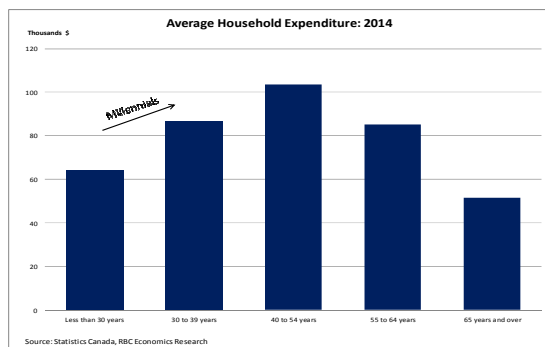
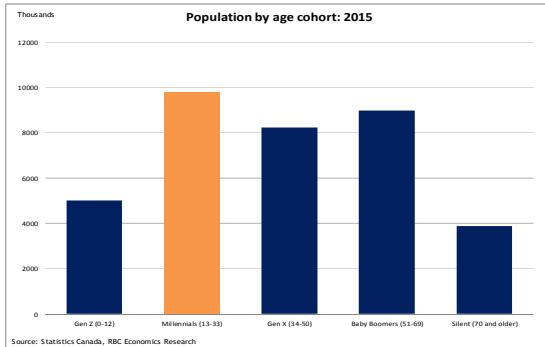


Millennials

October 2016



In 1979, the average price of a home in Canada was \$67,000. Inflation was running at 9.1%, and the Bank of Canada’s interest rate hit 14%. It was the year that the snowboard was invented, ESPN was launched and the first commercial cellular network was established—a harbinger of things to come. The newest toy of the country’s young baby boom generation—aged 15 to 33 - was the \$200 Sony Walkman. The prime minister was a Trudeau, at least for the first half of the year.

There’s still a prime minister named Trudeau. But today, the average home costs \$493,000, and inflation is running around 1.5%. The Bank of Canada’s key rate is just 0.5%. There’s talk about artificial intelligence disrupting our lives. Mobile devices and streaming have put a vast trove of entertainment in the hands of Canada’s millennials.

And they’re in the driver’s seat. The sheer size of the millennial cohort—at 9.8 million, it accounts for the largest share of Canada’s population—ensures it will dominate Canada’s future, just as the baby boom generation did the past three decades. And while there’s often focus on the obstacles millennials face, such as a tough job market and sky-high prices for starter homes, the data suggest they’re in pretty good shape.

A favourable starting point

Canadian millennials have inherited a labour environment in many ways better than that of their parents. Rising female participation in the workforce, increasing educational attainment, and narrowing wage differentials between millennials and people of prime working age are trends they can expect to benefit from. This tech-savvy, well-educated and diverse cohort will increasingly determine economic and social trends given their sheer numbers and rising purchasing power.

Millennials’ tech savvy is a source of economic clout

The rise of computers, the Internet and then smartphones coincided with millennials’ early years. For this generation, communicating through mobile devices and social media, engaging in e-commerce and consuming and producing digital content are second nature.

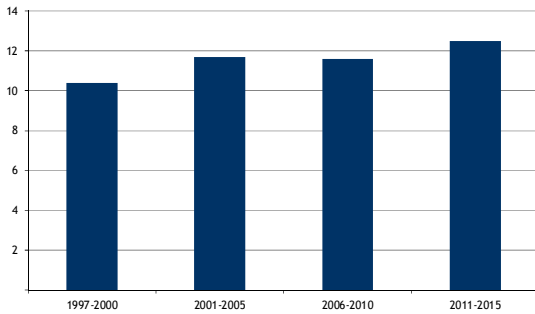
These abilities ensure they will have a significant impact on the evolution of Canadian economic activity. The emergence of the ‘gig’ economy highlights this power—companies like Uber, Lyft and Airbnb blossomed, in part, due to millennial adoption and have become household names.

