Life Course Trajectories and Wealth Accumulation in the United States: Comparing Baby Boomers and Millennials

Gruijters, Rob J., Van Winkle Zachary & Fasang Anette

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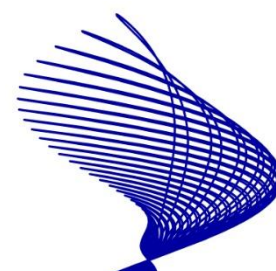Across the Lifecourse:
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Life Course Trajectories and Wealth Accumulation in the United States: Comparing Baby Boomers and Millennials

Rob J. Gruijters[1], Zachary Van Winkle[2] & Anette Fasang[3]

Abstract

It is widely assumed that Millennials are economically worse off than previous generations, partially because of their precarious employment conditions and more unstable family lives. We assess these claims based on detailed panel data from the 1979 and 1997 National Longitudinal Surveys of Youth. Using a combination of sequence analysis and unconditional quantile decomposition, we analyze the work and family trajectories of Millennials and Baby Boomers from age 18 to 35, and relate them to wealth holdings at the end of this period. We find that cohort differences in wealth change across the distribution: the poorest Millennials have less wealth than their Baby Boomer counterparts at the same stage in their lives, but the wealthiest Millennials have more. Millennials are less likely to enter the high-status occupations that are associated with wealth accumulation, and are more likely to work in low-skilled service jobs. Changes in family trajectories are even more pronounced, with a strong decline in the traditional pattern of early marriage and parenthood. These compositional changes in life course trajectories cannot explain the increase in wealth inequality, however. Instead, inequality has increased because of the widening within-cohort wealth gap between the working class and the salariat.

Keywords: Work-family life courses, Wealth inequality, Cohort comparison, Sequence Analysis, National Longitudinal Survey of Youth (NLSY)

1. Rob J. Gruijters, University of Cambridge, *rjg85@cam.ac.uk*
2. Zachary Van Winkle, University of Oxford & Nuffield University, *zachary.vanwinkle@sociology.ox.ac.uk*
3. Anette Fasang, Humboldt University Berlin, *anette.fasang@wzb.eu*

Acknowledgments

Introduction

Millennials are widely seen as the 'Precarious Generation', bearing the brunt of increasing inequality and instability in American society (Bessant, Farthing, and Watts 2017). Their experience is frequently juxtaposed to that of their parents' generation, the Baby Boomers, who came of age in a time of relative economic stability and progress. A major concern, among scholars as well as the general public, is that the combination of insecure employment and a prolonged transition to adulthood prevents Millennials from obtaining economic security in the form of wealth and home ownership (Leonhardt 2019; Thompson 2018). As a result, it has been suggested that they are "the first generation that is worse off than their parents" (Leatherby 2017)—posing a major challenge to the American Dream narrative of steadily improving opportunity and prosperity (Chetty et al. 2017; Johnson 2006). Now that the oldest Millennials are approaching middle age—a phase in which we may expect them to settle into relatively stable life trajectories and make their first steps on the property ladder—it is a good time to take stock of these claims.

The purpose of this study is therefore to compare Millennials' early employment and family life courses—from age 18 to 35—to those of the Baby Boomers, and to assess the relationship between these life course trajectories and wealth accumulation in each cohort. Specifically, we address three questions:

How does wealth at age 35 differ between Millennials and Baby Boomers?
How do early work and family life courses differ between Millennials and Baby Boomers?
To what extent can cohort differences in wealth be attributed to changes in work and family life courses?

The importance of wealth in American society can hardly be overstated: perhaps more than in any other society, it is an almost universally aspired marker of success and social status (Keister 2005). Moreover, wealth is associated with a range of desirable life outcomes for individuals and their descendants, including happiness, health and longevity (Benton and Keister 2017; Hummer et al. 2003; Pfeffer 2018; Senik 2014; Shanks 2007). It also serves an important insurance function, in the absence of a comprehensive social safety net (Killewald, Pfeffer, and Schachner 2017; Shapiro 2017; Western et al. 2012). Conversely, indebtedness and the lack of economic security contribute to family instability, social conflict and other individual and societal problems (Conley 1999; Desmond 2016; Neckerman and Torche 2007; Sharkey, Besbris, and Friedson 2017).

Increases in wealth inequality over the past few decades have been well documented (Piketty 2014; Wolff 2017). Growth in aggregate wealth has been concentrated at the top of the distribution, with stagnant or even declining wealth for most of the population. The increasing gap between the rich and the poor is one of the most pressing challenges of our time, and has galvanized major social movements, including Occupy Wall Street and Bernie Sanders' presidential campaigns. We

complement the predominant macro-perspective in the wealth literature with a micro-level analysis of individual life course trajectories and wealth outcomes across two birth cohorts.

We ascribe to a holistic life course perspective that conceptualizes work and family lives—as well as wealth accumulation—as longitudinal processes, rather than as point-in-time characteristics (Abbott 2005). Highly detailed prospective data from the NLSY 1979 (the 'Baby Boomers') and the NLSY97 (the 'Millennials') are used to reconstruct the work and family life courses of each cohort from age 18 to 35. This allows us to generate a typology of early work and family trajectories using sequence and cluster analysis. We then apply unconditional quantile decompositions to cohort wealth gaps at different points in the distribution, as well as to a measure of wealth inequality, the 90-10 differential. In doing so, we assess to what extent cohort differences in wealth levels and wealth inequality can be explained by compositional shifts in typical work and family trajectories or by changes in the economic returns to these life course trajectories.

In the following sections, we first highlight the importance of taking a life course approach in studying changes in wealth accumulation across cohorts. We then discuss the macro-historical context of each generation in relation to wealth accumulation, early employment careers and family life. We end our theoretical discussion by presenting a conceptual framework for studying the interplay between work and family life courses and wealth accumulation across cohorts; and formulate a set of hypotheses.

Theoretical Background

A Life Course Approach to Wealth Differences across Birth Cohorts

The life course paradigm emphasizes the unique experience of each birth cohort as it comes of age in a particular historical opportunity structure (Elder, Kirkpatrick Johnson, and Crosnoe 2003; Mayer 2009). Social change differentiates cohorts from one another, and thus "the comparison of their careers becomes a way to study change" (Ryder 1965:844). In American society, Baby Boomers and Millennials are not merely birth cohorts in the demographic sense, but Generations of the kind described by Karl Manheim (1927): culturally distinct groups with a clear set of defining characteristics. This is not to say that these two cohorts constitute homogenous social units: differences based on class, gender, race and other stratifiers are generally larger within than between cohorts. Because of their similar age structure and historical experience, however, cohorts are the appropriate *location* within which to study structural inequality and its change over time. The cohort perspective is particularly important when looking at a stock variable such as wealth, which displays pronounced age effects.

Young adulthood, approximately the period between age 18 and 35, is often considered the most crucial phase in the adult life course (Billari 2001). It is a "demographically dense" time in which most of life's major transitions take place, including the transition from school to work, leaving the parental home, and starting a family (Rindfuss 1991). By the start of mid-life (around age 35) the often turbulent life courses of early adulthood have solidified into relatively stable

categories, which reproduce themselves though well-known processes of path dependency and cumulative (dis)advantage (DiPrete and Eirich 2006). Inequalities emerging in the early life course therefore lay the foundation for future socio-economic stratification.

There are a number of channels through which individuals accumulate wealth or debts, such as through earnings from employment and investments, via partnering and family formation, or through inheritance and gifts from parents and other family members (Keister 2000). Generations may differ in their ability to generate wealth because they vary in their initial endowments, because of shifts in typical life trajectories, or because of changes in the returns to those trajectories. In this study, we will concentrate on changes in two major domains: work and family life.

We adopt a holistic life course perspective that sees family trajectories, work trajectories and wealth accumulation as ongoing and intertwined longitudinal processes rather than as final point outcomes (Abbott 2005; see also Aisenbrey and Fasang 2017). Unlike income, wealth reflects not just the economic situation at a point in time but the cumulative flows up to that point, including consumption, transfers and income from labor and capital. Moreover, wealth begets more wealth in the form of asset appreciation, dividends and other returns. It is therefore particularly suited as an indicator of both past and future economic wellbeing (Spilerman 2000).

In the following sections, we examine how recent changes in typical employment and family life courses might have affected wealth accumulation by Baby Boomers and Millennials. In doing so, we highlight a number of key macro-historical trends in American society that may be of relevance to our research questions.

Changes in Wealth across Birth Cohorts

Our first research question relates to differences in the distribution of wealth at the beginning of mid-life (age 35) for Millennials and Baby Boomers. Public and academic interest in wealth and wealth inequality has surged since the publication of *Capital in the Twenty-First Century* (Piketty 2014). Piketty and others have documented a sharp increase in wealth inequality in the US over the past few decades, with strong increases at the top and stagnation at the bottom (Piketty 2014; Saez and Zucman 2016). The FED Survey of Consumer Finances showed that mean US household wealth almost doubled between 1989 and 2016, from 353,000 to 689,000[i]. Median wealth increased only marginally during the same period, however: from 87,000 to 97,000. Meanwhile, household wealth at the 90th percentile increased from 686,000 to 1,187,000, and household wealth at the 10th percentile consistently hovered around zero.

Increases in wealth inequality are driven by a number of factors, the most important of which are increases in the relative returns on capital compared to labor (Piketty 2014) as well as differences in rates of return on different types of assets, notably housing wealth—which is predominant among the middle class—and financial assets, which are more common among the rich (Wolff 2017). Increasing wage inequality is another leading cause of increasing wealth disparities (Piketty and Saez 2003; Wolff 2017). Acemoglu & Autor (2011:1056) document a steadily increasing gap in the real wages of workers with different levels of education, starting in the early 1970s. This pattern is driven by a decline in the real wages of less-educated workers,

particularly men without a college degree, in combination with rapid increases at the top of the wage distribution. The Great Recession of 2008 led to a further increase in wealth inequality (Pfeffer, Danziger, and Schoeni 2013).

The importance of Piketty and related economists' work can hardly be overstated, but the aggregate cross-sectional picture they present has its limitations. Cohort differences in wealth do not necessarily follow changes in the aggregate distribution of wealth. There are indications that wealth gaps between older and younger households have increased (Wolff 2017), but we know little about the extent to which wealth inequality has changed across birth cohorts. More importantly, cross-sectional wealth records do not allow us to link wealth outcomes to social origins, life course trajectories, and other micro-level factors that give rise to differences in wealth. In this study, we seek to assess which work and family trajectories are conducive to wealth accumulation, and the extent to which this might explain cohort differences in the distribution of wealth. By comparing the life trajectories and wealth holdings of Millennials to those of their parents' generation (the Baby Boomers) at the same age, we complement the economic story about changes in the aggregate distribution of wealth with a detailed sociological account of cohort change in individual work and family life courses and its implications for economic opportunity and inequality.

Changes in Employment Careers across Birth Cohorts

Employment trajectories determine earnings, which are one of the major sources of household wealth. Wages, employment security and opportunities for career advancement vary strongly across occupations. For example, unskilled manual work generally provides limited opportunities for upward mobility and may entail cyclical or seasonal unemployment, while higher-grade professional jobs are often associated with extensive benefits and opportunities for career development. Longer, uninterrupted employment careers generally enable individuals to move up the seniority ladder and increase income and savings. Employment interruptions for childcare or due to unemployment deplete savings and are associated with negative stigma that further reduces individuals earnings and possibilities for wealth accumulation (Aisenbrey, Evertsson, and Grunow 2010; Ziefle and Gangl 2009).

Employment trajectories are determined by the combination of family background, education, individual preferences and characteristics, and external factors—mainly related to the labor market. Entry to the labor market is a vulnerable career stage, and young adults are particularly affected by economic cycles and changes in the demand for labor, because they affect the conditions under which they enter the labor market and set out on a career path. De-industrialization, skill-biased technological change and the rise of the service economy have fundamentally changed the American occupational structure over the last few decades. They have contributed to job polarization— the simultaneous increase in high-skilled and low-skilled occupations, at the expense of mid-range jobs (Autor and Dorn 2013; Kalleberg 2011). Especially since the 1980s there has been a rapid growth in low-paid service and caring occupations and a relative decline in mid-level

administrative and production jobs, which have been particularly affected by automation and computerization (Acemoglu and Autor 2011; Autor, Katz, and Kearney 2006a).

Another key macro-structural trend that affected our cohorts as they entered the labor market is the precarization and fragmentation of employment careers (Kalleberg 2009). Katz & Krueger report an increase in the prevalence of 'alternative work arrangements'—which includes agency workers ('temps') freelancers and other forms of non-standard work—from 10.7% in 2005 to 15.8% in 2015 (Katz and Krueger 2019). The rise of unprotected service jobs and employment volatility has been linked with underemployment, lower earnings and increased wage inequality (Kalleberg 2009, 2011; Standing 2011), and has likely undermined possibilities for wealth accumulation.

Millennials, who entered the labor market in the early 2000s, were particularly affected by these macro-structural trends. The wage distribution was considerably more unequal during the early adulthood of Millennials compared to their parents' generation, largely because of a polarization of wages between occupations (Mouw and Kalleberg 2010; Piketty and Saez 2003). Many Millennials also entered the work force at the height of the Great Recession and were forced to accept jobs with low levels of security or below their level of education, if they were able to find a job at all. Difficult or irregular transitions from education to work are likely to affect career development and earnings potential.

