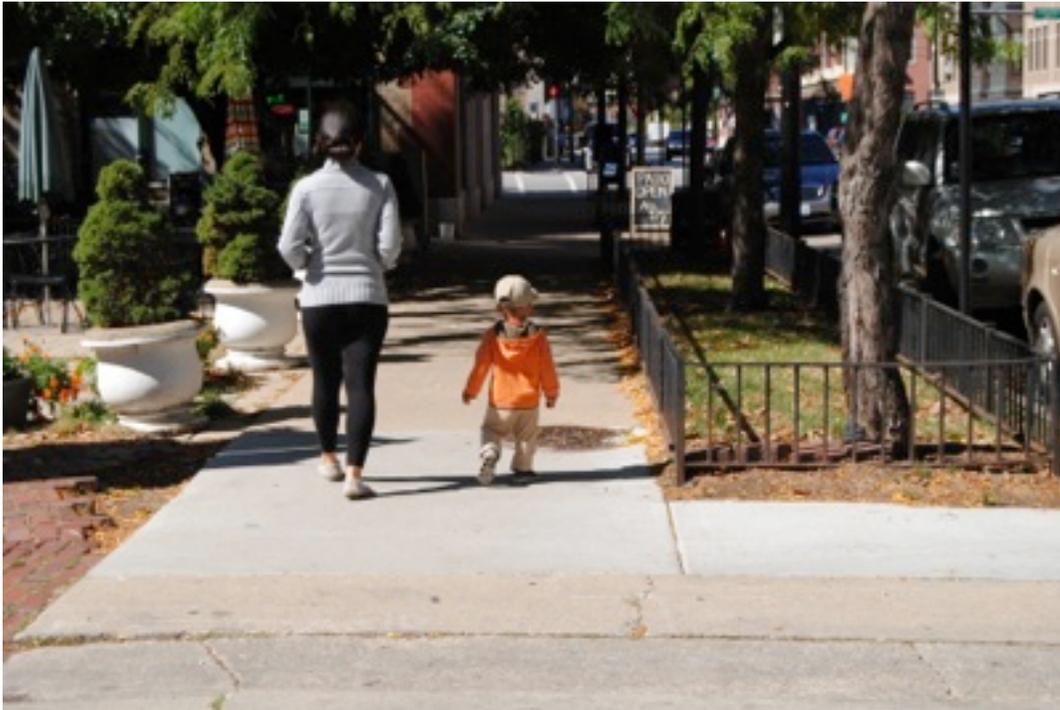


INTERGENERATIONAL COHESION AND THE SOCIAL COMPACT



POLICY BACKGROUNDER

November 2012

MacArthur
Foundation

The MacArthur Foundation Network on an Aging Society brings together scholars who are conducting a broad-based analysis of how to help the nation prepare for the challenges and opportunities posed by an aging society. Research focuses on how major societal institutions, including retirement, housing and labor markets, government and families, will have to change to support the emergence of a productive, equitable aging society. www.agingsocietynetwork.org

Network members

Director: John Rowe
Columbia University
Mailman School of Public Health

Toni Antonucci
Institute for Social Research
University of Michigan

Lisa Berkman
Harvard University
School of Public Health

Axel Boersch-Supan
Director, Munich Center for the
Economics of Aging
Max-Planck-Institute for Social Law
and Social Policy

Laura Carstensen
Stanford University, Center on
Longevity

Linda Fried
Dean, Mailman School of Public
Health, Columbia University

Frank Furstenberg
University of Pennsylvania,
Department of Sociology & Population
Studies Center

Dana P. Goldman
Director, Leonard D. Schaeffer Center
for Health Policy and Economics
University of Southern California

James Jackson
University of Michigan
Institute for Social Research

Martin Kohli
Visiting Scholar, Dept. of Demography
University of California, Berkeley

S. Jay Olshansky
University of Illinois at Chicago
School of Public Health

John Rother
President and CEO
National Coalition on Health Care

Policy briefs in this series include:

Supporting Informal Caregiving in an Aging Society

Ensuring Generational Cohesion in an Aging Society

Improving Health Care and Support for Older Americans

Promoting Productivity in an Aging Society

Promoting Lifelong Learning in an Aging Society

Issue backgrounders in this series include:

