schemes solvent:

> At the same time, the cost of servicing rapidly increasing DB scheme deficits—exacerbated by low investment returns—is placing an ever greater burden on UK firms. The Office for National Statistics estimates that in 2015 companies made special deficit repair contributions to DB schemes of £11 billion in addition to ordinary employer contributions of £20 billion. This may constrain their ability to increase employment or engage in productive investment. Today's younger workers are therefore faced with supporting the inadequately-funded DB schemes of their older colleagues and retired predecessors, while being denied the opportunity to accrue pension entitlements on the same basis. Paul Johnson, Director of the IFS, told us that this was tantamount to a "very clear redistribution" between generations. Our ongoing inquiry into defined benefit pension schemes will consider intergenerational fairness in that context.[65]

The prolonged period of low interest rates since 2008 does not only affect defined benefit schemes (requiring firms to divert more money into funding these schemes since the return on their investments is lower) but also increases the cost to younger workers of providing for their own retirement. Since they are receiving a lower rate of return on their pension savings, workers must save more in order to receive the same level of income that would have been expected under interest rates pre-recession. The OECD outlines the effects on defined contribution schemes:

> Defined contribution plan assets will also be directly affected by a period of protracted low interest rates. The aggregate size of the effect will depend on the fund's investment strategy and the extent to which the equity part of the portfolio also suffers from a low-interest-rate environment. Over the long-term, lower investment returns will translate into lower benefits, unless employees and employers contribute more to these plans in order to attain the same level of retirement benefits that would have been achieved in a more "normal" interest rate environment, or take on more risk in their investment portfolios. Furthermore, low interest rates are likely to lead to higher annuitisation costs, making it more expensive for members to transform their defined-contribution savings into annuity benefits.[66]

So what is the net result from the introduction of auto-enrolment and the closure of defined benefit schemes to more recent cohorts of workers? John Cridland's report on the State Pension age (published in March 2017) suggests the likely result is that a higher proportion of

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64 Work and Pensions Committee, *Intergenerational Fairness*, 6 November 2016, HC 59 2016-17, para 24

65 Ibid, para 24

66 Pablo Antolin, Sebastian Schich and Juan Yermo, *The Economic Impact of Protracted Low Interest Rates on Pension Funds and Insurance Companies*, 2011, OECD Journal: Financial Market Trends, Volume 2011/1

millennials will receive private pension income than those currently reaching State Pension age, but the average income from private pensions will be lower. However, private pension income for millennials is likely to be higher than for the preceding cohort born in the late 1960s and 1970s, who have less time to reap the benefits of auto-enrolment but who have also largely missed out on defined benefit schemes.[67]

[67] Independent review of the State Pension age: Smoothing the transition, March 2017, section 3.1.1

6. Housing

Are millennials less likely to own their own home than in older generations? This section explores home ownership amongst young people compared to older age groups. It also looks at the prevalence of other housing options available to millennials: renting in the private and social sectors and continuing to live at home with parents.

6.1 Housing tenure in different age groups

The Labour Force Survey (LFS) is a quarterly UK-wide survey that records the type of housing tenure that households live in. This lets us compare owner-occupation and renting amongst different age groups.

The analysis below looks at the number of households living in each tenure group, rather than the number of individuals. Households are categorised according to the age of the 'household reference person' (HRP). This is the person who owns the accommodation or is responsible for the rent. [68]

The table below shows the number and proportion of households led by millennial HRPs in each type of housing tenure. Renting is the most common option – 59% of households in this age group rent.

Tenure of households led by 25-34 year olds, Q3 2016

	Number of households	Proportion of households
Owner-occupied	**1,481,000**	**38%**
Own outright	136,000	4%
Buying with a mortgage	1,345,000	35%
Rented	**2,285,000**	**59%**
Private rented	1,603,000	42%
Social rented	682,000	18%
Other	**83,000**	**2%**

Source: Labour Force Survey, Household dataset Q3 2016

Notes: 'Other' refers to households squatting, living rent-free and living in part-owned, part-rented accommodation (shared ownership).

