

AMP.NATSEM Income & Wealth Report 17: Generation whY?

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Well thank you very much Peter, it's a real pleasure to be here and I'd just like to thank CEDA for inviting me to speak about this very interesting and important generation, Generation Y. So who exactly is Generation Y, what do they look like, where are they living, what are they doing with their lives, what do they want out of life both now and in the future, and are they so different to other generations; are they spoilt little brats, difficult to deal with in the workplace, squandering their money, racking up lots of debt and sponging from their parents, or are they one of the most misunderstood generations of all time?

This report seeks to provide some answers to these questions and others, and it takes those born in the 15 years from 1976 to 1991, so those aged people currently aged between 16 and 31 years, and it looks at their education and their employment, we look at their living arrangements, their expectations, how much money they are earning, and what they do with this money. It also provides a comparison with Generation X at the same age 15 years ago, so in 1989. So it's to really get a clear picture of the changes that have taken place, as Peter just mentioned, and to see how differently these generations are living.

Peter just mentioned that I do work for NATSEM, so I'll just tell you a little bit more about NATSEM before I proceed into the report, for those of you who don't know. As you've said we're the National Centre for Social and Economic Modelling, and we're associated with the University of Canberra. We're a highly regarded research institute, and we specialise in analysing micro-data and micro-simulation modelling, and we're led by Professor Ann Hardy, and our research areas include but are not limited to taxation, wealth, income, childcare, poverty, health issues. And our client base is as diverse as our research areas, and we have several state and federal government departments as our clients, and we also have a lot of non-government organisations such as the Smith Family, and lots of private enterprises such as the CTA, Telstra, and AMP.

So Generation Y is the 17th of a series of AMP NATSEM Income and Wealth Report, and it's a product of an ongoing partnership with AMP, which has seen reports produced on issues such as the cost of children in Australia, the baby boomers, and tomorrow's consumers.

So as I've already mentioned, the core of this report is a comparison between Generation Y and Generation X at the same age. There is currently around 4.5 million Generation Ys that fit into the category that we have used for this analysis, and there are around 4.6 million Generation Xs. Generation Ys are already eclipsing the baby boomers in the workforce, as you may or may not know.

So there is around 2.8 million Gen Ys currently employed, compared with around 2.7 million baby boomers. So this research examines the household and person characteristics of each generation, so Gen Y and Gen X at the same age, and we look at things like living arrangements, income, expenditure, employment and education. And when I say a Generation Y household in my results, I'm referring to households that are headed by a Generation Y, so it may be a multigenerational household, but for the most part there are just Generation Ys living within that household, it's just a data limitation.

So we've also examined some characteristics of Gen Y independent of Gen X, and that's mainly due to the data limitations as well. And I'll just now give you a bit of the methodology behind the report so you know where the data is coming from and what we've done with the data, so how our results have been produced. So our data collectors come from the Australian Bureau of Statistics Service, so 1988/1989 and 2003/2004 household expenditure surveys. I think there's 7,000 households in the 2004 survey, and probably around a similar amount to the 1988/1989, I just can't remember the figure off the top of my head. And we've also used the 2004 Household Income and Labour Dynamics of Australia Survey, which is a longitudinal survey produced here by the Melbourne Institute. And I've produced [descriptive] statistics, and in most cases we've been able to match the two surveys years, but there are, there have been some changes as the surveys too, some variables, but where possible we've tried to maintain uniformity. And the comparison when I compared Gen Y and Gen X in 1988/1989, we haven't been able to include the 15-year-olds, so the age group is going to be from 16 to 29, so that's just something to keep in mind.

It's also really important to remember that this report is intended for the lay person, so it's not a highly technical piece, but it does provide you with some really interesting descriptive stats. And I'm not going to get dragged down into variable descriptions, but if you are really interested in the descriptions, there's something in the back with the technical notes, or you could see me afterwards about them.

So I'm now going to press on and show you some of the results. So will they ever leave home? One of the most significant societal shifts over the past 15 years has been how the 20-somethings are living. We've looked at Gen Ys living arrangements and found that more are staying at home with mum and dad, particularly in their late twenties, something that probably everyone in this room is not surprised at. And we've found that men are more likely to be still living at home than women in their twenties. We've found that there are more single parents and couple only's than 15 years ago in this age group, and there are many less living as couples with children.

