

## Millennials after the Great Recession

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An often-discussed topic regarding the Great Recession is its effects on millennials. The recession has caused them to defer decisions about home and car purchases and also marriage. The decisions millennials make now in the aftermath of the recession's effects can reverberate for years. In "[The economic plight of millennials](#)" (Federal Reserve Bank of Atlanta, *EconSouth*, January–April 2014), author Mark Carter looks at the financial hardships facing millennials.

Millennials—defined as people born after 1980—are straying from historic patterns, and this is having a negative impact on the wider economy. Preceding generations purchased houses and got married earlier. According to Pew data, as of 2012, 36 percent of young adults ages 18 to 31 were living with their parents. In 2007, 30 percent of this age group were married, but in 2012, only 25 percent were married. Using BLS data, the author shows that young people ages 16 to 24 had an unemployment rate of 15.5 percent in 2013 and 14.2 in early 2014, leaving many of them unable to rent apartments and purchase or furnish homes. In contrast, the unemployment rate for people ages 25 and over was 5.4 percent in early 2014.

While facing difficulties in the labor market, many millennials are also dealing with the burden of high student debt. More young adults are taking on loans to pay for their education than did previous generations. According to New York Federal Reserve Board data quoted by the author, since 2005 the educational debt of Americans under age 30 has increased from about \$13,000 to \$21,000. While every other type of debt decreased among the general population since the recession began, student debt has increased; by 2012, it totaled more than \$1 trillion. Yet despite the cost of acquiring an education, young adults are generally glad they did: around 90 percent of those who took out an education loan say their indebtedness has been worth it, according to Pew. The Pew survey data back their thinking, with millennials who have at least a bachelor's degree earning about \$17,000 more per year than millennials who have only a high school degree. While higher education offers better prospects of higher income, the cost of that education is delaying entry to the housing market, which is a major driver of the overall economy.

The recent recession negatively affected all Americans' household formation, but it was among young adults that the largest shortfall occurred. Timothy Dunne, an economist for the Atlanta Fed, in 2012 used Current Population Survey data to show that people ages 18 to 24 composed the group with the largest shortfall in expected household formation between 2007 and 2011. The second largest group was made up of people 25 to 34 years of age. Together they accounted for 1.9 million of the 2.6 million total shortfall of expected new households. Similarly, the homeownership rate for these two groups peaked at 44 percent in 2004 but was down to 37 percent by 2011. Basically, a tough labor market and high debt levels are forcing the postponement

of major decisions among young adults that will affect them for years to come. But not everything is against this demographic group.

While millennials have acquired more student loan debt than previous generations, they also are better educated. The author also points out that though getting an education may be expensive, not getting one can cost more. Finally, student loan debt of millennials will decrease and their prospects for household formation, car purchases, and general economic participation are expected to pick up as the labor market improves.