Figures are based on survey estimates and are rounded to the nearest thousand. Totals may not sum due to rounding.

The chart overleaf shows the proportion of households in different age groups living in owner-occupied, private rented and social rented accommodation. [69]

Households led by 25-34 year olds are less likely to own their own home and more likely to rent privately than any other age group. 38% of households in this age group are owner-occupiers and 42% are private

68 In joint tenures, the person with the highest income is the HRP; if income is the same, the eldest person is the HRP.

69 In this analysis, households renting from a local authority or housing association are counted as 'social renting'. Households renting from all other landlords, including family and employers, are counted as 'private renting'.

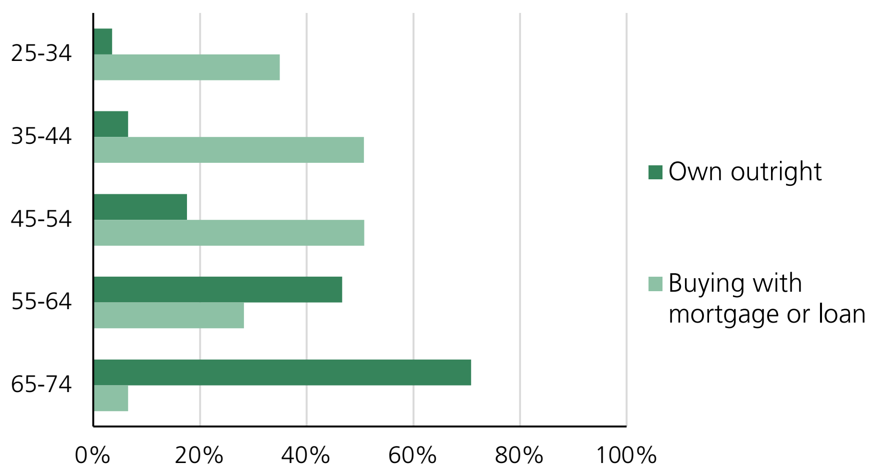
renters. For 35-44 year olds, the proportions are 57% and 23% respectively. Renting in the social sector is fairly consistent across age groups at 16-18%.

Housing tenure by age of household reference person, UK
Proportion of households in age group, Q3 2016

Source: Labour Force Survey, Household dataset Q3 2016

Households led by younger people are also less likely to own their home outright, as the chart below shows. 4% of all households led by a 25-34 year old own their home outright and 35% are in the process of buying with a mortgage or loan. Households that own outright start to outnumber those buying with a mortgage in the 55-64 and 65-74 age groups. 47% of households led by 55-64 year olds own their home outright, while 28% are buying with a mortgage.

Type of owner-occupation by age of household reference person, UK
Proportion of households in age group, Q3 2016



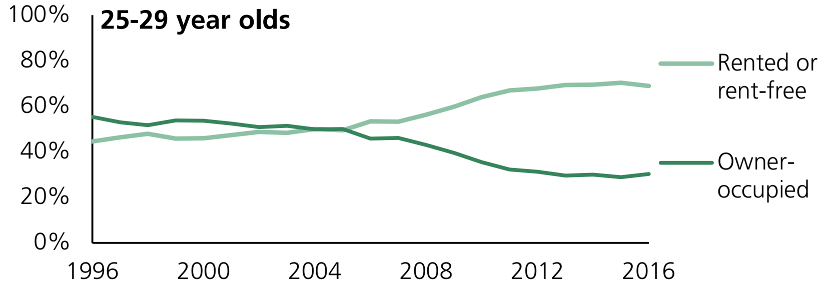
Source: Labour Force Survey, Household dataset Q3 2016

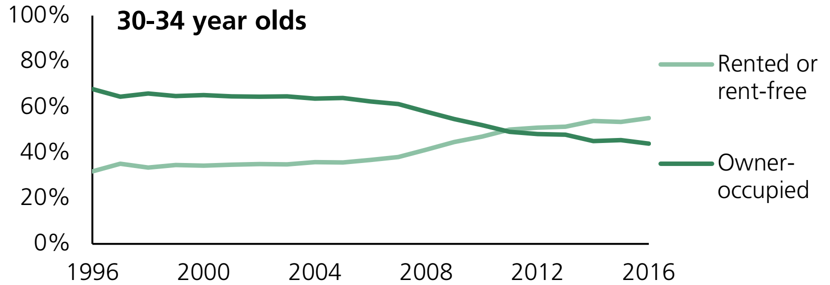
6.2 Trends in young people's living arrangements