The Scope and Effects of Informal Caregiving

Intergenerational Cohesion and the Social Compact

Improving Health Care and Support for Older Americans

Productivity in an Aging Society

The Scope and Benefits of Life-Long Learning

Successfully aging societies necessarily rest on a social compact among generations. Just as

families are mutually supportive across generations, societies, too, need ways to support and protect those who are not self-supporting—the young, the disabled, and the retired. In a successfully aging society, the bonds between generations are strong and legitimate and the needs of each generation are adequately met. However, recent political dialogue and media coverage has implicitly questioned this compact. As a recent *Newsweek* cover summarized it: Are the Millennials the Screwed Generation? Boomer America, they write, never had it so good. As a result, today’s young Americans have never had it so bad.¹

Sixty percent of Americans are dissatisfied with the opportunities available to the younger generation and many believe the younger generation will not do better than their parents

Many Americans fear the social compact will crack (or is cracking) under the pressures of both the current level of government debt and the very real financial struggles of the younger generations.

A Gallup Poll found in June 2012 that 60 percent of Americans are dissatisfied with the opportunities available to the younger generation and many believe the younger generation will not do better than their parents.² Studies of high school and college recent graduates found that 56 and 58 percent, respectively, also believe that they won’t be as financially successful as their parents.³

Unfortunately, the Great Recession has temporarily heightened the economic problems facing young adults. The unemployment rate among the youngest workers, age 20 to 24, reached 17 percent in April 2009,⁴ and has remained consistently higher than older workers (over age 55). As a result of these and other factors, the percentage of the workforce under age 25 has dropped 13.2 percent while that of persons over 55 has risen by 7.6 percent since 2008.

Other concerns have been raised regarding the changing racial and ethnic makeup of America. In 2011, births of nonwhite babies outnumbered births of white babies for the first time in U.S. history.⁵ Will a majority nonwhite population, which is expected by 2050, be willing to help support older whites? Also, given that family members provide the vast majority of informal caregiving to

¹ Joel Kotkin, “Are Millennials the Screwed Generation?” *The Daily Beast / Newsweek*, July 2012. www.thedailybeast.com/newsweek/2012/07/15/are-millennials-the-screwed-generation.html.

² Lydia Saad, “Majority in US Dissatisfied with Next Generation’s Prospects.” (Princeton, NJ: Gallup Politics, June 4, 2012). www.gallup.com/poll/155021/majority-dissatisfied-next-generation-prospects.aspx. See also, Allstate/National Journal, Heartland Monitor Polls, “Millennial Experience,” <http://www.allstate.com/heartland-monitor/Millennial-h5.aspx> and “Return to Prosperity” <http://www.allstate.com/heartland-monitor/Return-to-prosperity-h7.aspx>

³ Ibid.

⁴ Bureau of Labor Statistics, “Labor Force Statistics from the Current Population Survey,” Table A-10. Selected unemployment indicators, seasonally adjusted. (Washington, DC: BLS, various months).

⁵ J. Passel, G. Livingston, and D. Cohn, “Explaining Why Minority Births Now Outnumber White Births,” (Washington, DC: Pew Research Center, May 17, 2012), p. 1. www.pewsocialtrends.org/2012/05/17/explaining-why-minority-births-now-outnumber-white-births

the elderly, will the increasingly fragmented and varied structure of families and the overall decline in birth rates spell trouble for older Americans and lessen generational cohesion? Likewise, as more women have no children, who will help them in their later years? These questions become more pressing if the social compact deteriorates.

All of these issues are very real concerns. The younger generation is struggling to gain a foothold on adulthood. Social Security—the mainstay of old-age security—is facing financial straits if no action is taken to restore solvency. Families themselves are shifting and changing. However, none are insurmountable.

Despite the rhetoric, we appear to be a nation that wants strong connections. Even in today’s challenging economy, public opinion strongly supports policies and programs that reinforce generational cohesion. A Pew Research Center survey in 2005 found a majority of the public (56 percent) considers it a “family responsibility” for adult children to house an elderly parent who wants to live with them.⁶ Furthermore, two-thirds of respondents ages 40 and under said caring for the elderly was a family responsibility, compared with just 38 percent of adults aged 60 and over.⁷

Despite the rhetoric, we appear to be a nation that wants strong connections.

Thus, at present, a majority of the younger generations appears to be quite committed to caring for their elders. Likewise, parents and grandparents continue to willingly provide considerable time, money, and counsel to their children and to their communities. The notion of a “greedy geezer” is greatly overblown.