Changes in Family Life across Birth Cohorts

The way in which young adults form families and transition into adulthood in the United States changed dramatically during the second half of the 20th century. Young adults are staying in the parental home longer and postponed entry into marriage, while unmarried cohabitation and divorce have become more common. For example, the average age of first birth among women rose from 24.2 in 1990 to 25.4 in 2010 (Martin et al. 2012). The marriage rate has also dropped considerably, from 9.8 in 1990 to 6.8 in 2010 (United States Census Bureau 2010). In sum, the family experiences of young Americans are thought to be more complex and protracted, characterized by postponed parental home leaving, marriage and parenthood, as well increases in cohabitation, divorce, and non-marital parenthood (Smith, Crosnoe, and Chao 2016).

Family life courses affect wealth accumulation directly through partnering and the financial implications of certain family states and transitions—such as costly divorce suits or the expenses involved in raising children. Family trajectories also directly shape consumption behavior and possibilities to pool resources and benefit from economies of scale. As a result, married individuals tend to accumulate more wealth than singles, whereas union dissolution is associated with lower wealth (Killewald and Bryan 2018; Lersch 2017). Having children can either have a positive or a negative effect on wealth accumulation, depending on context, timing and family structure. Early and non-marital childbearing may interrupt education and career development, with negative repercussions for wealth accumulation, while delayed parenthood and childless marriage are associated with higher wealth (Painter II and Shafer 2011; Yamokoski and Keister 2006). Increases in assortative mating—the tendency to partner with individuals of similar socio-economic standing—may have contributed to wealth inequality within and between generations (Schwartz

2013). It is also an important pathway though which family background can affect one's life chances—including wealth accumulation—independent of occupational attainment.

Family life courses also affect wealth accumulation indirectly, through their effects on labor market decisions (Budig and Hodges 2010; Lersch, Jacob, and Hank 2017; Vespa and Painter 2011). Family lives tightly linked to employment careers, which in turn affect earnings and savings (Aisenbrey and Fasang 2017; Jalovaara and Fasang 2020). For example, more frequent re-partnering could spill over into employment and wealth accumulation by distracting energy from the job and incurring direct costs related to residential moves (Leopold 2018).

The 'diverging destinies' hypothesis (McLanahan 2004) claims that the abovementioned changes have led to an increasing bifurcation in American family life, with a mutually reinforcing cycle of unstable family lives and low incomes at the bottom, and stable two-parent, double earner couples at the top. Decisions to marry are increasingly linked to socio-economic status, with stable employment and economic security seen as a necessary precondition for marriage (Smock, Manning, and Porter 2005). Marriage has therefore not only declined but also turned into an increasingly middle-class phenomenon: only 27% of women without a high school degree were married in 2016, compared to nearly 60% of college-educated women (Smock and Schwartz 2020:11). Meanwhile single motherhood, cohabitation and divorce remain strongly associated with social disadvantage (Cherlin 2020; Smock and Schwartz 2020).

Changes in family structure over the past few decades, especially the increase in single-parent families, have likely contributed to increasing income inequality (McLanahan and Percheski 2008; Western, Bloome, and Percheski 2008). It is not unreasonable to speculate that this might extend to wealth accumulation. Although the relationship between marital status and wealth has been widely studied, the link between changes in other dimensions of family life and family life courses as a whole with wealth inequality is much more limited.

Conceptual Framework and Hypotheses

In the previous sections we discussed cohort changes in two main channels of wealth accumulation: employment and family life (Keister and Moller 2000). In reality, it is often difficult if not impossible to neatly attribute wealth holdings to each channel (Spilerman 2000). Wealth accumulation is closely intertwined with work and family life courses through several mechanisms. On balance, these mechanisms tend to be mutually reinforcing, creating virtuous cycles of stable career and family trajectories accompanied by wealth accumulation, or vicious cycles or irregular employment, family instability and debt or low wealth (Conley 1999; Vespa and Painter 2011). Moreover, these cycles are conditioned by parental wealth and other aspects of family background, creating intergenerational legacies of advantage and disadvantage (Killewald and Bryan 2018).

Based on the different channels of wealth accumulation sketched above, we expect employment and family life courses to be strongly associated with wealth accumulation for both the Baby Boomers and the Millennials. We are particularly interested in assessing whether and how generational shifts in typical work and family trajectories (compositional effects) as well as in the economic returns to these trajectories have affected generational differences in wealth across the distribution. For example, Millennials might accumulate less wealth because they have a higher

likelihood to experience unstable, low wage employment and family lives of serial cohabitation and separation that already led to lower wealth accumulation among the Baby Boomers. In this case, Millennials would simply acquire less wealth, because their lives are less conducive to wealth accumulation—a compositional effect. However, the same work and family life courses, such as college education and professional employment combined with stable marriage and parenthood might be associated with different levels of wealth accumulation for the Millennials compared to the Baby Boomers (a returns effect).

In the section on employment careers, we discussed how the wages of low-skilled manual workers have stagnated or decreased for many decades, while those of highly skilled workers have gone up (Acemoglu and Autor 2011; Kalleberg 2009). This suggests that employment trajectories based on manual work might have relatively lower wealth outcomes among Millennials, and that changes in the returns to different work trajectories might contribute to increasing inequality in wealth outcomes across cohorts. Compositional effects, especially the increase in low-paid service and caring occupations, are also likely to work to the disadvantage of Millennials.

The section on family change above highlighted that the increase in single-parent families has contributed to family income inequality (a compositional effect) (McLanahan and Percheski 2008). Moreover, the diverging destinies hypothesis suggests that income gaps based on family structure have increased over time (a returns effect) (McLanahan 2004). Higher levels of educational homogamy and the increasing selectivity of marriage may also contribute to increasing wealth gaps between family trajectories.

In summary, we hypothesize work and family trajectories to contribute to lower overall wealth and higher levels of wealth inequality for Millennials compared to Baby Boomers, because of 1) a compositional shift towards employment and family trajectories that are less conducive to wealth accumulation and 2) increasing divergence in the returns to 'advantaged' and 'disadvantaged' employment and family trajectories. The next section outlines how we plan to assess these hypotheses.

Method

Data and Sample

We rely on the NLSY79 and NLSY97 to address our research questions. The NLSY79 is a sample of 12,686 individuals born between 1957 and 1964, who were first interviewed in 1979. The NLSY97 sample consists of 8,948 respondents born between 1980 and 1984, who were first interviewed in 1997. Both NLSYs collect economic, sociological and demographic information on an annual or biannual basis, which allows us to construct detailed family and employment trajectories for each cohort. We limit our analysis to respondents who were observed at age 35 and did not have missing information on wealth at age 35. As a result, the youngest NLSY97 respondents (born in 1983 or 1984) were excluded from the sample because they had not yet reached age 35 by the time of the most recent survey (2017). Our analytical sample size is 6,793

for the NLSY79 (Baby Boomers) and 3,438 for the NLSY97 (Millennials). All analyses use sampling weights to account for the oversampling of ethnic minority respondents in the NLSY.

Measures

Our main variable of interest is real household wealth at age 35: the combined value of all assets, minus debts, adjusted for inflation. Both the NLSY79 and the NLSY97 ask for respondents' main assets and debts at regular intervals. For respondents who are married or living with a partner, the wealth variable also includes the partner's wealth. To ensure comparability across cohorts, we converted all wealth measures to 2017 USD and applied the same topcode (600k). A detailed description of how we computed the harmonized 'wealth at 35' variable is provided in Appendix C[ii]. In further analyses, we also look at similarly harmonized wealth components (home equity, financial assets, non-financial assets and debts) and home ownership at age 35. Home ownership is not only an important proxy for wealth (Pfeffer 2018), it also carries a profound cultural and psychological meaning (Desmond 2016).

Our key explanatory variables are the respondents' employment and family trajectories between age 18 and 35. To this end, we prepare the NLSY's rich annual panel data as a monthly calendar and apply sequence and cluster analysis to empirically identify work and family life course trajectories. We thereby examine "a complex set of life-course trajectories as they actually take place, providing ideal types of trajectories that can be interpreted and analyzed in a meaningful way" (Aassve, Billari, and Piccarreta 2007:371).

For the employment sequences, we distinguish between occupations based on the 9-category Erickson-Goldthorpe-Portacero (EGP) class scheme (Erikson, Goldthorpe, and Portocarero 1979), which is widely regarded as the dominant class scheme in the sociological literature (Breen and Jonsson 2005). Coding occupations according to social class allows us to assess how shifts in the occupational structure have affected cohort differences in wealth. A list of EGP classes, including examples of typical occupations, is provided in Table 1. Please refer Appendix B for more detail on the crosswalks used to convert NLSY occupational codes to EGP classes. It is important to note that the EGP scheme, despite its numerical labels, does not imply a linear prestige hierarchy of occupations. There is a clear prestige ranking, however, within the non-manual classes (I to IIIb), where we can distinguish between high-status white-collar classes (EGP I and II, the 'salariat'), and lower status service occupations (EGP IIIa and IIIb). A similar hierarchy exists among the manual classes (V to VII), where class V (supervisors and technicians) represent the most high-status technical occupations, and VII (unskilled manual workers) the lowest. Classes IIIb (lower service), VI (skilled manual workers and VII (unskilled manual workers) are typically considered working class jobs (Morgan 2017). In addition to the EGP classes, our employment calendars identify the non-work states 'in school', 'in college' 'unemployed' and 'out of the labor force' (see Figure 3).

The family sequences distinguish between living in the parental home, singles living independently, cohabitation, marriage and separation, each with or without children (see the legend in Figure 4 for an overview). These states represent the most important demographic events and

transitions in early adulthood, and are widely used in comparable literature (Billari 2001; Jalovaara and Fasang 2020; Van Winkle 2016).

All models control for the respondent's gender, race and parental education. Race was coded according to the NLSY categories "Hispanic", "Black" and "Non-Black / Non-Hispanic". The latter category contains Whites as well as individuals of Native American or Asian descent. Racial wealth gaps in the United States are known to be very large (Conley 1999; Shapiro 2017). It is beyond the scope of this paper to analyze the relationship between race, life course trajectories and wealth outcomes in the level of detail it deserves, so we will leave this as an important topic for further research. Parental education, an important proxy for social origin, is constructed as a continuous variable indicating the highest grade completed by the respondent's mother or father, whichever was higher. Table 2 shows that Millennials were more racially diverse and had significantly higher levels of parental education than Baby Boomers. Because the NLSY was designed to be nationally representative, there were no notable differences in the (weighted) number of female and male respondents.

Analytical Strategy

Our analytical strategy consists of three parts, roughly corresponding to our three research questions. First, we compare the distribution of wealth at age 35 for each cohort. Because the distribution of wealth is extremely skewed, and because of the topcodes applied by the NLSY to protect the identity of very wealthy respondents, comparisons based on the mean (such as t-tests and Ordinary Least Squares regression) do not provide meaningful information. Instead, we estimate cohort differences at different points (quantiles) in the distribution of wealth.

In a second step, we identify a set a 'typical' employment and family trajectories, using methods derived from sequence and cluster analysis (Abbott and Hrycak 1990; Studer 2013). This allows us to assess how the prevalence of specific life course trajectories (e.g. single parenthood or manual work) has shifted across cohorts. Specifically, we use optimal matching with indel costs of 1 and substitutions costs of 2 to compare all sequences in a pairwise comparison. This cost specification balances similarity in terms of the timing and order of life course states (Studer and Ritchard 2016). The resulting distance matrix summarizes how similar or dissimilar each pair of sequences is and was entered into a partitioning around medoids (PAM) cluster analysis to identify a typology of similar life course trajectories (Gabadinho et al. 2011). The most appropriate number of clusters was determined based on established cluster cut-off criteria and interpretative substance. The Average Silhouette Width (Studer 2013) was 0.21 for employment and 0.30 for family life courses. For more detailed information on the clustering procedures and outcomes, please refer to Appendix A.

Finally, we analyze the association between these employment and family trajectories and wealth accumulation using unconditional quantile regression models. Unconditional quantile regression (UQR) estimates the effect of explanatory variables on the unconditional quantiles of an outcome variable that is transformed using the recentered influence function (RIF) (Firpo, Fortin, and Lemieux 2009). Contrary to conventional quantile regression models, the definition of

quantiles in UQR is not conditional on the covariates included in the model (Killewald and Bearak 2014), and it can thus be used to analyze the returns to specific life course trajectories at different points in the unconditional distribution of wealth, controlling for family background. Quantile regressions have the advantage that wealth does not need to be transformed to reduce the skewness of the distribution, because these models are robust to the influence of outliers.