So this first slide shows the proportion of 16 to 29-year-olds still living at home by age group. In 1989 and 2004 you can see the blue bars are 1989 and the yellow bars are 2004. What you will see on the end there is that in the 'All' column that there's been an overall increase in the proportions of the 16 to 29-year-olds living at home, so from 46.3% up to 49.5%, so a rise of around 4%. You can also see there's been a slight decrease in the proportion of 16 to 20-year-olds living at home, down from 87% to 84%. The big increase is the 25 to 29-year age group which have moved from about 12% to 19%, so they're the ones that are sticking around for longer.

Now this slide just takes those in their late twenties, so the 25 to 29-year-olds in 1989 and 2004, so 1989 on the left and 2004 on the right. And if you take a look at that massive yellow segment there in 1989 which is couple with children, the people in that age group living as a couple with children, so about 42%, now this has decreased to, it's almost halved after 2004 down to 22%. So there's been that massive drop in people living in those types of household. The couple onlys have increased quite substantially to offset this, so up from 24% in 1989 to 32%. Single parents as I've mentioned have increased from 3% to 7%, and they're still in the parental home, from 12% to 17%, as you just saw on the last slide.

So what are around 2 million Gen Ys still living with their parents doing? Are they really sitting back on the couch and living the high life with the aid of mum and dad's income? Well according to our findings they are working, and if they're not working, they're studying or they're doing both. In contrast to popular belief, this generation is working hard and studying hard, even more so than Generation X was at the same age, with around 50% of full-time Gen Y students holding down a job as well, compared with only 37% of Gen Xs at the same age. Seven out of every ten Gen Ys still at home with mum and dad have a job, and less are unemployed and not in the labour force than 15 years ago. Now of course a lot of this is to do with the lovely economic times that we are experiencing, but still they are choosing to work. So why are they still living at home? Well we can't really answer that directly from this research here, but it does suggest that some Gen Ys may be living at home for reasons such as an overseas trip, or as we've been discussing, maybe even saving for a home deposit, or even just to cut the cost of living when combining work and study, increasing housing prices at the moment are pretty tough, or it may be just that life is too good with mum and dad. We really can't tell from that report or this research, but all we can do is speculate.

So this report also delves into what Gen Y want out of life both now and in the future, and as I've said before we've used the Hilda survey for this, so this doesn't compare Gen Y and Gen X, but it just looks at Generation Y. And it's quite interesting because you actually get the point of view about what they feel is important to them now, and they give a rating between 1 and 10 of what they considered very important to them now. So what we found is that Gen Ys place keeping fit, having friends and having a successful career as being more important to them now than things like relationships, having children and making money. The importance of saving and investing is more prominent for those aged in their late twenties than those in their late teens and early twenties. And despite the dramatic decline in this age group's fertility, relationships and having children are expected to be of much greater importance to Gen Ys by the time they hit 35. So they are asked what's important to them now, and then they are asked what do you think will be important to them at 35. So it shifts quite substantively, so they still want the children, they still want the family, but they don't want to do it in their twenties, they want to do it by the time they're 35, in their thirties.

So this one shows the importance to them now and it shows it by gender. So the proportion of Gen Ys that considered a particular life aspect to be important to them by gender, important to them now by gender, and there are some considerable differences between men and women. With women not surprisingly placing more value on things like marriage, children, and relationships, and men sort of place more value on things like a successful career, sports and hobbies, and savings and investing.

The next slide I'm going to show you shows that these differences, the columns are sort of out of balance at the moment, but by the time they reach 35 they all match up, thankfully, and Generation Y men and women by the time they are 35 want the same things out of life.

Generation Y women, they're undeniably doing better in their education and employment than any other female generation, and in some cases they are outdoing Gen Y men. We found that they hold more post-school qualifications than Gen Y men, have increased their presence in the labour market significantly over the last 15 years, and a larger proportion are employed as professionals or associate professionals, when compared with both Gen Y men and with women 15 years ago. Yet despite this newfound girl power, single Gen Y women are still holding on average around \$25,000 less in assets than single Gen Y men, and are earning less than Gen Y men when working the same hours and in the same broad occupation group.