Part of the disconnect between the media portrayals of generational warfare and survey results showing otherwise is driven by a set of fallacies that refuse to die. Many of these fallacies have an element of practical logic or a germ of truth to them, which contributes to their longevity. However, as we outline in this backgrounder, they are still just that: more myth than reality.

These narratives provide distorted and incomplete views of both population aging and intergenerational cohesion. Indeed, the sharing and exchange that occur between generations is quite significant, with little apparent rancor. Truth be told, money and time flow both from younger to older, and from older generations to younger.

This backgrounder addresses a set of fallacies about intergenerational cohesion in the hope that in bringing them to light policymakers can focus on the challenges and opportunities that until now have been given little attention. Fallacies discussed include that:

- The increase in the number of older persons will give rise to a gerontocracy, which will have the political muscle to put its own needs above those of the younger generations;
- Employment of older workers hampers the ability of younger workers to obtain employment;

⁶ Pew Research Center, “The Return of the Multi-Generational Family Household” (March 18, 2010), section I, p. 8. www.pewsocialtrends.org/2010/03/18/the-return-of-the-multi-generational-family-household

⁷ Ibid.

- Private financial transfers flow primarily to older generations, creating an undue burden on younger generations; and
- Differences of opinion among the generations—the new “Generation Gap”—will necessarily lead to serious conflicts.

Fallacies about Aging and Its Effects on Society

Several widely held assumptions and fallacies about the social compact are fueling intergenerational tension. We outline several of these below.

The “Rise of a Gerontocracy That Will Place Its Needs Ahead of Younger Generations” Fallacy

A number of prominent sources have in the past warned of the rise of a “gerontocracy.” As Network on an Aging Society member Axel Boersch-Supan and his colleagues at the Max Planck Institute on Social Law and Social Policy in Munich, Germany, have noted, former U.S. Secretary of Commerce and Wall Street banker Peter Peterson asked in 1999, “Will global aging enthrone organized elders as an invincible political titan?” Will we increasingly contend with retiring Baby Boomers whose “inflated economic expectations and inadequate nest eggs” lead them to vote down school budgets and “cannibalize” the nation’s infrastructure?⁸ MIT economist Lester Thurow picked up the mantle, seeing class warfare on the horizon as “self-involved” Boomers using their voting bloc to secure government entitlements at the expense of the country, and democracy:

“No one knows,” Thurow wrote, “how the growth of entitlements can be held in check in democratic societies....Will democratic governments be able to cut benefits when the elderly are approaching a voting majority? Universal suffrage....is going to meet the ultimate test in the elderly. If democratic governments cannot cut benefits that go to a majority of their voters, then they have no long-term future....In the years ahead, class warfare is apt to be redefined as the young against the old, rather than the poor against the rich.”⁹

But as many have pointed out, those doomsday scenarios are a considerable distortion of the facts. Even when all Boomers are age 65 and older in 2030, they will still compose only about 23 percent of voting-age Americans.¹⁰

Furthermore, if Europe is an example, the prospect of “warfare” seems hyperbolic. Europe’s population has already attained an average age that the United States will not reach until 2030 and serves as a harbinger of intergenerational relations in the United States.

⁸ Axel Boersch-Supan, Gabriel Heller, and Anette Reil-Held, “Is Intergenerational Cohesion Falling Apart in Old Europe?” In *America’s Opportunity: The Potential of an Aging Society. Public Policy and Aging Report*, vol 21, no 4 (Fall 2011), p. 17.

⁹ Quoted in Boersch-Supan et al., *ibid.*

¹⁰ Boersch-Supan et al., “Is Intergenerational Cohesion Falling Apart in Old Europe?”

Boersch-Supan and his colleagues compared the ominous predictions above to the realities of Europe as reflected in 2011 data.¹¹ The researchers reasoned that if such predictions were true, then they should already be visible in Europe. Using data from the European Social Survey and the Survey of Health, Ageing, and Retirement in Europe, the researchers examined variables such as family relations, non-family ties, values, and political preferences. Like regions within the United States, the countries and regions of Europe are not uniform in age or in culture.¹² Both the level of conflict among the generations and the percentages of the population that transfers money from older to younger generations within families vary widely. However, overall, the researchers find no links between an aging society and intergenerational conflict. As they write:

Although Europe provides an excellent laboratory for what might happen in an aging United States...we cannot find even in the oldest regions of Europe the picture that some writers have painted for the United States: exploitation of the younger generation by the older, due to their economic and voting power. If Old Europe holds a lesson for the United States, it is that no signs of gerontocracy exist even in regions as old today as the United States will be in 2030.¹³

“Although Europe provides an excellent laboratory for what might happen in an aging U.S., we cannot find even in the oldest regions of Europe the picture that some writers have painted for the U.S.”