Millennials’ deep engagement with technology is fueling disruption across a number of sectors, including news dissemination and retailing. For instance, more than three-quarters of millennials who follow the news rely on the Internet, and 30% of them order groceries online for home delivery, the highest among all age groups¹. Those shifting habits are having serious economic consequences for news publishers and retailers. But the list of affected indus-

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Temporary workers: Term or contract job

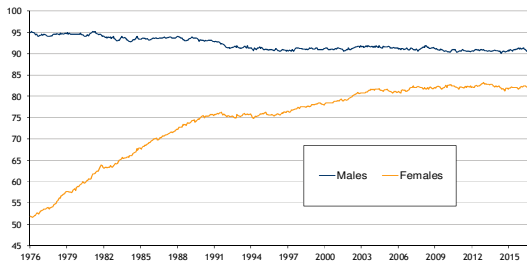
% of all workers aged 15 to 24 with a temporary term or contract job



Source: Statistics Canada, RBC Economics Research

Labour force participation rate: 25 to 54 age cohort

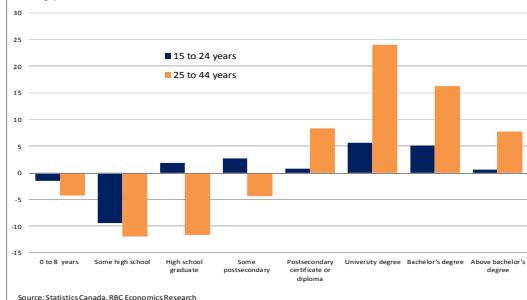
% of population



Source: Statistics Canada, RBC Economics Research

Educational Attainment: Females

Percentage point difference in 2015 from 1990



Source: Statistics Canada, RBC Economics Research

tries doesn't end there—banking and transportation come to mind—and their tech habits are launching new industries too.

Millennials are also set to foster the development of the so-called sharing economy, which covers transportation and hotel accommodation but could expand to other sectors. Notably, millennials aged 18 to 24 are twice as likely as people over the age of 25 to view access to the sharing economy as the “new ownership”².

Millennials are actively engaged in the workforce

Millennial youth are pursuing more education than their parents, which in turn, is contributing to a rising share of them working on a part-time basis. In 2015, 35% of 20-to-24 year olds in Canada worked part time, up from 10% in 1979.

And despite the common perception that millennials have less job security than previous generations, they actually tend to change jobs about as frequently as baby boomers. On average, millennials stay at a full-time job for just over 19 months—compared with 21 months for baby boomers back in 1979. They also hold part-time employment only slightly longer than their predecessors (17.5 months versus 15 months).

These figures suggest that the path to establishing a career isn't that much different for millennials. Notably, the unemployment rate for 20-to-24 year olds was 10.4% in both 1979 and 2015.

Millennials are taking on entrepreneurship

The share of self-employed 15-to-24-year-olds has doubled over the past two decades, a trend that is not unique to Canada³. And the proportion of all start-ups owned by someone under the age of 30 is increasing, reaching almost 9% in 2014⁴.

The rise of the gig economy is likely influencing these labour market trends. Technological growth has coincided with an increase in self-employment within the professional, scientific and technical sector, where human capital tends to be the primary input. A rise in contract employment, which accounted for a record 12.8% of all youth employment in 2015, is another example.

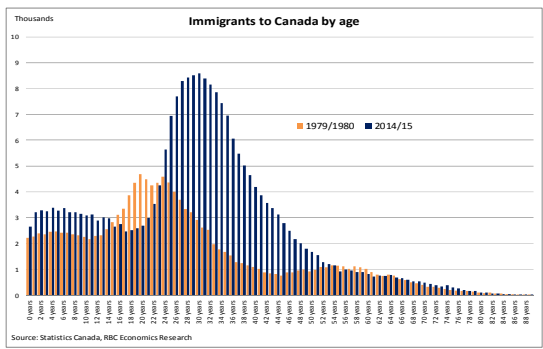
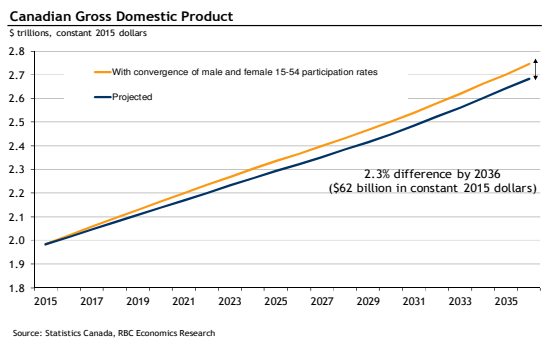
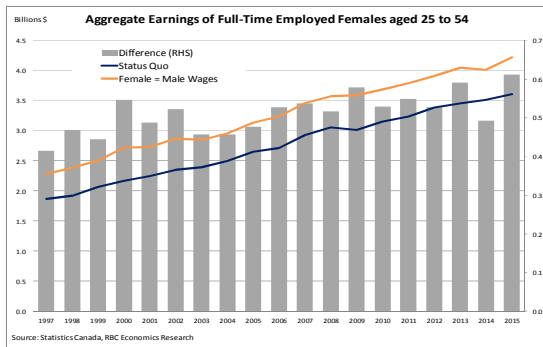
An expanded focus on experiential learning may also be a factor. More than half of undergraduate students in Canada participated in co-ops or internships in 2015 with enrolment in co-op programs alone increasing 25% over the past decade⁵. Integrating work experience into the post-secondary curriculum has gone a step further, with many Canadian universities establishing technology incubators to foster young entrepreneurial talent. Three such incubators were in the top 20 in global rankings in 2015, with Toronto's Ryerson University topping the North American list⁶.