We are especially interested in the extent to which cohort wealth gaps at different points in the distribution are reduced or attenuated by differences in employment and family trajectories. In a follow-up to their original study, Firpo and colleagues outline how the classic Kitagawa-Oaxaca-Blinder (KOB) decomposition of differences in the means between two groups (Kitagawa 1955; Oaxaca 1973) can be extended to group differences in the unconditional quantiles of an outcome variable (Firpo, Fortin, and Lemieux 2018). Like the conventional KOB decomposition, the procedure they propose decomposes group differences in an outcome into 1) an 'explained' part of due differences in group characteristics (in our case, this would be the compositional effect resulting from shifts in employment and family trajectories across cohorts) and 2) an 'unexplained' part due to differences in the coefficients attached to those characteristics (cohort changes in the returns to specific employment and family trajectories). We apply these unconditional quantile decompositions to explain wealth gaps between Baby Boomers and Millennials at three different quantiles: the 10th, 50th and 90th percentile. In addition to looking at cohort differences in the level of wealth, we also decompose changes in wealth *inequality*. Following the example presented in Firpo et al. (2018), we use a measure of inequality that is not affected by topcoding or negative wealth: the 90-10 differential.

Results

Cohort Differences in Wealth and Wealth Inequality

Our first research question relates to cohort differences in wealth at age 35. Figure 1 shows that the distribution of wealth is much more unequal among Millennials than among Baby Boomers. At the lower end and in the middle of the wealth distribution, Millennials are significantly worse off than the previous generation. Almost 13% of Millennials had negative net worth at age 35—meaning their debts exceeded their assets—compared to only 8.7% of Baby Boomers. The median Millennials had nearly 25% lower inflation-adjusted wealth than the median Baby Boomer at the same age (44.3k vs. 57.9k, *p*<0.000). Millennials at the 90th percentile of the wealth distribution had about 20% *higher* wealth than their Baby Boomer counterparts, however (424k vs. 353k). In other words, the gap between rich and poor is larger among Millennials than it was for Baby Boomers at age 35, which corresponds with the aggregate trend of increasing wealth inequality that has been observed over the past decades (Piketty 2014; Saez and Zucman 2016).

To further explore differences in wealth between the two generations, we analyzed the individual assets and debts that together constitute net worth. For a typical American household, the most important asset is their own home. About 57% of Baby Boomers were homeowners by

age 35, compared to only 44% of Millennials (see Table 2). Figure 2 plots the distribution of the four main components of household net worth: home equity, financial assets, non-financial assets (cars, business assets etc.) and non-mortgage debt. While Millennials and Baby Boomers hold roughly similar levels of non-financial assets, Baby Boomers held higher levels of housing equity, particularly in the middle of the distribution. Millennials, on the other hand, held more financial assets, especially at the top of the distribution. Millennials were also far more likely to hold debts: 68% of Millennials held any kind of debt at age 35, compared to 43% of Baby Boomers. Moreover, the amounts of debt held by Millennials were far higher, probably reflecting the increasing cost of college and the corresponding expansion of student loans.

Cohort Differences in Life Course Trajectories

Our second research question asks how early work and family life courses differ between Baby Boomers and Millennials. We empirically identify ten distinct employment clusters and eight distinct family clusters, which represent 'typical' life course trajectories between the age of 18 and 35. The employment life courses cluster into 1) "College & Higher Professionals", 2) College and Lower Professionals", 3) "Some college and higher service", 4) "Lower service" 5) "Technicians and Supervisors" 6) "Skilled Manual", 7) "Unskilled Manual" 8) "Mixed low-skilled work" 9) "Military" and 10) "Out of the Labor Force (OLF)".

Most of the employment clusters were thus dominated by one of the EGP classes (see Table 1); although EGP class IV (self-employed) has been largely absorbed into the Skilled and Unskilled Manual as well as the Mixed Low-Skilled clusters. We also observed a "mixed low skill" cluster, which is characterized by a moving back and forth between low-skilled manual and service work spells (EGP IIIb and EGP VII), interspersed with periods of unemployment. This trajectory is likely to be the most precarious among the ones we observed, and highlights the substitutability of low-wage jobs at the bottom of the labor market. It is striking that there was relatively limited mobility from less to more prestigious occupational classes during the early life course. A similar observation was made by Frech and Damaske (2019), who looked at income trajectories. This underlines the importance of early life decisions and opportunities, especially with respect to college attendance and the transition from school to work.

We present a graphical representation of the employment clusters, in the form of a Relative Frequency Sequence Plot (Fasang and Liao 2014), in Figure 3. This representation shows, for example, that the 'Higher Professional' cluster largely consists of individuals who completed several years of college and then entered stable employment in an occupation classified as EGP class I (Higher-grade professionals, administrators, and officials). Interruptions due to unemployment or military service were uncommon in this trajectory. This can be contrasted with the 'Skilled Manual' trajectory, where college attendance was unusual, and brief stints in unemployment or unskilled manual work were common.

Figure 5 (top panel) shows how the prevalence of each employment trajectory differs between Baby Boomers and Millennials. The figure demonstrates a striking decline in the 'College and Upper Professional' trajectory, which incorporates the most high-status occupations, such as

lawyers, surgeons and engineers. Almost 17% of Baby Boomers belonged to this cluster, compared to just 6.7% of Millennials. The decline in the most high-status early careers may have particularly strong implications for capital accumulation, since this is the trajectory with the highest wages and employment benefits. The drop in Upper Professionals early careers is partially offset by a 8.3 percentage-point increase in the 'Lower Professional' cluster among Millennials, which includes occupations such as primary school teachers and computer programmers (see Table 1). We also observe a substantial increase in the 'Lower service' and 'Technicians and Supervisors' trajectories among Millennials, and a decline in the 'Skilled Manual' career. This corresponds to the rise of the service economy and the decline of 'mid-skill' manufacturing jobs (Acemoglu and Autor 2011; Kalleberg 2011). There was a slight decline in the 'Out of the labor force' trajectory among Millennials, which may correspond to increasing female labor force participation.

Family life courses cluster into 1) "Early marriage and parenthood", 2) "Late marriage and parenthood", 3) "Childless marriage", 4) "Cohabitation and parenthood" 5) "Single parenthood", 6) "Early divorce", 7) Singlehood and 8) "Late home leaver" (Figure 4). Family trajectories where thus characterized by the presence or absence of particular states (especially marriage and parenthood) as well as by the timing of major life transitions. Lone parenthood and early divorce are associated with socio-economic disadvantage in American society, whereas delayed marriage and childbearing is more common among high-status couples (McLanahan and Percheski 2008).

Compared to the employment trajectories, the family life courses show even more pronounced cohort change (see Figure 5, bottom panel), with strong declines in the 'married' types (early marriage, late marriage and childless marriage) and increases in trajectories dominated by singlehood, single parenthood and staying in the parental home. The decline in the "Early marriage and parenthood" trajectory—in which respondents marry and have children shortly after leaving the parental home—was particularly pronounced: 27% of Baby Boomers belonged to this cluster, compared to only 13.8% of Millennials. These findings are in line with sociological theories on the decline of marriage and the delayed transition to adulthood in American society (Cherlin 2020; Smith et al. 2016).

Table 3 presents a set of key indicators for each family and employment trajectory, such as social origin (indicated by parents' years of education) and the share of women and racial minorities. Women were overrepresented in the 'Higher service' and 'Out of the labor force' clusters, particularly among Baby Boomers. Women and ethnic minorities were underrepresented in the 'Upper professional' and 'Skilled labor' clusters.

Life Course Trajectories and Wealth Accumulation

After describing cohort differences in wealth accumulation and life course trajectories, we now seek to assess the relationship between the two. In line with our conceptual framework, we consider these relationships to be reciprocal and mutually reinforcing.

We start by analyzing the association between specific life course trajectories and wealth outcomes for each cohort. Median wealth holdings are strongly related to employment and family trajectories in each cohort. Figure 6 (top panel) shows that in both cohorts, the two 'Professional'

clusters had the highest median wealth at age 35. The 'Out of the labor force' trajectory was least conducive to wealth accumulation, followed by the 'Mixed low-skill' and 'Unskilled Labor' clusters. When comparing Baby Boomers and Millennials, it appears that the 'Higher Professional' trajectory increased its asset holdings across cohorts, while the wealth of the most disadvantaged employment trajectories remained stagnant or even declined. For example, the median wealth of the 'Upper Professional' trajectory increased from 153k to 208k, while the median wealth of the 'mixed low skill' trajectory declined from 24k to 12k. These differences are also evident when looking at rates of home ownership: although homeownership declined across cohorts for all employment trajectories, the decline was much even more pronounced for the 'unskilled manual' trajectory (from 59% among Baby Boomers to 38% among Millennials) than for the 'upper professional' trajectory (from 74% to 68%) (see Appendix A, Table A1).

We also found large differences in median wealth by family trajectory, with the 'Late marriage and parenthood' and 'Childless marriage' clusters being far wealthier at 35 than any of the others (see Figure 6, bottom panel). They also had the highest rates of home ownership in both cohorts (Table 3). In general, respondents who had children at a comparatively later age accumulated more wealth than those with early marriage and childbearing, while life courses characterized by single parenthood, cohabitation or divorce had the lowest wealth outcomes in both cohorts. Home ownership rates declined particularly strongly for single parents (from 33% among Baby Boomers to 23% among Millennials), early marriage with children (from 67% to 56%) and singles (from 54% to 39%).

The wealth differences displayed in Figure 6, however, do not control for parental education and other ascribed characteristics, such as race and gender, which may contribute to some of the observed gaps. Moreover, they only show differences at the median, and not at the lower and upper end of the distribution. Quantile regression results for each cohort at different points in the unconditional distribution of wealth (the 10th, 50th, and 90th percentile) show that wealth differences between employment trajectories remain large even when controlling for social origin (Table 4). Comparing differences in wealth at the 10th and the 90th percentile, we can see that wealth differences between the poorest professionals and the poorest manual workers are negligible, but these differences are very large when comparing the wealthiest individuals within these trajectories. Similarly, the wealth advantage of late marriage and marriage without children was concentrated at the upper end of the wealth distribution. It is possible that the least wealthy individuals in otherwise advantaged trajectories have not yet started accumulating assets by age 35, either because of lifestyle choices or because of student loan debt. Table 4 also allows us to assess how the wealth returns to employment and family trajectories have changed across cohorts. In general, we observe similar returns at the 10th percentile and at the median for Millennials and Baby Boomers, suggesting relatively stable patterns of within-cohort inequality. At the upper end of the distribution, however, the wealth gap between unskilled manual workers and more prestigious employment trajectories—especially 'Upper professionals' and 'Technicians'—increased greatly. The same can be observed for the most advantaged family trajectories, 'Late marriage with children' and 'Marriage without children'. In summary, there are large gaps in wealth

at 35 based on employment and family trajectories, and these gaps increased at the upper end of the distribution. We also observe large wealth differentials by race and parental education, which is in line with established knowledge.

In a final step, we assess the extent to which the observed cohort differences in wealth can be attributed to compositional differences in life course trajectories and/or differences in the returns to these trajectories. Table 5 shows the results of unconditional quantile (RIF) decomposition of wealth gaps between Baby Boomers and Millennials at the 10th, 50th, and 90th percentile. These decompositions are based on the models presented in Table 4. As we showed earlier, the cohort gap turns from negative at the lower end of the distribution (e.g. the poorest Millennials having less wealth than the poorest Baby Boomers) to positive at the upper end (the richest Millennials being richer). At the median, Millennials have 14.8k lower wealth holdings than Baby Boomers ($p < 0.001$). Following Fortin et al. (2018), we also decompose a measure of wealth inequality, the 90-10 differential. The gap between the 90th and 10th percentile increased by 80k across cohorts, from 351k to 431k.

Table 4 shows that compositional effects explain 1% ($p>.05$) of the -9.4k cohort gap at the 10th percentile and 75% ($p<.001$) of the -14.8k gap at the median. However, total compositional differences do not explain any of the of the 70.6k gap at the 90th percentile nor the corresponding increase in the 90-10 range. The negative signs on most of the explained components imply that compositional effects consistently work to the disadvantage of the younger generation, except for parental education. Our model thus suggests that the richest Millennials (at the 90th percentile of the distribution of wealth) accumulated more wealth than the richest Baby Boomers *in spite of* disadvantageous compositional shifts in life course trajectories, rather than as a result of these shifts. This is not surprising, because we have seen earlier that Millennials are less likely to experience the most economically advantageous employment and family trajectories (see Figure 5). For example, if Millennials had the same family trajectories as Baby Boomers, their median wealth would be 12.5k higher than what was observed.

By looking at the detailed decomposition, we can assess how changes in specific employment and family trajectories contributed to overall cohort differences in wealth. The detailed decomposition shows that the decline in 'Upper Professional' trajectories among Millennials reduced their wealth relatively to Baby Boomers, especially at the median and the 90th percentile, and served to reduce wealth inequality across cohorts. This was only partially offset by the growth in 'Lower Professional' trajectories. Similarly, the negative compositional effect of family trajectories was mostly driven by declines in the high-wealth 'Late marriage' and 'Marriage without children' trajectories among Millennials (see also Figure 5).

The decomposition results presented in Table 5 also show how changes in the economic *returns* to employment and family trajectories are associated with cohort differences in wealth. They are based on a counterfactual scenario in which Millennials have the same returns as Baby Boomers.