The “Lump of Labor” Fallacy

A common misperception that can cause generational resentment, particularly now during the Great Recession’s “jobless” recovery, is that older workers are clinging to their jobs and blocking younger workers from getting a foot on the ladder. Despite its hold on policymakers and commentators, economists have largely dispelled the myth. As their “lump of labor fallacy” puts it, the number of jobs in an economy is not a finite thing, requiring people to hoard jobs.

An economy expands and contracts with new needs and new ideas. Young people always have higher unemployment rates than others due to higher turnover, until they find jobs that match their skills and preferences. They also are affected much more negatively than others during a recession; they’re “last in, first out,” due to their low experience and seniority. Also, fewer people, young and older, quit jobs during a serious downturn, which means there are fewer openings for young people who voluntarily want to change jobs. Therefore, during a recession, tighter labor markets are tight and

¹¹ Ibid.

¹² For example, transfers of money to children range from only 15.8 percent of respondents indicating that they provide financial support in Sicily and Sardinia to 77.6 percent of respondents in eastern Hungary. Regions with a high percentage of financial transfers are in Scandinavia and in a cluster around Germany, including Czech Republic, Austria, Hungary, and regions in France and Italy up to the Ukraine. Regions with low percentage are mainly in Turkey, Spain, and the United Kingdom. More intergenerational conflict is apparent in regions in Italy, Austria, Switzerland, and Germany. In turn, one region in eastern Germany, and Sweden, Denmark, Poland, and Spain have very little conflict. Sweden is relatively young, Spain relatively old.

¹³ Boersch-Supan et al., “Is Intergenerational Cohesion Falling Apart in Old Europe?” p. 20.

employers have a “buyer’s market” and it may temporarily be the case that young people are pushed out of the job market.

However, over the long run, the fact that older adults continue to work longer does not mean there will always be fewer jobs for younger workers.¹⁴

At its most basic, if the lump of labor argument were correct, when a country grew in population, the unemployment rate would rise. Clearly, this is not the case. The size of a country does not bear any relation to the share of population. Yet the fallacy persists. Even looking more precisely at the push and pull of labor markets finds no support for the idea that older workers hanging on to their jobs displaces younger workers.

James Banks and colleagues tested the lump of labor assumption by looking at a set of policies in Great Britain that created incentives to encourage early retirement.¹⁵ In particular, the authors look at one scheme, the Job Release Scheme (JRS), which increased the pensions of older workers to encourage them to “make room” for younger workers. Yet although older workers did retire in higher numbers, youth unemployment actually rose. As the authors say, “The high correlation between the expansion of

Even looking more precisely at the push and pull of labor markets finds no support for the idea that older workers hanging on to their jobs displaces younger workers.

the JRS and unemployment highlights the estimation difficulties encountered in this volume. It is impossible to attribute any success to the JRS in reducing youth unemployment, and, in addition, it appears clear that the introduction of this scheme was prompted by rising youth unemployment.” The authors extended the time frame of potential impact from 1968 to 2005 and found that “labor force participation of the old is positively associated with employment of the young.” That is, the higher the labor force participation of the old, the more employment of the young, even after controlling for the business cycle.

The tenacity of this fallacy no doubt lies in its easy logic. Yet as experiment after experiment has shown, job markets are not finite boxes; they expand and contract, grow and shrink. They’re elastic.

¹⁴ Anthony Carnevale, N. Smith, and J. Strohl, “Help Wanted: Projections of Jobs and Education Requirements through 2018” (Washington, DC: Georgetown University Center on Education and the Workforce, 2010); and J. Manyika, et al., *An Economy that Works: Job Creation and America’s Future* (Washington, DC: McKinsey Global Institute, 2011). See also Christopher Brooks, “A Lump of Fallacy, Or Two Plus Two Does Not Equal Five.” AgeUK blog. (March 2011). <http://ageukblog.org.uk/2011/03/25/a-lump-of-fallacy-or-two-plus-two-does-not-equal-five>.