Millennial women will benefit from a more level playing field

Women are gaining ground in traditionally male-dominated fields. While millennial females still account for the majority of graduates in fields like nursing and education, they comprise a greater share of STEM (science, technology, engineering and mathematics) graduates relative to previous generations. In science and technology, 59% of degree holders are female⁷.

And more women are entering predominantly male occupations. Close to 1 in 5 females between the ages of 25 and 34 is employed as a teacher or a





nurse, a statistic that has changed little over the past two decades. But women aged 25 to 34 make up an increasing number of employees in fields such as civil engineering (26%), financial management (46%) and investment analysis (43%)⁸.

The wage gap is narrowing for millennial women

With women attaining higher levels of education and entering new fields, the wage gap between males and females has narrowed since the 1970s. Still, Canadian women earned just 87 cents for every dollar men earned in 2015⁹. Females aged 15 to 24 face the smallest differential in earnings, but that’s likely because this age group tends to earn minimum wage. The gap widens for those of prime working-age; however, the millennial cohort has seen a narrowing in the wage differential relative to previous generations.

A further narrowing of the wage gap could yield further knock-on benefits for the economy. If females aged 25 to 54 and working full-time had earned the same hourly wage as their male counterparts, this cohort’s aggregate earnings would have been a whopping 17% higher in 2015¹⁰. Notably, this does not account for the uneven distribution of males and females across industries, although, in aggregate, it does signal economic gains are being left on the table.

Also, women’s contribution to household incomes has steadily risen. One-quarter of women in millennial-aged couples bring in more than 50% of a households’ employment income, compared with less than 40% only a decade ago.

More women are working

It’s not just the wage gap that’s shrinking. The gap between male and female labour participation rates has narrowed significantly over the past four decades, giving a lift to economic activity amounting to more than 7% of GDP¹¹. Going forward, the full convergence of participation rates of Millennial females to that of their male counterparts has the potential to further boost economic activity by more than \$60 billion in 2036 (2.3%)¹².

A greater share of highly educated women participating in the workforce signals a larger talent pool for senior positions in the future. While female board membership in Canada has been increasing, it was still only 20.8% in 2015, below several OECD countries¹³. Millennial females are poised to further gains in board and C-suite representation with positive economic effects¹⁴.

Millennials’ family dynamics have changed, but still buying homes

In 2015, 31% of millennials were married or living common-law, down from 44% of baby boomers in 1979. And half of the couples in the 25-to-34 age range didn’t have children in 2012. The average age of a woman giving birth to her first child has increased by two years over the past three decades. This has contributed to shrinking family sizes (average size of 3.0 people in 2006 compared to 3.3 people in 1981). These changes will have broad ramifications for society. For example, smaller family sizes have been shown to be positively correlated with children’s education attainment, suggesting the trend towards a more educated workforce is likely to continue unabated¹⁵.

But interestingly, millennials are still buying homes. Though policy makers fret about the impact that rising home prices are having on affordability, especially for first-time buyers, rates of home ownership in this cohort are elevated. That's due to ultra-low borrowing rates. Relative to baby boomers back in the late 1970s and early 1980s when borrowing rates were much higher, homeownership rates of those 20 to 34 years old are modestly higher (47% in 2011 vs. 45% in 1981).

Millennials' added advantage: diversity

Millennials are the most ethnically diverse generation Canada has ever seen. Canada's immigration policy (around 250,000 newcomers annually for the past quarter-century) has encouraged a mix of immigrants from a range of regions, with the greatest share of these individuals amongst the millennial cohort. The differing perspectives of individuals from diverse backgrounds - race, nationality, gender or other demographic strands – can increase the capacity for innovative thinking by encouraging intellectual debate, enhancing creativity and providing access to broader networks of relationships¹⁶.

Simply put, Canada's diverse millennial cohort could help boost innovation and productivity.

Notes

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