So this graph shows the highest non-school qualification of Gen Ys by gender, and you can see that females in general hold more post-school qualifications than males, so 46% of females hold a post-school qualification compared with only 42% of males. Females in the yellow column there they both hold more, a higher proportion of them hold Bachelors than Gen Y men, with 15.5% of Gen Y women

holding a Bachelor degree compared with 11.3% of Gen Y men, and we also have around 9.4% of Gen Y women holding an Advanced Diploma or Diploma, compared with only 5.3% of Gen Y men.

Moving onto housing, which is another thing we looked at. So the dream of one day owning your own piece of Australia is still well and truly alive for Generation Y, with 84% of them wanting to own their own home by the time they hit 30, which is shown in this graph. Yet we also found that many are sceptical about being able to achieve this dream, with 77% of Gen Ys reporting that they are worried about their ability to realise this dream. And this next slide shows that there are around 10% less home buyers and owners in this age group than 15 years ago, so a decrease from 37.4% of this age group being home buyers, the 16 to 29-year-olds in 1989, and that's dropped down to 35.1% in 2004. And the home ownership for the 16 to 29-year-old, there was around 9.4% outright owned their home, and now it's dropped to around 2.6%.

They haven't gotten very far in the way of saving for their home deposit either, with only a quarter of them managing to save more than \$10,000. However 41% of those aged between 25 to 29 have already begun saving.

So this report we also investigate the type of money that Gen Ys are bringing in, how much wealth and debt they have and what their greatest expenditure is. Because this is such a diverse group of people all at very different life stages, there are large differences in their gross personal incomes depending on where they are at in life, and that's really important to remember. But the group overall has an average personal income of \$416 each per week. And not surprisingly towards the older age scale, that is the 25 to 29-year-olds, this increases to around \$672 per week. And those living in couple only households are faring the best, averaging around \$818 each per week in personal income.

So when we look at households headed by a Gen X, average weekly household income for those households within the top quintile are around \$120,000 per year, and those in the second highest quintile are around \$75,000 per year – amounts that cannot be ignored, but must be put into perspective when I think around \$120,000 is considered to be the minimum to be able to enter into the housing market in certain areas of Australia.

We've also found that Gen Y households don't really have much in the way of wealth. You can see the pie chart which breaks down Australia's wealth, and Gen Ys only hold around 3%, but they make up around 10% of Australian households, so households headed by a Gen Y are around 10%. Baby boomers unsurprisingly they have the majority of Australia's wealth, around 39%, and the next is builders at 34%, and Gen X at around one fifth.

The net worth, we calculated a net worth per person and it averaged at around \$80,000 with the majority of this held in the form of home equity, home contents, and cars. Couple only households hold more wealth on average in all asset classes than any other household type, which is not surprising given the increased earning capacities of this household. And persons in Gen Y households are averaging around \$10,000 in superannuation, and as mentioned earlier single men hold around \$25,000 more than single Gen Y women.

And despite the view that Gen Ys are squandering their money and spending up big on themselves, we have found that this is not the case, at least for Gen Y households – we couldn't get into the spending habits and the debt of Gen Ys living in other household types. In fact their expenditure patterns are very similar to Gen X 15 years ago, and over a fifth of Gen Ys household expenditure goes towards housing costs, and 14% of expenditure towards transport costs. They are however spending a lower proportion on voluntary superannuation and life insurance than Gen X was 15 years ago, a product of the superannuation guarantee and less need for voluntary contributions, but this trend is likely to change due to the new superannuation, the new co-contributions introduced by the federal government.

Moving onto debt, Gen Y, Ys debt at first looks quite large, \$60 billion all up for Gen Y households, but 75% of this debt is going towards the mortgage and around 9% towards investment/rental properties. They owe \$5 billion in HECS, and a quarter of Gen Y households have a HECS debt. And as I said before the shortfall of this data is that we cannot see what Gen Ys living at home are doing with their money and we can't see how much debt they have, because these figures only relate to Gen Y households.

So I'm now just going to sum up the main findings in this report. So we have many still living at home, around 50%, and that increased from 1989 to 2004. They are studying and working hard, and as I've said before even more so than Generation X was at the same age. They want a family, but they want to do it in their thirties, not in their twenties. Women are better educated and employed, but still on the back foot when it comes to income and asset accumulation. They want to own their own home, that dream is really well and truly still alive. They have little wealth compared to other generations, and single men have more wealth than single women.

So thank you for listening to me today, I hope this report has been able to help you and you've found it interesting, and I hope you've understood everything that I've had to say. And I will now hand back over to Peter. Thank you.

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