Changes in the returns to employment trajectories, family trajectories and parental education all contribute to increasing wealth inequality, mainly by increasing Millennial wealth at the upper end of the distribution. Returns to employment trajectories play a particularly important role here,

explaining 76% of the (negative) cohort gap at the 10th percentile, and 80% of the (positive) cohort gap at the 90th percentile. The detailed decomposition results show that increasing returns to the more high-status employment trajectories—especially 'Upper Professionals', 'Higher Service' and 'Technicians'—relative to unskilled manual workers widen the cohort wealth gap, and therewith contribute to increasing wealth inequality, as measured by the 90-10 differential. Similarly, increasing returns to 'middle class' family trajectories—especially delayed marriage and childbearing—explain a substantial share of Millennials' wealth advantage at the top of the distribution. It is also worth to examine the constant, which incorporates cohort changes in wealth for the baseline group (white men with an average level of parental education, an 'Unskilled Manual' employment trajectory and an 'Early Marriage' family trajectory). The constant was close to zero at each percentile, suggesting that the distribution of wealth among this relatively disadvantaged group was similar for Baby Boomers and Millennials.

In summary, the unconditional quantile decompositions suggest that increases in wealth inequality across cohorts are mainly driven by the widening within-cohort wealth gap between 'advantaged' and 'disadvantaged' employment and family trajectories, rather than by the compositional shifts in these life course trajectories.

Discussion

The purpose of this study was to understand the relationship between life course trajectories and wealth accumulation, using a cohort perspective. It is well known that wealth inequality is increasing in the United States (Piketty 2014; Saez and Zucman 2016), and we assessed the extent to which changes in employment and family life courses across two generations contributed to this phenomenon. The comparison between Baby Boomers and Millennials is particularly salient here, because these labels have become emblematic in the increasingly heated debate over generational injustice (Leonhardt 2019; Lorenz 2019). Millennials constituted more than a third of the US labor force in 2018 (Fry 2018), and their economic predicament is a source of major public concern (Leatherby 2017; Thompson 2018).

We showed that wealth is much more unequally distributed among Millennials than among Baby Boomers. The poorest Millennials have less wealth than the poorest Baby Boomers at the same age, but the richest have substantially more. The median Millennial had 25% lower wealth at age 35 than the median Baby Boomer, and home ownership decreased from 61% to 47%. This is in line with aggregate trends in wealth inequality, which show increasing indebtedness at the bottom of the distribution, and large gains at the top (Saez and Zucman 2016; Wolff 2017).

Using detailed monthly panel data, we reconstructed employment and family calendars from age 18 to 35 and clustered them into a set of 'typical' trajectories. The results reveal a steep decline in the most high-status employment careers among Millennials, as well as an increase in low-skill service work (EGP IIIb) and advanced technical occupations (EGP V). The latter include many jobs associated with the post-industrial knowledge economy, such as designers, sound engineers,

and artists. The change in family patterns is even more pronounced, with a strong decline in the traditional pattern of early marriage and parenthood, and an increase in trajectories characterized by singlehood, single parenthood and staying in the parental home.

A decomposition analysis shows that these compositional shifts in work and family life courses generally work to the disadvantage of the younger generation, although this only explains a small part of the changes in the distribution of wealth. Instead, most of the increase in wealth inequality results from the polarization of wealth returns to different life course trajectories: compared to Baby Boomers, Millennials displayed a larger wealth gap between disadvantaged trajectories associated with the working class (unskilled manual or service work, single parenthood) and the more advantageous trajectories typical of the middle class (professionals, technicians and late or childless marriage). These trends are even more pronounced when looking at differences in homeownership, which is a key proxy for wealth and an important life outcome in its own right.

Our findings thus reveal a vicious cycle of polarization in employment and family life and increasing economic inequality. This is in line with the diverging destinies literature (McLanahan 2004; McLanahan and Percheski 2008), which focuses on the polarization of family life, and the economic literature on job polarization and growing wage inequality (Acemoglu and Autor 2011; Autor, Katz, and Kearney 2006b). The rise in low-skill service employment described in Autor & Dorn (2013), is particularly pronounced among Millennials. Unlike the job polarization literature, which focuses on the occupational structure across the entire work force, we also observe a dramatic decline in trajectories defined by the most high-status occupations, such as lawyers, corporate executives and senior civil servants. At this point it is unclear whether this represents a structural shift or a pattern of delayed entry, and it will be important to follow Millennials' occupational trajectories in the coming years, as the large Baby Boomer cohorts retire from work.

The erosion of wealth in the lower end and the middle of the distribution, in combination with the decline in high-status employment trajectories and the increasing class divide in family structure, suggests that concerns about this Millennials' economic wellbeing are generally well-founded. Inequalities in wealth in early life are likely to persist and amplify over the life course, laying the foundation for future stratification in wealth and related benefits, such as health and longevity. The decline of wealth and homeownership at the lower end of the distribution and for and those in the most disadvantaged work and family trajectories is therefore particularly worrisome. Due to well-known processes of cumulative (dis)advantage—wealth begets wealth--early adulthood is a crucially important stage for wealth accumulation. Households who fail to get on the 'property ladder' or remain in debt are likely to encounter severe adversities in mid-life and beyond, including worse health outcomes, higher mortality and lower happiness (Deaton 2002; Hummer et al. 2003; Senik 2014; Shanks 2007).

Our study demonstrates how a longitudinal analysis of changing life course trajectories across cohorts can help us to understand macro-structural trends in American society, such as the rise in wealth inequality and the increase in social and economic polarization. In doing so, it contributes to a growing body of scholarship analyzing the micro-level foundations of wealth inequality (e.g. Bernardi, Boertien, and Geven 2019; Conley 1999; Keister 2005; Killewald and Bryan 2018;

Lersch et al. 2017; Pfeffer et al. 2013). We extend and complement this literature by 1) using a cohort perspective to understand change over time, 2) using longitudinal life course trajectories as predictors of wealth accumulation, 3) developing a conceptual framework that distinguishes between compositional change in life course trajectories and changes in the returns to these trajectories and 4) making comparisons across the unconditional distribution of wealth.

The analyses presented herein also have a number of limitations, however, which should be kept in mind when interpreting the results. First, as indicated in our conceptual framework, we do not assess the direction of causality in the association between work and family life courses and wealth accumulation. Instead, we believe they should be interpreted as mutually reinforcing processes. Moreover, we have limited information on the sources of wealth. While most of our theoretical mechanisms relate to earnings as a means of capital accumulation, transfers and bequests from parents, as well as differences in consumption rates, also affect wealth holdings. Cohort differences in wealth can also be caused by macro-level shocks that affect all wealth holdings simultaneously. For example, the global financial crisis of 2008 wiped out a large share of US wealth. Data from the Survey of Consumer Finances show that wealth holdings had recovered somewhat, although not fully, by the time our Millennial cohort reached age 35. Increases in inequality may also result from changes in the returns to different types of assets (Piketty 2014) or changes in the role of bequests and in-vivo transfers from parents and other relatives. Although it is difficult to estimate the exact share of transfers in wealth accumulation, recent evidence suggests that—contrary to popular belief—only a small proportion of young adults receive substantial wealth transfers from parents, and the importance of transfers has declined across cohorts (McKernan et al. 2014; Wolff 2015). However, for those fortunate enough to receive transfers, their average value has increased (Keister, Benton, and Moody 2019; Wolff 2015), which may also have contributed to the increase in wealth inequality at age 35. A further limitation is the lack of detailed measures of social origin—other than parental education—in the NLSY. Measures of parental wealth or homeownership could have helped us to further clarify the links between family background, early life courses and wealth accumulation. Finally, as a result of the top-codes imposed on the publicly released NLSY data we were not able to assess cohort changes in wealth at the very top of the distribution, where a large share of household wealth is concentrated[iii] (Vermeulen 2016). Future research should seek to disentangle the role of parental transfers, own earnings and partnering in wealth accumulation, and how these have changed over time. The approach presented here could also be used to understand the role of life course trajectories in explaining wealth gaps based on race, class origin and other ascribed characteristics.

These limitations, however, do not diminish our core finding of increasing wealth inequality across cohorts, driven by the polarization of economic returns to advantaged and disadvantaged employment and family life courses. The enormous and increasing gap between the rich and the poor is the most fundamental moral and political challenge facing American society today. It is impossible to achieve social justice without addressing the gross inequalities in wealth that lie at the root of most social problems. Reforming the institutions that create, perpetuate and magnify wealth inequality is a gargantuan task, but the rewards would be tremendous. Seymour Spilerman

suggests that "even modest levels of financial assets, which normally provide only a small addition to total income, can cushion a family from the economic shock of illness or job loss, enabling a home mortgage, car loan, and other bills to be paid for a number of months and thereby preventing a temporary loss of employment from snowballing into a wider crisis for the family" (2000:500). Policies that enable young families to build assets and attain economic security have large multiplier effects, because they can kickstart an intra- and intergenerational process of cumulative advantage. Such policies include—but are not limited to—tax reform, increasing the minimum wage, access to stable housing and health insurance, and strengthening worker's rights (Conley 1999; Desmond 2016; Keister 2000; Saez and Zucman 2019). We agree with Thomas Shapiro, however, that "a tentative, piecemeal, or fragmentary response will not suffice to create equity and family prosperity" (2017:132). What is required is no less than a comprehensive transformation of America's political, economic and social system.

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Figures

Figure 1: Cohort Differences in Wealth at Each Decile
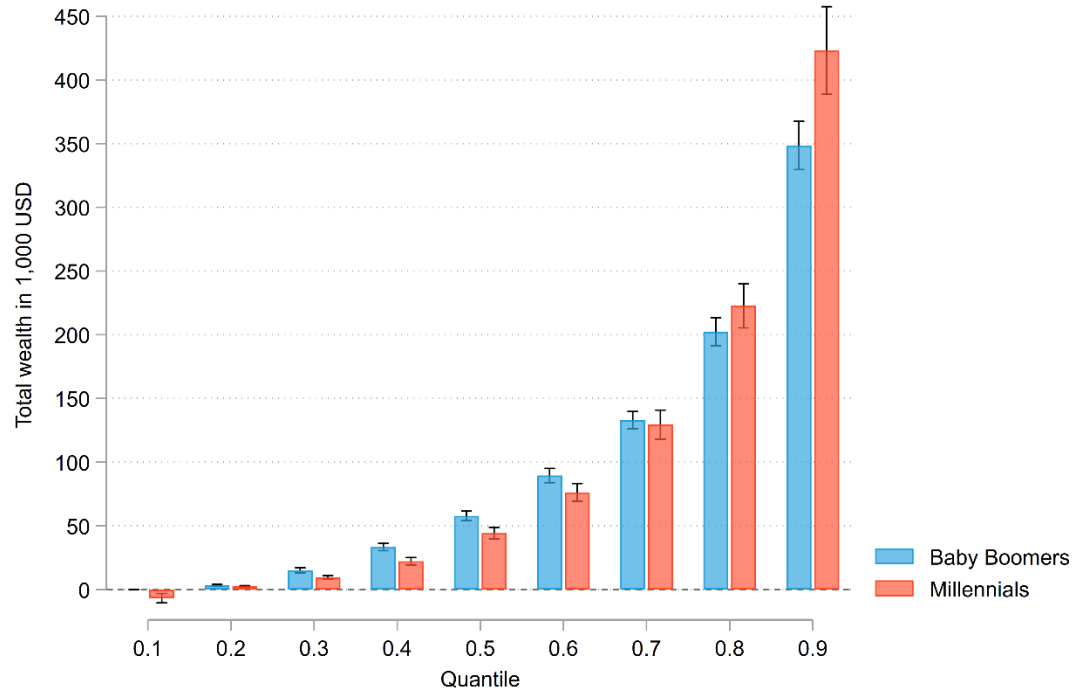
Note: Weighted, capped lines represent 95% confidence intervals

Figure 2: Cohort Differences in Wealth Components at Each Decile
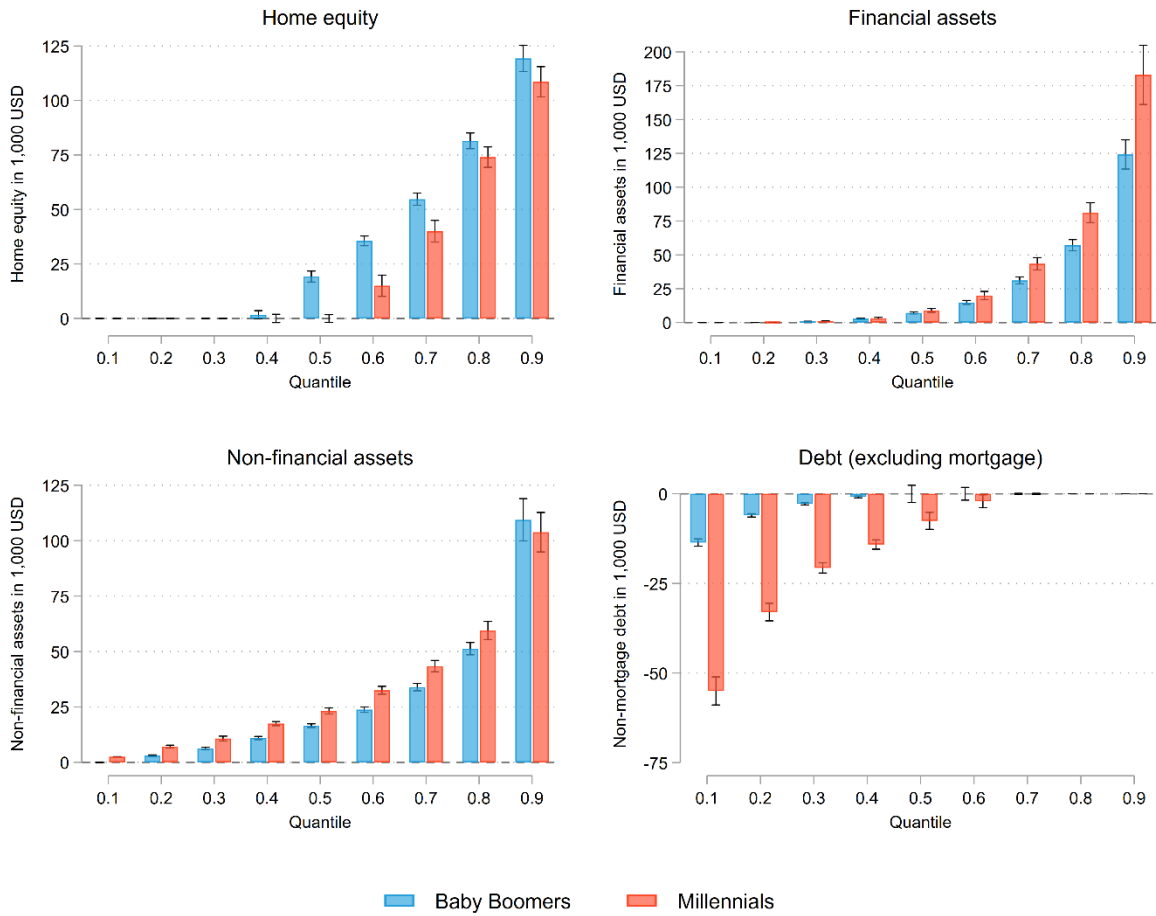
Note: Weighted, capped lines represent 95% confidence intervals