¹⁵ James Banks, Richard Blundell, Antoine Bozio, Carl Emmerson, “Releasing Jobs for the Young? Early Retirement and Youth Unemployment in the United Kingdom.” In *Social Security Programs and Retirement around the World: The Relationship to Youth Employment*, edited by Jonathan Gruber and David A. Wise (Chicago: University of Chicago Press, 2010). What makes this experiment so convincing is its design. The authors took advantage of a policy change to conduct a “natural experiment.” A natural experiment is akin to a drug trial with its control group that ensures that nothing else in the environment other than the drug is affecting the result. In a natural experiment, researchers compare two groups in the same population before and after a policy is implemented that will affect, in this case, employment. This design allows researchers to pinpoint the singular effect of a policy change on two different groups of people, in this case, younger and older workers.

The “Financial Transfers Flow Overwhelmingly to the Elderly” Fallacy

Much of the dialogue surrounding Social Security and Medicare suggests that the vast majority of financial transfers among generations involves the flow of funds from younger generations to the elderly. Young people today are paying for the retirements of their parents. The money flows one direction: up. Yet this claim fails to recognize the magnitude of the transfers—in both time and money—flowing from the older generations to the younger as well.

Recent preliminary analysis by economists at the Leonard Schaeffer Center for Health Policy and Economics (and Network on an Aging Society members) finds that approximately 51 percent of 51–55-year-olds in the Health Retirement Study (a large, nationally representative survey of those aged 50 and older) give money to an adult child not living with them currently. Much of this outlay is for continued education. The amounts provided decline with age, but the average amount is \$5,000 over two years. Some parents give a lot of money to their children while others give little or nothing. One percent of parents give \$77,000 or more to children over two years.

Approximately Half of 51-55-year-olds in a large survey gave money to an adult child not living with them currently. The amounts provided decline with age, but the average amount is \$5,000 over two years.

Similarly, a study by University of Michigan economist Paul Wight and colleagues finds that parents of children aged 18-24 give, on average, about \$7,500 annually, accounting for room and board. Among young adults in Wight and colleagues’ sample, about 65 percent lived at home for a significant portion of every year.¹⁶ Among the key findings:

- About 42 percent of respondents reported their parents helped them pay bills, with those receiving help getting an average of \$1,741;
- Nearly 35 percent of young adults said their parents helped with college tuition, with those receiving help given an average of \$10,147;
- About 23 percent received help with vehicles (about \$9,682 on average);
- About 22 percent received help with their rent away from home (\$3,937 on average);
- About 11 percent said they received loans from their parents (\$2,079 on average) and nearly 7 percent said they received financial gifts (average amount of \$8,220).

Furthermore, bequests are a sizable contribution from older to younger. The Schaeffer Center study finds that in 2010 Americans age 65 and older bequeathed about \$570 billion dollars – mostly to their children. Clearly, there is a wide variation in the amounts families are able to pass down, and

¹⁶ Paul Wightman, Robert Schoeni, and K. Robinson, “Familial Financial Assistance to Young Adults,” Prepared for the Annual Meetings of the Population Association of America, May 3, 2012, pp. 7-8. The analysis is the first to use nationally representative data to calculate parental assistance to young adults. It is based on data from 2,098 interviews conducted between 2005 and 2009, with young men and women and their families, as part of the Panel Study of Income Dynamics Transition to Adulthood Study at the University of Michigan.

this variation skews the average. But the general point remains: parents give considerably to their adult children.

The magnitude of financial transfers from older generations to younger generations can sometimes be difficult to pin down due to differing perspectives regarding what such transfers represent to members of different generations. According to Pew Research Center report, “Growing Old in America: Expectations vs. Reality:”

About half (51%) of parents ages 65 and older say they have given their children money in the past year, while just 14% say their children have given them money. The intra-family accounting comes out quite differently from the perspective of adult children. Among survey respondents, who have a parent or parents aged 65 or older, a quarter say they received money from a parent in the past year, while an almost equal share (21 percent) say they gave money to their parent(s)....¹⁷

This difference in perceptions is likely one factor fueling the “generational warfare” perception.

Of course, older adults do draw from Medicare, Medicaid, and Social Security. But as the analysis by the Schaeffer Center shows, the “net” benefit to older Americans is not sizably different from the benefits received by younger generations.