Owning and renting

Twenty years ago, households led by young people were more likely to own than rent (see charts below). In 1996, 55% of households led by 25-29 year olds were owner-occupiers and 68% of 30-34 year olds were. By 2006, 25-29 year olds were more likely to rent than own, and the gap has widened since then. For 30-34 year olds, the trend reversed at a later point: households were more likely to rent than own by 2011.

Proportion of 25-34 year olds owning and renting, UK





Source: Labour Force Survey, Household dataset, various years (Q2); via Office for National Statistics (February 2016), *Why are more young people living with their parents?*

Notes: The 'rented' category includes those living in private and social rented accommodation, and those living rent-free in separate households.

The table below shows the proportion of households led by 25-34 year olds owning their home in 1996, 2006 and 2016. Current 25-34 year olds are less likely to own their home than either of the two previous generations.

Home ownership at 25-34 by generation

Proportion of households in age group

Birth years	Aged 25-34 in…	Current age	Home ownership rate at age 25-34
1962-71	1996	45-54	61%
1972-81	2006	35-44	56%
1982-91	2016	25-34	38%

Source: Labour Force Survey, Household dataset, various years (Q2)

A 2016 report by the Resolution Foundation compared home ownership amongst different generations using the Family Resources Survey (FRS). According to their report:

> The second half of the 20th century was characterised by the arrival of mass home ownership, with clearly divergent experiences across different generations. […] members of the silent generation [born 1926-45] were far more likely to own their own homes than their forbears, and this progress continued with the baby boomers [born 1946-55]: at age 40, roughly 70 per cent of this generation owned their home, compared with less than 40 per cent of the greatest generation [born 1911-25] at the same age.
>
> However, this forward march has since reversed, with both generation X [born 1966-80] and the millennials [born 1981-2000] less likely than previous generations to own their own homes. At age 30, baby boomers were 50 per cent more likely to own their own home than millennials were at the same age. Put another way, 30 year old millennials have lower home ownership rates than the baby boomers did at age 24. Indeed, they even have lower levels of ownership than silent generation which came some 55 years earlier. [70]

First-time buyer trends

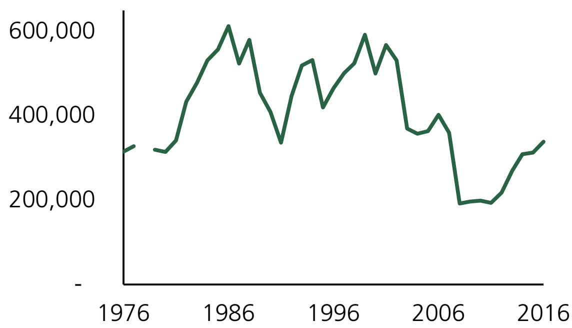
Looking at trends in mortgage lending to first-time buyers provides some background to the trends in home ownership discussed above.

Mortgage lending to first-time buyers has been lower in recent years than for previous generations. The number of loans made was at its highest in the mid-1980s and late 1990s (see chart, right). It declined sharply at the start of the 2008-09 recession: the number of loans in 2008 was 47% lower than the year before. Lending started to pick up again in 2012 and is now approaching pre-recession levels.

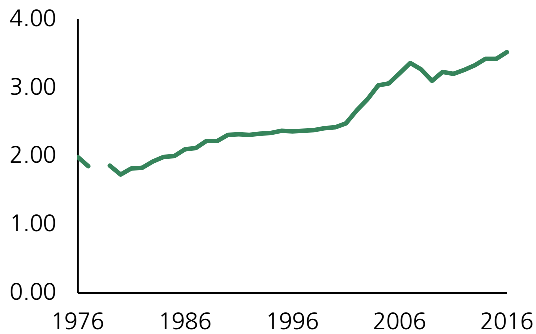
During the same period, the size of first-time buyers' mortgages increased relative to their incomes. The chart on the right shows the trend in income multiples (the ratio of the average mortgage advance to the average recorded income of borrowers). Following a relatively stable period in the 1990s, the 2000s saw a sharper increase in income multiples. The average income multiple for 2016 was the highest recorded at 3.5.