Figure 3: Employment trajectories: Relative Frequency Sequence Plots
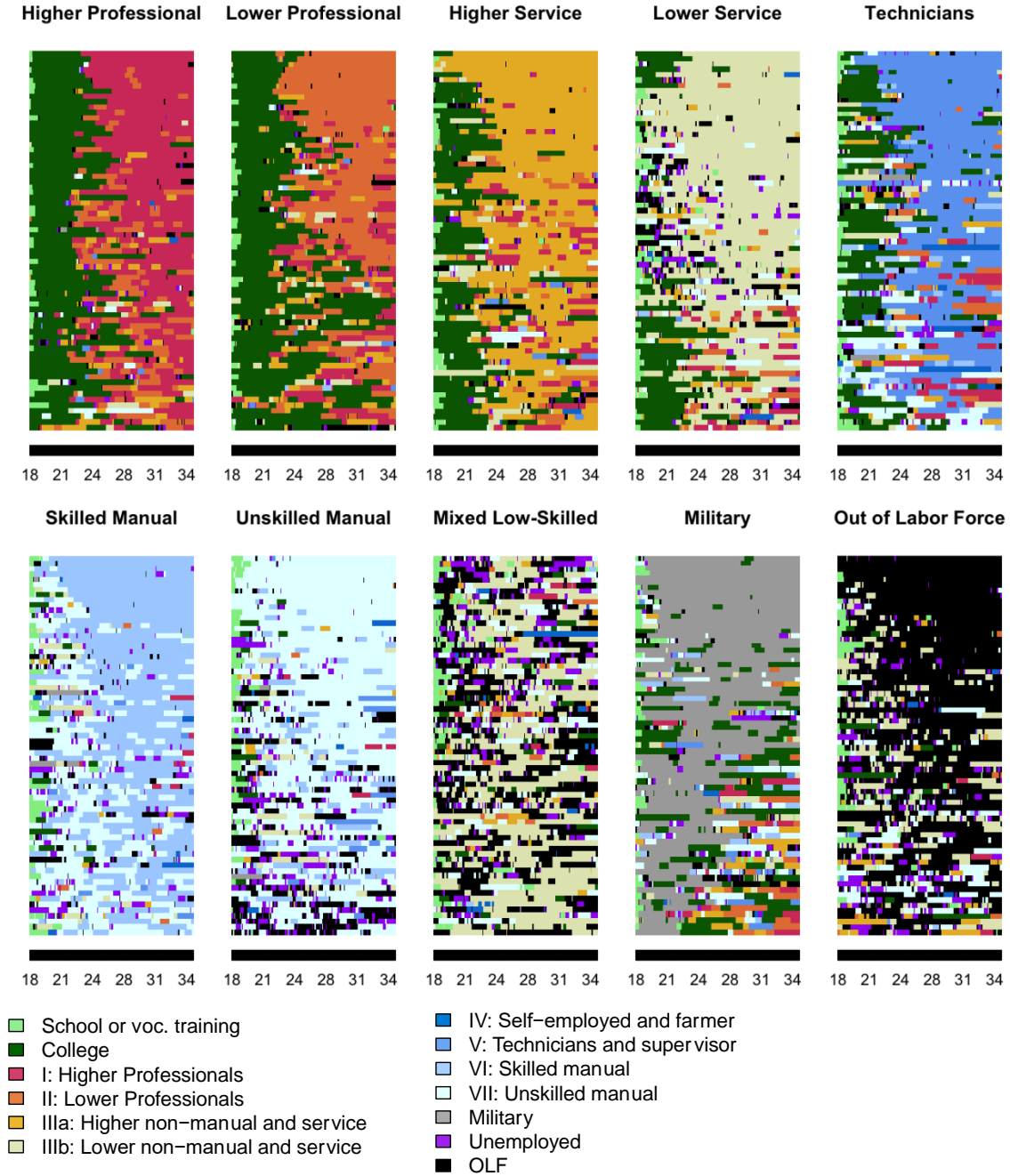
Note: Relative Frequency sequence plots (Fasang and Liao 2014) of employment trajectories, k=70, sorted descending by silhouette (strongest representatives of cluster at the top, outliers and poorly classified sequences at the bottom), age on the x-axis.

Figure 4: Family trajectories: Relative Frequency Sequence Plots
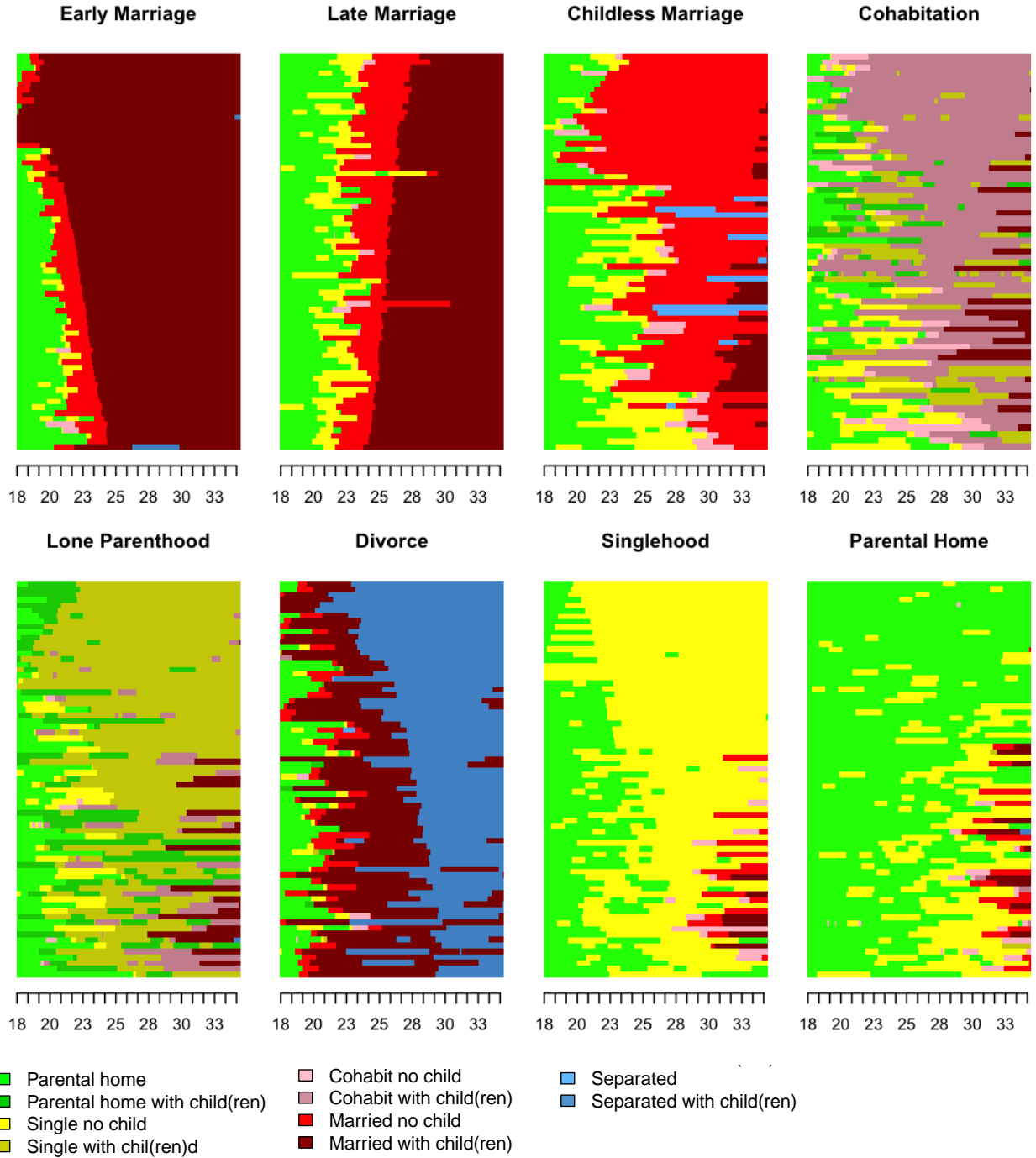
Early Marriage	**Late Marriage**	**Childless Marriage**	**Cohabitation**
Lone Parenthood	**Divorce**	**Singlehood**	**Parental Home**

- 🟩 Parental home
- 🟢 Parental home with child(ren)
- 🟨 Single no child
- 🟡 Single with chil(ren)d
- 🟫 Cohabit no child
- 🟪 Cohabit with child(ren)
- 🟥 Married no child
- 🟥 Married with child(ren)
- 🟦 Separated
- 🟦 Separated with child(ren)

Note: Relative Frequency sequence plots (Fasang and Liao 2014) of employment trajectories, k=70, sorted descending by silhouette (strongest representatives of cluster at the top, outliers and poorly classified sequences at the bottom), age on the x-axis.

Figure 5: Cohort Change in Employment and Family Trajectories (weighted)