They find that the amounts the older generation receives from public entitlement programs are in earlier years only slightly larger than the amounts their children receive from them. Those aged 55-64, for example, provide on average \$11,325 billion more to their children (or the younger generation generally) than they receive in public entitlements. Among those age 65-74, the balance tips slightly such that the older group receives about \$13,350 billion more than they give to the younger generation.¹⁸ Older groups (age 75-84) are indeed net beneficiaries in the exchange, netting \$15,563 billion more than they contribute.

Those aged 55-64 provide on average \$11.3 billion more to their children (or the younger generation generally) than they receive in public entitlements.

The Pew Survey noted above also finds variation by age of the parent, with the balance in help (of all kinds) tipping as parents age:

Parents who are ages 75-84 or 85-plus are more likely than those who are ages 65-74 to get help from their adult children. More than six-in-ten parents (64%) who are ages 85 and older and 46% of parents who are ages 75-84 say their adult children have given them help with errands or appointments, compared with less than one-third of parents who are ages 65-74. Similarly, parents who are ages 75 and older are more likely than those in the 65-74 age group to get help from their children with bill paying, insurance or other paperwork.¹⁹

¹⁷ “Growing Old in America: Expectations vs. Reality,” Pew Research Center, June 29, 2009, p. 5. <http://pewresearch.org/pubs/1269/aging-survey-expectations-versus-reality>

¹⁸ Analysis for the Network. The authors’ model of analysis included amounts (both public and private sources) received among those age 51 and over minus amounts given, including payroll taxes and money they gave to their children, wills, care they provide disabled spouses, grandchild care, and other care (volunteers).

¹⁹ *Ibid*, p. 71.

Help with paperwork and errands are invaluable to older Americans, as is the help they provide to their grandchildren. Indeed, grandparents frequently reciprocate with child care, which allows single parents or both parents in two-earner households to hold jobs. According to the Schaeffer Center analysis, 28 percent of Americans over age 50 who are grandparents are caring for grandchildren, either babysitting or full-time care. Four in ten Americans over age 65 are caring for grandchildren in some form.

As Rosemary Blieszner explains in “Who Are the Aging Families?” in *Aging Families and Caregiving*:

The movement away from the traditional nuclear family structure and the trend toward two-earner and single-parent households means that grandparents play a more active role in the daily lives of their grandchildren than in the middle of the previous century, when nuclear family households became the norm.²⁰

The “A ‘Generation Gap’ Leads to Intergenerational Conflict” Fallacy

In 1969, the Gallup Poll asked a sample of the American public whether there was a “generation gap,” which the survey defined as “a major difference in the point of view of younger people and older people today.”²¹ Seventy-four percent of respondents agreed there was a “generation gap.” This perception was no doubt influenced by the rise of the youth counterculture and the often vocal conflicts over the Vietnam War. The percentage of respondents who believed that there was a generation gap fell to 60 percent in 1979, when CBS and *The New York Times* asked the same question.²²

However, in 2009, 40 years after the Gallup Poll first asked its question, researchers at the Pew Research Center found to their surprise that the gap was back, with 79 percent of respondents reporting major differences in point of view among the generations—five percentage points higher than in 1969 during the turmoil over the Vietnam War and counterculture-linked conflict. In the report, researchers stated that nearly four out of five respondents believed there was a generation gap, “despite the fact that there have been few overt generational conflicts in recent times of the sort that roiled the 1960s.”²³

Of the gap, the report went on to say:

It could be that the phrase now means something different, and less confrontational, than it did at the height of the counterculture’s defiant challenges to the establishment 40 years ago. Whatever the current understanding of the term “generation gap,” roughly equal shares of young, middle-aged and older respondents in the new survey agree that such a gap exists. The most common explanation offered by respondents of all ages has to do with differences in

²⁰ Blieszner R, “Who Are the Aging Families?” Chapter One. Qualls SH, Zarit SH, Editors, *Aging Families and Caregiving*, p. 11.