It is worth noting that not all first-time buyers fall into the 25-34 age group. The average age of a first-time buyer has risen from 26 in 1974 to 30 in 2016.[71]

Loans made to first-time buyers



First-time buyers' income multiples



Figures are for mortgage lenders in the UK.
Source: Council of Mortgage Lenders, Industry Data Table ML2

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70 Resolution Foundation *Stagnation generation: the case for renewing the intergenerational contract*, July 2016, p.34. Age groups in square brackets are definitions used elsewhere in the report.

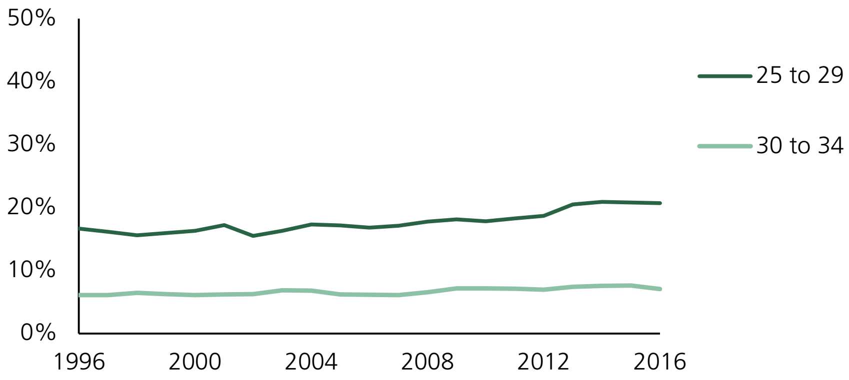
71 Council of Mortgage Lenders, Industry Data Table ML2

Living with parents

The ONS have looked at the proportion of young people living with their parents. They found that the proportion of 25-34 year olds doing so has increased slightly over the last 20 years, from 11% to 14%.

As the chart below shows, living with parents is more common in the younger half of this age group. 21% of 25-29 year olds live with their parents, compared to 17% in 1996. Meanwhile, 7% of 30-34 year olds do – a proportion that has hardly changed since 1996.

Proportion of young people living with parents, UK



Source: Office for National Statistics (November 2016), *Young Adults Living with their Parents*

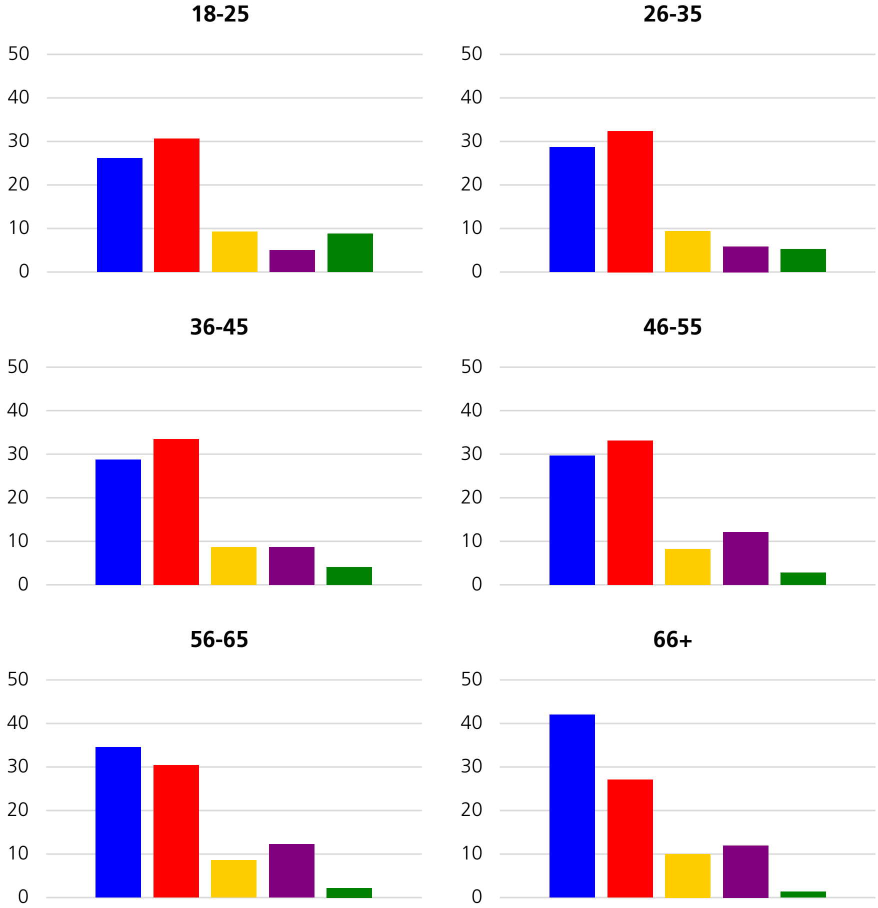
This analysis doesn't count students living with their parents outside of term-time. It also doesn't count people who live with a partner or child as well as their parents – these people are considered to have formed their own family, even if they live in the same house as their parents.