Employment trajectories

Family trajectories
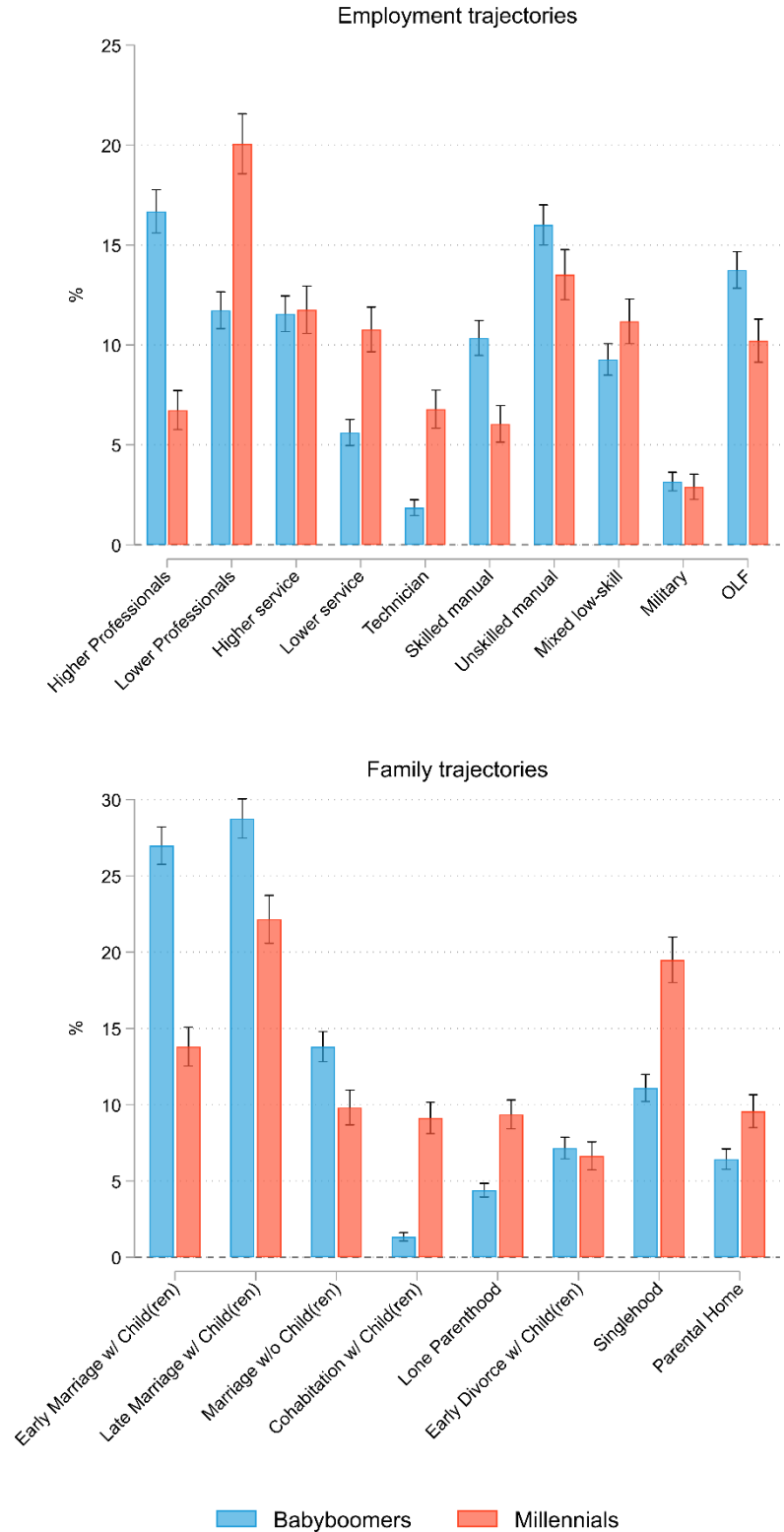
Figure 6: Median Wealth by Employment and Family Trajectory (weighted)
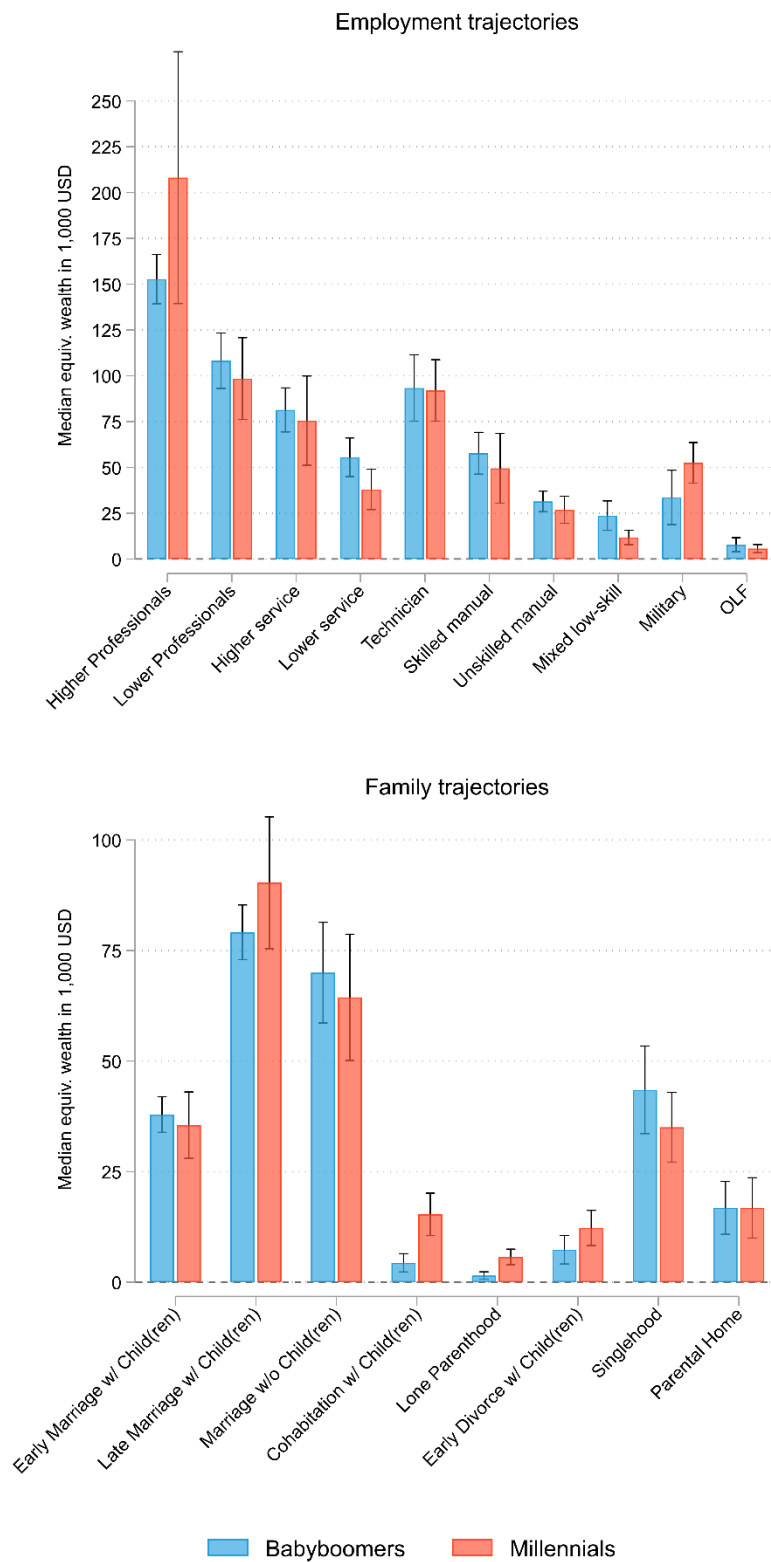
Tables

Table 1: The EGP class schema adopted in this study

Class	Class label	Illustrative examples
I	Higher-grade professionals, administrators, managers, and officials	Lawyers, Surgeons, Engineers
II	Lower-grade professionals, administrators, managers, and officials	Social workers, Primary school teachers, Computer programmers
IIIa	Routine non-manual and service employees, higher-grade	Secretaries, Sales representatives, Office clerks
IIIb	Routine non-manual and service employees, lower-grade	Hairdressers, Security guards, Waiters
IV	Farm owners and non-professional self-employed workers, with or without employees	Farmers, Garage owners
V	Higher-grade technicians and repairers, public safety workers, performers, and supervisors of manual workers	Police officers, Designers, Chefs
VI	Skilled manual workers, lower-grade technicians, installers, and repairers	Car mechanics, Carpenters, Electricians
VII	Semiskilled and unskilled manual and agricultural workers	Dishwashers, Truck drivers, Farm workers
Military	All members of the armed forces	Sergeants, Soldiers

Note: adapted from Morgan (2017:12–15)

Table 2: Comparing Baby-Boomers and Millennials at age 35 (weighted)

	Baby Boomers (N=6793)	Millennials (N=3438)	Difference	p-value
Median household wealth (in 1,000 2018 USD)	57.9	44.3	-13.6	0.000
Homeowner	61.4 %	47.3 %	-14.1	0.000
Employment trajectories:				
Higher Professionals	16.7 %	6.7 %	-9.9	.000
Lower Professional	11.7 %	20.1 %	8.3	0.000
Higher service	11.6 %	11.8 %	0.2	0.787
Lower service	5.6 %	10.8 %	5.2	0.000
Technicians	1.9 %	6.8 %	4.9	0.000
Skilled manual	10.3 %	6.1 %	-4.3	0.000
Unskilled Manual	16.0 %	13.5 %	-2.5	0.002
Mixed OLF / IV / VII	9.3 %	11.2 %	1.9	0.006
Military	3.2 %	2.9 %	-0.3	0.512
OLF	13.8 %	10.2 %	-3.5	0.000
Family trajectories:				
Early marriage w/ Child(ren)	27.0 %	13.8 %	-13.2	0.000
Late Marriage w/ Child(ren)	28.8 %	22.2 %	-6.6	0.000
Marriage w/o Child(ren)	13.8 %	9.8 %	-4.0	0.000
Cohabitation w/ Child(ren)	1.3 %	9.1 %	7.8	0.000
Lone Parenthood	4.4 %	9.4 %	5.0	0.000
Separation w/ Child(ren)	7.2 %	6.6 %	-0.5	0.380
Singlehood	11.1 %	19.5 %	8.4	0.000
Parental Home	6.4 %	9.6 %	3.1	0.000
Race:				
Non-Black / Non-Hispanic	80.2 %	70.4 %	-9.8	0.000
Hispanic	6.6 %	13.1 %	6.5	0.000
Black	13.2 %	16.5 %	3.3	0.000
Female	48.0 %	48.2 %	0.2	0.840
Parents: Highest grade (mean)	12.4	13.7	1.2	0.000

Table 3: Descriptives of the family and employment clusters, by cohort

| | Female | | Minority ethnic | | Parents average education | | Homeowner at 35 | | Median wealth at 35 | |
| | % | | % | | Years | | % | | Thousand 2017 USD | |
	BB	MIL	BB	MIL	BB	MIL	BB	MIL	BB	MIL
Work trajectories										
Higher Professionals	36.5	39.1	12.1	16.4	14.1	15.5	73.6	66.8	152.7	208.1
Lower Professionals	59.0	60.4	14.3	22.5	13.8	14.9	73.0	63.2	108.2	98.5
Higher service	80.5	63.0	17.7	29.2	12.6	14.1	68.4	57.7	81.4	75.5
Lower service	51.7	65.6	17.2	34.1	13.1	13.5	63.6	43.8	55.5	38.0
Supervisors & Technicians	20.5	29.1	14.4	27.7	12.0	14.0	70.6	54.9	93.3	92.0
Skilled Manual	7.4	3.3	13.1	20.6	11.8	12.9	64.4	56.1	57.7	49.5
Unskilled Manual	19.7	15.4	25.5	35.9	11.2	12.4	58.5	37.9	31.4	26.9
Mixed Low-Skill	72.7	68.4	23.4	39.1	11.7	12.9	49.5	28.7	23.7	11.8
Military	7.8	12.7	33.6	27.8	12.3	13.3	40.1	40.7	33.6	52.5
OLF	83.2	65.5	30.4	36.8	11.3	12.7	44.4	19.8	7.8	5.7
Family trajectories										
Early marriage, child(ren)	59.9	58.7	20.1	26.5	11.6	12.9	66.8	55.7	51.1	48.7
Late marriage, child(ren)	42.6	45.0	12.7	18.9	13.1	14.2	76.6	74.4	110.1	127.7
Marriage, no child(ren)	48.6	53.3	11.5	18.2	13.0	14.1	66.6	64.1	96.7	88.7
Cohabitation, child(ren)	41.8	48.7	49.3	37.8	11.0	12.7	17.1	31.6	4.4	18.5
Lone parenthood	52.5	62.5	70.7	67.0	11.0	12.5	22.0	20.1	1.6	7.1
Separation, child(ren)	57.7	63.2	22.7	31.0	11.6	13.2	32.9	23.3	8.5	13.7
Singlehood	34.1	38.0	17.4	24.1	13.5	14.5	54.1	39.1	50.9	43.0
Parental home	31.9	31.3	28.0	36.8	11.9	13.8	34.4	30.3	18.3	20.3
All	**48.0**	**48.2**	**19.8**	**29.6**	**12.4**	**13.7**	**61.4**	**47.3**	**57.9**	**44.3**

Note: Weighted. BB=Baby Boomers, MIL=Millennials

Table 4: Results from unconditional quantile (RIF) regressions, by cohort

	Baby Boomers			Millennials		
	Q10	Q50	Q90	Q10	Q50	Q90
Unskilled Manual	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*
Upper professional	1.6	66.4***	285.9***	-5.6	70.3***	610.3***
Lower professional	1.5	53.9***	176.0***	-13.4***	43.0***	197.5**
Higher service	0.7	40.5***	90.1*	-4.6	29.5**	286.1**
Lower service	0.1	8.3	57.7	-7.7*	9.5	36.6
Technicians & supervisors	7.4**	48.3**	17.8	-1.5	56.5***	336.5***
Skilled labor	4.5*	21.0*	-7.2	-2.2	14.6	-41.0
Mixed low-skill	-5.3	-14.3*	58.6	-12.8**	-22.6**	74.5
Military	-5.2	-1.9	-38.3	-25.5**	21.8	-108.7
Out of the labor force	-7.2***	-18.6**	88.7**	-0.6	-35.9***	26.9
Early marriage, child(ren)	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*
Late marriage, child(ren)	0.8	22.4***	109.4***	6.4	19.4**	233.7**
Marriage, no child(ren)	-0.4	2.9	107.9**	4.7	2.2	211.0*
Cohabitation, child(ren)	-5.5	-60.7***	-18.3	-4.1	-32.3***	-29.8
Lone parenthood	-4.5	-48.6***	-0.3	-2.1	-53.2***	-66.9
Separation, child(ren)	-13.5***	-58.3***	-48.3*	-6.1	-40.6***	-49.0
Singlehood	-5.4*	-33.9***	-9.5	-5.1	-30.7***	36.3
Parental home	-2.8	-50.1***	-38.8	-12.2*	-52.0***	-49.8
Female	-0.5	-0.2	-35.1	-5.7**	-12.1**	-100.0*
Non-Black / Non-Hispanic	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*	*ref.*
Hispanic	-1.4	-27.0***	-18.5	-0.1	-20.5**	-73.4
Black	-3.7*	-65.4***	-130.4***	-7.0*	-37.2***	-150.0***
Parents: highest grade	0.8***	4.5***	22.1***	-0.4	1.6	35.0***
Constant	5.1**	53.6***	242.9***	6.0	57.0***	242.7***
N	6542	6542	6542	3302	3302	3302

Note: Weighted. Bootstrapped standard errors, t statistics not shown. $^{*}\ p < 0.05,\ ^{**}\ p < 0.01,\ ^{***}\ p < 0.00$