²¹ Growing Old in America: Expectations vs. Reality, Pew Research Center, June 29, 2009, p. 3. <http://pewresearch.org/pubs/1269/aging-survey-expectations-versus-reality>

²² “Growing Old in America: Expectations vs. Reality,” (Washington, DC: Pew Research Center, June 29, 2009), p. 3. <http://pewresearch.org/pubs/1269/aging-survey-expectations-versus-reality>

²³ Ibid.

morality, values and work ethic. Relatively few cite differences in political outlook or in uses of technology.²⁴

An earlier study using the General Social Survey, a well-respected nationally representative survey, found a declining generation gap on many issues between 1973 and 1997, and concluding that today's young adults differ less from older age groups than their counterparts did in the 1970s and 1980s.²⁵ The study examined a large number of issues and attitudes, including abortion, civil liberties, crime, family, gender roles, firearms, government, intergroup relations, politics, sex, and religion, among others. Most specific to this backgrounder, in attitudes toward family responsibility, including the responsibility to care for elderly parents, the generation gap has changed little over the years. As Tom Smith, the author of the study, writes, "The young have been the age group most supportive of elderly parents living with their children."

The "Millennial" and "Gen X" generations (those now younger than age 40) are the most diverse generations in American history, and they are also hold quite liberal views on social issues such as gay rights, racial relations, and abortion, among other once "hot button" issues.²⁶ Their growing comfort with issues that were once quite contentious might be setting them apart from their elders.

That said, there is also evidence of a smaller generational gap when it comes to personal relationships with the family. Parents and children have increasingly close relationships today.

Extensive interviews with young adults in the early 2000s through the recent recession continually turned up such statements as "My mom is my best friend." Technology and changing attitudes have made frequent, even daily, contact the norm, which solidifies relationships further.²⁷

And despite the large percentage of respondents who agreed that a generation gap existed, it did not rank high on their list of conflicts. The Pew Research Center conducted another study in 2009 regarding perceived conflicts between various groups. According to this study, respondents saw greater conflicts between immigrants and people born in the United States, or between the rich and the poor, and or between blacks and whites than conflicts between the young and old.²⁸

The analysis also revealed that the percentage of younger adults and older adults stating that they believed there were very strong or strong conflicts between the old and the young were virtually identical, with 28 percent of younger adults and 26 percent of older adults believing such conflicts were strong or very strong. In addition, the report stated, "the proportion of Americans who see a

There is also evidence of a smaller generational gap when it comes to personal relationships with the family.

²⁴ Ibid.

²⁵ Tom Smith, "Generation Gaps in Attitudes and Values from the 1970s to the 1990s." In *On the Frontier of Adulthood: Theory, Research, and Public Policy*, edited by Richard Settersten, Jr., Frank Furstenberg, Jr., and Ruben Rumbaut (Chicago: University of Chicago Press, 2005), p. 188.

²⁶ Ibid.

²⁷ Richard Settersten and Barbara Ray, *Not Quite Adults: Why 20-Somethings Are Choosing a Slower Path to Adulthood and Why It's Good for Everyone* (New York: Random House, 2010).

²⁸ "Black-White Conflict Isn't Society's Largest," Pew Research Center, September 24, 2009, p. 1. www.pewsocialtrends.org/2009/09/24/black-white-conflict-isnt-societys-largest

great deal of generational conflict has declined substantially: In the 1992 General Social Survey, fully 42% saw major divisions between the old and young.”²⁹

Beyond Fallacies: Addressing the Potential for Growing Conflict

This review of the fallacies is not to suggest everything is ideal. Several trends point to areas of concern that tensions between the generations could rise if we don't intervene now with supports for families, young and old. In this section we outline some of these issues. The set of policy briefs and accompanying backgrounders that the Network on an Aging Society (of which this backgrounder is a part) has produced are a broad attempt to offer some possible avenues to solidify intergenerational cohesion and ensure a strong social compact.

Unfortunately, significant disparities have arisen between the old and young in regard to economic well-being. Although these disparities are not directly linked to the public entitlements that older Americans receive, their existence, especially at a time when the Millennial generation (persons born after 1980) is struggling to establish careers and grappling with an unprecedented amount of education-based debt, has helped exacerbate conflict over the cost of Social Security and Medicare.

A recent Pew Research Center survey finds a rising gap in economic well-being between the generations. The disparities in fact are greater than they have been since the government began collecting these particular data 25 years ago.

Several other trends than “greedy geezers” help explain this growing gap in household assets.

In 2009, households headed by adults ages 65 and older possessed 42% more median net worth (assets minus debt) than households headed by their same-aged counterparts had in 1984. During this same period, the wealth of households headed by younger adults moved in the opposite direction. In 2009, households headed by adults younger than 35 had 68% less wealth than households of their same-aged counterparts had in 1984.³⁰

Although alarming, several other trends than “greedy geezers” help explain this growing gap in household assets. First is the fact that most people tend to accumulate wealth the longer they work. Thus, the average household headed by an older person will be wealthier than the average household headed by a younger person.