7. Political

Do millennials have different political participation behaviours than other generations? This section looks at the 2015 General Election and the 2016 Referendum vote and analyses how millennials voted.

Analysis of the British Election Study's post 2015 General Election survey shows that a greater proportion of the 'millennial' age group (26-35) voted Labour more than any other UK-wide party (see Figure 1 below).[72] Around 32.4% of 26-35 year olds voted for Labour, compared with 28.7% for the Conservatives, 9.4 for Liberal Democrats, 5.9 for UKIP, and 5.2 for the Green Party.

Figure 1: 2015 General Election party % vote by age group



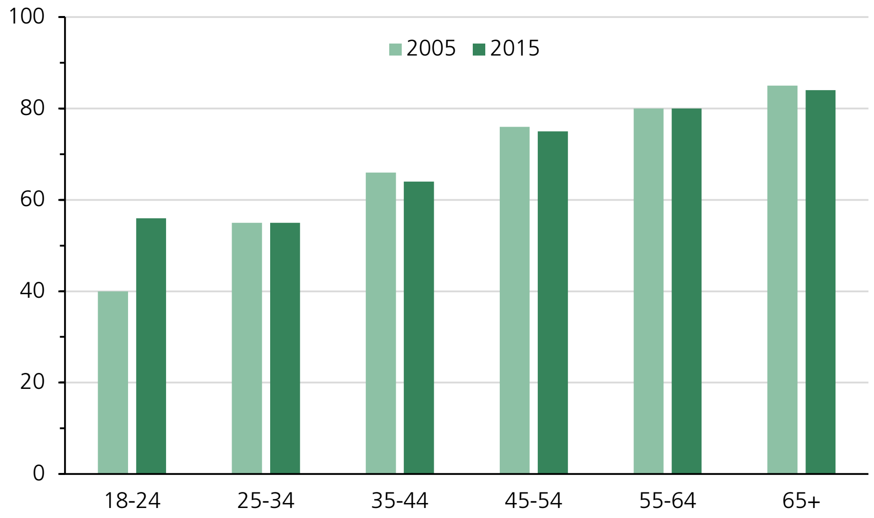
Source: BES, Panel study data 2015 (N = 29,845). UK-wide parties (Conservative, Labour, Liberal Democrats, UKIP and Green) and over 18s shown only.

Figure 2 (below) shows that in the 2015 General Election the millennials were among the age groups with the lowest turnout. There was a turnout of around 55% for people in the 25-34 age group compared with 80% and above for the 'baby boomer' age groups.

[72] Data created by using the BES 'Data Playground'. Data in weighted for general population in the UK.

The 18-24 age group during the 2005 General Election (comprising mostly of the current millennials), had a turnout of around 40%. This seems to suggest that as the millennials moved from their early 20s to their mid-20s/early 30s they were more likely to participate in General Elections.