Table 5: RIF-Oaxaca decomposition of cohort differences in wealth at different quantiles

	Q10	Q50	Q90	Q90-Q10
<u>Overall</u>				
Millennials	-6.7***	45.1***	423.9***	430.6***
Baby Boomers	2.7***	59.9***	353.3***	350.8***
Difference	-9.4***	-14.8***	70.6**	79.8***
Composition	-0.1 (1.0%)	-11.1*** (75.0%)	-6.0 (-8.4%)	-5.8 (-7.2%)
Returns	-9.3*** (98.9%)	-3.7 (25.0%)	76.7*** (108.6%)	85.6*** (107.2%)
<u>Composition</u>				
Unskilled manual	*ref.*	*ref.*	*ref.*	*ref.*
Upper professional	-0.2	-6.5***	-30.5***	-29.7***
Lower professional	0.1	4.3***	15.2***	14.8***
Higher service	0.0	0.0	0.1	0.1
Lower service	0.0	0.4	3.1	3.0
Technicians & supervisors	0.4**	2.2**	0.9	0.5
Skilled labor	-0.2*	-0.8*	0.3	0.5
Mixed low-skill	-0.1	-0.3	1.2	1.3+
Military	0.0	0.0	0.1	0.1
Out of the labor force	0.3*	0.6*	-3.0*	-3.2**
Total Employment trajectories	**0.3** **(-3.1%)**	**-0.1** **(0.6%)**	**-12.6*** **(-17.8%)**	**-12.7*** **(-15.9%)**
Early marriage, child(ren)	*ref.*	*ref.*	*ref.*	*ref.*
Late marriage, child(ren)	-0.1	-1.4***	-7.6***	-7.4***
Marriage, no child(ren)	0.0	-0.1	-4.8**	-4.7**
Cohabitation, child(ren)	-0.5	-4.6***	-1.5	-1.0
Lone parenthood	-0.3	-2.3***	-0.0	0.2
Separation, child(ren)	0.1	0.2	0.2	0.1
Singlehood	-0.5*	-2.7***	-0.8	-0.3
Parental home	-0.1	-1.6***	-1.3	-1.2
Total family trajectories	**-1.4*** **(14.8%)**	**-12.5*** **(84.4%)**	**-15.9*** **(-22.5%)**	**-14.3*** **(-17.9%)**
Female	-0.0	-0.0	-0.0	-0.0
Non-Black / Non-Hispanic	*ref.*	*ref.*	ref.	ref.
Hispanic	-0.1	-1.6***	-1.2	-1.1
Black	-0.2*	-2.1***	-4.6***	-4.4***
Total race	-0.3	-3.8***	-5.9**	-5.5**
Parental education	1.3***	5.3***	28.4***	26.7***

...cont. **Returns**	Q10	Q50	Q90	Q90-Q10
Unskilled manual	*ref.*	*ref.*	*ref.*	*ref.*
Higher Professional	-0.5	0.3	21.1[*]	22.0[*]
Lower Professionals	-3.2[***]	-2.0	2.8	6.8
Higher Service	-0.7	-1.2	22.6[*]	23.5[*]
Lower Service	-0.9	0.1	-2.5	-1.5
Technicians	-0.7[*]	0.6	21.3[**]	22.0[**]
Skilled Manual	-0.5	-0.4	-2.1	-1.6
Mixed low-skill	-0.8	-0.9	1.5	2.5
Military	-0.6[*]	0.7	-2.0	-1.4
OLF	0.8	-1.7[+]	-6.6	-7.1
Total Employment trajectories	**-7.1[*]** **(75.5%)**	**-4.5** **(30.4%)**	**56.2** **(79.6%)**	**65.1** **(81.5%)**
Early Marriage w/ Child(ren)	*ref.*	*ref.*	*ref.*	*ref.*
Late Marriage w/ Child(ren)	1.3	-0.6	26.8[+]	25.9
Marriage w/o Child(ren)	0.5	-0.1	9.6	9.3
Cohabitation w/ Child(ren)	0.2	2.5[*]	-1.0	-1.2
Lone Parenthood	0.3	-0.5	-6.1	-6.3
Separation w/ Child(ren)	0.6	1.1	0.1	-0.5
Singlehood	0.2	0.5	9.0	8.9
Parental Home	-0.9	-0.3	-0.9	-0.0
Total family trajectories	**2.3** **(-24.4%)**	**2.7** **(-18.2%)**	**37.5** **(53.1%)**	**36.0** **(45.1%)**
Female	-2.6[+]	-5.6[*]	-30.5	-28.2
White	*ref.*	*ref.*	*ref.*	*ref.*
Hispanic	0.2	0.8	-6.9	-7.1
Black	-0.5	4.3[***]	-2.2	-2.1
Total race	-0.3	5.0[**]	-9.1	-9.2
Parental education	-2.2[**]	-4.2[**]	18.1	20.8
Constant	0.6	2.9	4.5	1.0
Observations				

Note: Weighted. Decomposition based on the models presented in Table 4. Robust standard errors. All percentages in this table are calculated relative to the total difference, e.g. for the total composition component of the 10th percentile -0.1/-9.4 = 1.0%. Analyses conducted using the rif_oaxaca command in Stata 15 (Rios Avila 2019).

Appendix A: Sequence analysis and clustering

Analyses of employment and family sequences were performed using the TraMineR package in R (Gabadinho et al. 2011). As discussed in the 'Analytical Strategy' section, we used optimal matching with indel costs of 1 and substitutions costs of 2 to compare all sequences in a pairwise comparison.

The Average Silhouette Width was used to establish the optimal number of employment and family clusters. These trajectories can be interpreted as 'typical' life course trajectories, characterized by the occurrence of similar states and transition at similar stages in the life course.

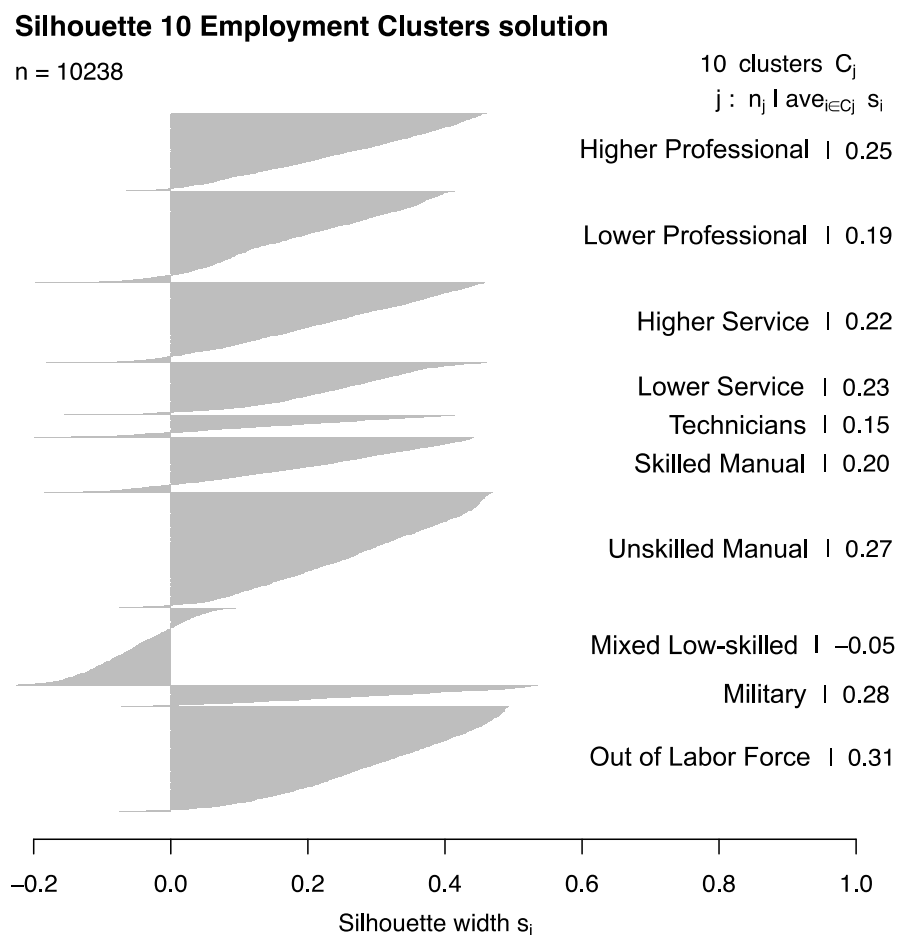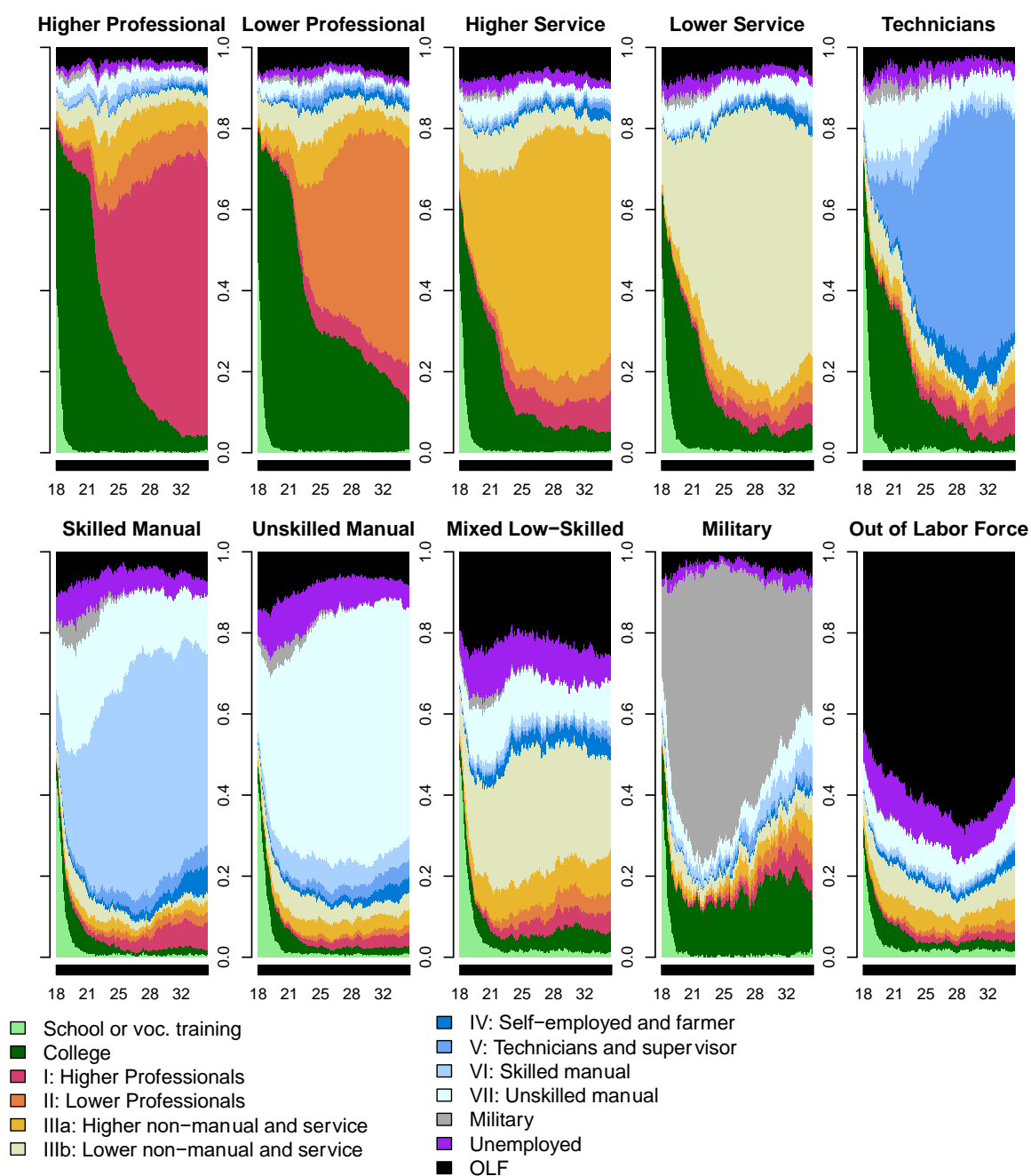**Figure A1:** Individual silhouette values for 10 employment clusters

