GENERATION GAP: Evidence that young Brits are now less likely to 'do better' than their parents

Doing better financially than your parents is an important marker of success, and for much of the last half century, real earnings growth in the UK was strong enough that most young people achieved this milestone. But new research by **Jo Blanden**, **Stephen Machin** and **Sumaiya Rahman** shows that plummeting earnings since the Great Recession has meant that fewer young adults now are earning more than their fathers.

Comparing the standard of living today with that of the past is crucial for understanding the UK's economic and social health. In a study to be presented at the annual congress of the European Economic Association in Manchester in August 2019, the researchers use the concept of 'absolute mobility' – the proportion of people earning more than their parents – to explore this important topic.

In 2005, more than half of men and women aged 30 earned more than their fathers. By 2017, there had been a dramatic fall, with only about a third achieving this.

The research finds that the key contributor to the worsening outcomes of young adults has been the fall in real earnings since 2007. If real weekly earnings had continued to grow at 2% each year since the Great Recession (following the pre-2008 trend), the proportion of young adults exceeding their fathers' earnings would have stayed at 50% in 2017.

It is therefore a significant challenge for the government to stimulate earnings growth, which would be a powerful catalyst for improving standards of living. This is even more necessary given the few policy levers – such as the minimum wage – available to boost wages.

The new results correspond with findings from a recent Ipsos MORI poll showing that only 36% of 'millennials' (young people born between 1981 and 1996) believe that they will be financially better off than their parents. The figure among 'baby boomers' (people born in the period from 1945 to 1965) is about 20 percentage points higher.

The authors compare their results with those for Canada and the United States. The outlook for the UK and the United States is similar, with both showing significant falls in absolute mobility. But there is not the same pattern in Canada where absolute mobility is higher and has remained stable.

Co-author Sumaiya Rahman comments:

> 'Canada's experience indicates that the poor prospects for young people in the UK are not inevitable.'

The empirical analysis considers men and women separately. As women earn less than men, only a quarter of women aged 30 earned more than their fathers in 2017, compared with almost 45% of men of a similar age. Faster growth in young women's earnings in the 1990s and early 2000s meant that daughters improved their chances of earning more than their fathers, but the consequences of the Great Recession have reversed this trend.

Co-author Jo Blanden says:

> ‘Research and political debate have focused on relative social mobility – that is, whether those with higher incomes are likely to have children who are also relatively well-off. Upward absolute mobility was triggered by rising earnings.’
>
> ‘Our research highlights that this is no longer the case and clearly demonstrates that the economic gap between old and young is likely to become an increasingly charged political issue.’

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Notes for editors:

1. ‘Falling Absolute Intergenerational Mobility’ will be presented by Sumaiya Rahman of the University of Surrey at the European Economic Association annual congress in Manchester on 27 August 2019.
2. This is joint work with Jo Blanden of the University of Surrey and Centre for Economic Performance (CEP), LSE and Stephen Machin, director of CEP.
3. The work links to ‘Millennial: Myths and Realities’ by Ipsos MORI (available here), published in 2017.
4. The research on real weekly earnings growth is from: Costa, R, and S Machin (2017) ‘Real Wages and Living Standards in the UK’, CEP Election Analysis No. 36. http://cep.lse.ac.uk/pubs/download/ea036.pdf
5. The research on absolute mobility in Canada and the United States is: Chetty, R, D Grusky, M Hell, N Hendren, R Manduca and J Narang (2017) ‘The Fading American Dream: Trends in Absolute Income Mobility since 1940’, *Science* *356*(6336): 398-406. https://doi.org/10.1126/science.aal4617 Ostrovsky, Y (2017) ‘Doing as Well as One’s Parents? Tracking Recent Changes in Absolute Income Mobility in Canada’, *Social Analysis and Modelling Division, Statistics Canada*. Retrieved from https://www150.statcan.gc.ca/n1/pub/11-626-x/11-626-x2017073-eng.htm