Figure 2: General Election % turnout by age group

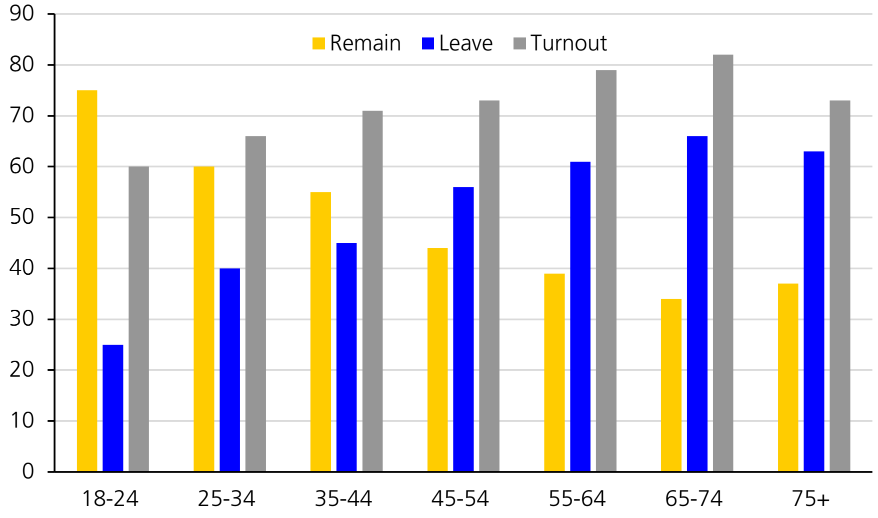


Source: John Curtice, BSA 33, Politics: Turnout by age, p. 18.

On the 23 June 2016 the UK held a referendum on membership of the EU. Research by IpsosMori[73] (Figure 3) shows that there was a clear difference between younger and older voters. Those in the 25-34 age bracket were far more likely to vote 'Remain' in the referendum than 'Leave'. Turnout out among the millennials was around 66%, this is higher than the estimated turnout at the 2015 General Election.

[73] IpsosMori, The 2016 EU Referendum, 5 September 2016.

Figure 3: EU Referendum Remain/Leave % by age group



Source: IpsosMori, The 2016 EU Referendum, 5 September 2016.

Further information on how the millennial generation is different/the same politically from previous generations can be found at IpsosMori's Generations pages.

8. Further Reading

General:

- Work and Pensions Committee (November 2016) *Intergenerational fairness: Third Report of Session 2016-17*
- Resolution Foundation (July 2016), *Stagnation generation: the case for renewing the intergenerational contract*
- Institute of Fiscal Studies (2016) *The Economic Circumstances of Different Generations: The Latest Picture*
- YouGov (August 2016) *Generation millennials*
- Centre for Longitudinal Studies *Next Steps Study*

Labour Market and Pay:

- Resolution Foundation (February 2017) *Study, Work, Progress, Repeat? How and why pay and progression outcomes have differed across cohorts*
- OECD Insights (December 2015) *Generation wait? Understanding the millennials*
- Sarah O'Connor, Financial Times (January 2016) *Tragedy of the millennials is they are not entitled enough*
- Deloitte, *The 2016 Deloitte Millennial Survey. Winning over the next generation of leaders*

Finance and wealth:

- YouGov (October 2016) *Five ways millennials are banking differently*
- Scott Berridge, U.S. Bureau of Labour Statistics *Millennials after the Great Recession*[74]
- Trade Union Congress (2015) *Young against old? What's really causing wealth inequality*
- Paul Johnson, IFS (August 2016) *Ultra-low interest rates come with a high price for future generations*

Housing:

- Office for National Statistics (February 2016), *Why are more young people living with their parents?*
- House of Lords Library (October 2016), *Impact of the shortage of housing on young people*

Education and graduates

- Institute for Fiscal Studies (18 August 2016): *The puzzle of graduate wages*

Politics

[74] Journal article with Library access

- YouGov (September 2016) *Are millennials special? What the data tells us*

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