Figure A1 visualizes the individual silhouettes and average silhouettes per employment cluster and provides information on the degree of cluster classification error within and across clusters. Silhouette values may range between -1 (low coherence) and +1 (high coherence). Within clusters, negative silhouette values indicate poorly classified individuals may have been grouped into another cluster, while positive values indicate that individuals strongly reflect the main pattern of the cluster. An overall cluster silhouette of 0.25 is considered to indicate

adequate structure and coherence within the cluster. As can be seen in Figure A1, our Out of the Labor Force (ASW = 0.31), Military (ASW = 0.28), Unskilled Manual (ASW = 0.27), and Higher Professional (ASW = 0.25) clusters display an adequate structure with very few individuals have negative silhouettes, highlighting the orderly nature of these career types. Other clusters, i.e. the Lower Service (ASW = 0.23), Higher Service (ASW = 0.22), Skilled Manual (ASW = 0.20), Lower Professional (ASW = 0.19) and Technicians (ASW = 0.15), fall slightly below this threshold likely due to higher volatility within the cluster, for example due to labor market entrances and exits as experienced by Millennials, who are overrepresented within these clusters. Only our Mixed Low-Skill cluster (ASW = -0.05) displayed a low overall silhouette demonstrating that this cluster is highly heterogeneous. However, we consider this to be substantively important, because individuals with high employment volatility will only be captured as a group with low cluster coherence.
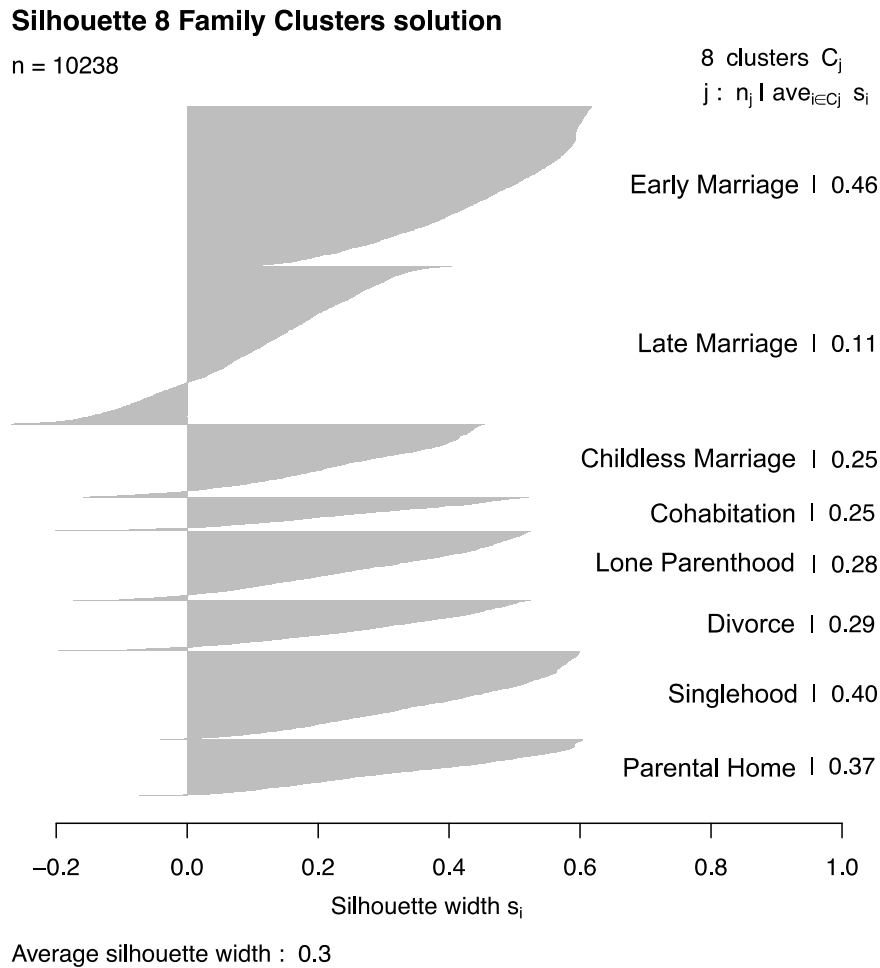
Figure A2 displays the distribution of sequence states within each employment cluster at a given age. In combination with the Relative Frequency Sequence Plots presented in Figure 3 it helps us to understand the employment trajectories identified by the clustering algorithm. For example, it becomes evident that individuals in the 'Military' cluster were more likely to attend college in their late twenties and early thirties than those in other trajectories. It is also clear that unemployment spells were more common in the manual than in the non-manual trajectories.

Figure A2: State distribution plots of employment sequences

We followed a similar procedure for the employment clusters. Figure A3 visualizes the individual silhouettes and average silhouettes per family cluster.

Figure A3: Individual silhouette values for eight family clusters

Silhouette 8 Family Clusters solution

n = 10238

8 clusters C_j

$j : n_j$ I ave$_{i \in Cj}$ s_i

Early Marriage I 0.46

Late Marriage I 0.11

Childless Marriage I 0.25

Cohabitation I 0.25

Lone Parenthood I 0.28

Divorce I 0.29

Singlehood I 0.40

Parental Home I 0.37

Silhouette width s_i

Average silhouette width : 0.3

Compared to the employment clusters, our family clusters are overall well-structured with high internal coherence. Only one cluster, Late Marriage (ASW = 0.11), falls below the threshold of 0.25 indicating an adequate structure. This is likely driven by heterogeneous living arrangements preceding marriage, especially common among Millennials, such as returning to the parental home, singlehood, and cohabitation.

Figure A4: State distribution plot of family sequences
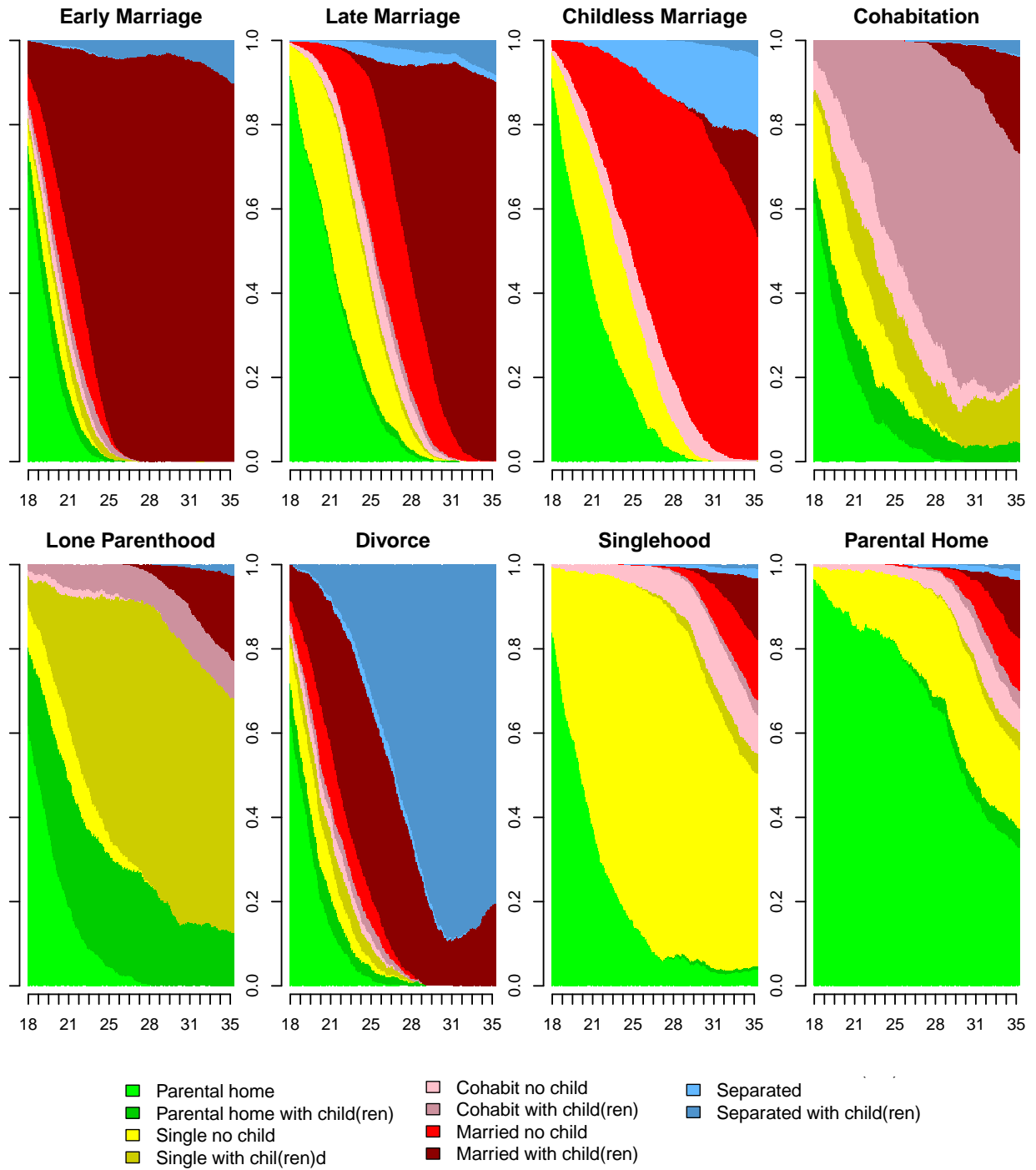
Figure A4 displays the distribution of sequence states within each family cluster at a given time point, supporting the interpretation of the family clusters.

Appendix B: Converting NLSY occupational codes to EGP classes

The NLSY categorizes respondents' job descriptions using the three-digit US Census Standard Occupational Classification (SOC). Comparing occupational classifications in the NLSY79 and NLSY97 is complicated because the NLSY79 uses the 1970 SOC, while the NLSY97 uses the 2000 SOC. The differences between these two coding schemes are so fundamental that it is not possible to convert one into the other (Mitnik and Cumberworth 2016). Instead, we use crosswalks to convert both sets of classifications to EGP classes, the dominant class schema used in the international sociological literature (Erikson et al. 1979).

To convert the 1970 Census occupational codes to EGP classes, we employ a widely used crosswalk developed by Michael Hout (2005). For the 2000 SOC codes, we use the crosswalk developed by Stephen Morgan for the General Social Survey (Morgan 2017). Morgan sought to create a version of the EGP class schema that follows the spirit of the 1970s original, yet takes into account the subsequent evolution of job titles, responsibilities and skill requirements. This implies that our class schema reflects the occupational structure at the time of data collection. For the sake of simplicity, we combine some of the smaller subcategories into single classes (IVa/b/c into IV and VIIa/b into VII). There is a degree of subjectivity involved in allocating jobs to specific classes, especially when the underlying occupational classification changes. However, Mitnik and Cumberworth show that class measures tend to be fairly robust to using different conversion strategies (2016). The final class schema employed in this study, including some illustrative occupations, is presented in Table 1.

In creating the longitudinal employment trajectories, we assign the class labels to monthly employment codes. In case of respondents with multiple jobs, we use the primary occupation based on the number of hours worked. In addition to the occupational classes, we define four non-occupational employment states: secondary education, tertiary education, unemployed and out of the labor force.

Appendix C: Harmonizing wealth variables in the NLSY79 and the NLSY97

We are interested in comparing household net worth (hereafter referred to as wealth) at age 35 between the NLSY79 cohort (the 'Baby Boomers') and the NLSY97 cohort (the 'Millennials'). Wealth is measured in slightly different ways in the NLSY79 and the NLSY97. Below we explain how we obtained our harmonized "Household Wealth at 35" variable.

In the NLSY79, detailed information on assets and debt was calculated in each survey year. We take wealth information from the survey round in which the respondent was aged 35 (round 1992 to 2000). If a respondent was not interviewed at age 35, we take the average of wealth observed at age 34 and age 36. A robustness check (available upon request) shows that are results are substantively similar when only using wealth collected at age 35.

In the NLSY97, detailed information on assets and debts was calculated at three points: after the respondent turned 25, 30 and 35, respectively. We only include respondents for whom wealth information at age 35 is available. This means we exclude the NLSY97 respondents born in 1983 and 1984, because they had not yet turned 35 when the most recent survey was conducted (Round 18, fielded in 2017-18, released in December 2019).

To harmonize our wealth indicators, we first adjust for inflation by converting all wealth variables to 2017 USD using the Annual Consumer Price Index provided by the Federal Reserve Bank of St. Louis (https://fred.stlouisfed.org/categories/9). Wealth variables in the NLSY are topcoded to protect the anonymity of respondents with high asset values. Different rules for topcoding were applied in the NLSY79 and the NLSY97. To ensure consistency between cohorts we applied the stricter NSLY97 topcode to all respondents. This implies that real wealth holdings above 600k (in 2017 USD) were replaced with the 600k topcode. This topcode was applied to 3.5% of the Baby Boomer sample and 4.9% of the Millennial sample. We do not know the actual wealth holdings of the topcoded households, and we can therefore not provide meaningful estimates for means, GINI coefficients, wealth shares and other parameters that rely on full information across the distribution. In this study we therefore only report results based on wealth quantiles, which are not affected by the topcoding of high net-worth households.

Notes

[i] Calculations by authors, data derived from

https://sda.berkeley.edu/sdaweb/analysis/?dataset=scfcomb

[ii] In analyses of household income, it is standard practice to adjust for household size and composition using an internationally recognized equivalence scale, such as the modified OECD equivalence scale. Equivalized income measures assume that larger households need more income to achieve the same standard of living, but also acknowledges that there are economies of scale in living together, particularly through the shared residence. The use of equivalence scales is much less common

in studies on household wealth, and the OECD 'Guidelines for Micro Statistics on Household Wealth' state that "no internationally agreed equivalence scales exist, and there is no consensus on whether the scales used for income are appropriate for wealth" (2013:169). Cowell and van Kerm (2015) argue that if one "interprets wealth as an indication of status or power, there is little reason to adjust wealth for household size at all" (p. 6). In this study, we therefore decided to report findings based on non-equivalized household wealth, in line with previous literature. Supplementary analyses (available upon request) show that our substantive conclusions would remain unchanged when using an equivalized wealth measure.

[iii] In personal communication, the NLSY administrators have assured us that less restrictive top-codes will be applied in future data releases.