Further, the path into adulthood has slowed considerably in a short time. Whereas once young adults moved away from home, completed an education, found a job, married and started a family by age 25, today the milestones are delayed until about age 35, or older. The rising demand for education has meant a slower start to a career for many, which pushes peak earnings years back

²⁹ Pew Research Center, “Black-White Conflict Isn’t Society’s Largest” (Washington, DC: Pew, September 24, 2009), p. 4. www.pewsocialtrends.org/2009/09/24/black-white-conflict-isnt-societys-largest

³⁰ R. Fry et al. “The Rising Age Gap in Economic Well-Being, The Old Prosper Relative to the Young” (Washington, DC: Pew Research Center, November 7, 2011), p. 1. www.pewsocialtrends.org/2011/11/07/the-rising-age-gap-in-economic-well-being

further. A record 39.6 percent of Millennials were attending community college, college, or graduate school in 2008.³¹

Also explaining this disparity, the financial crisis has had a stronger impact on younger households. Comparing household net worth in 2009 and 2005, a Pew survey finds:

For households headed by adults ages 65 and older, median net worth in 2009 was 6% below that of the oldest households in 2005. For households headed by adults younger than 35, median net worth was 55% less than that of the youngest households in 2005. (Of course, the 2005 wealth base of young households was so small that even a small decline would have a large percentage impact.) Another notable change for younger households during this period is that the share with negative or no net worth rose from 30% in 2005 to 37% in 2009.

The same pattern holds for household income, for which data are available through 2010. In 2010, the adjusted median income of the oldest households was 8% greater than that of the oldest households in 2005. For the youngest households, however, adjusted median income was 40% less than it had been for the youngest households in 2005.³²

The housing market collapse in 2006 also widened the household wealth gap among the generations substantially, given that older Americans were more likely to have owned their home outright and had owned it long enough to enjoy substantial appreciation in its worth, even with the bursting of the housing bubble. This was unfortunately not the case with younger persons, who were more likely to have purchased houses recently and at inflated prices.

The nation must pay attention to this issue of economic fragility. Young adults need more supports if we are to ensure a future strong middle class. Supports to make education affordable and aligned with career goals, pathways into careers more clearly marked, and more options to alleviate the college debt burden, are just some of the supports that could help ensure self-sufficiency and economic security going forward. We offer other policy suggestions in the accompanying policy briefs on lifelong education and worker productivity.

Intergenerational Cohesion and Changing Family Structure

Another area that will require concerted attention is family caregiving. The vast majority of care given to the elderly is “informal”; care that is provided by family members. If family members were unavailable to provide this care, which can range from running errands and accompanying older family members to the doctor to bathing, toileting, and administering medications, the additional costs would be more than total Medicaid spending in 2009, including both federal and state contributions for both health care and Long-Term Support Services.³³ Thus, any plans to ensure the well-being of older and younger Americans must consider the state of the family and the willingness and ability of younger adults to provide assistance to their elders.

Three issues stand out regarding intergenerational cohesion and caregiving:

³¹ Pew Research Center, “Millennials: Confident. Connected. Open to Change” (Washington, DC: Pew, February 24, 2010).

³² Fry et al., “The Rising Age Gap in Economic Well-Being,” p. 8.

³³ L. Feinberg et al., *Valuing the Invaluable: 2011 Update The Growing Contributions and Costs of Family Caregiving* (Washington, DC: AARP Public Policy Institute, 2011), p. 2.

- The rise of the nontraditional family structures and declining birth rates.
- The re-emergence of multigenerational households.
- Increasing racial and ethnic diversity in America.

Nontraditional Family Structures and Declining Birth Rates. The traditional ideal of the American “nuclear” family that emerged following World War II involves a heterosexual marriage that lasts through the birth and rearing of children until the death of one of the spouses. However, the percentage of adults involved in this “traditional” marriage has declined from 72 percent of American adults in 1960 to 52 percent in 2008.³⁴

Young people, especially those with less education and lower incomes, are on the whole more frequently cohabiting rather than marrying. Today, more than one-half of marriages are preceded by living together as a couple. The number of cohabiting couples has quadrupled to 5 million since 1980.³⁵ Yet unlike in some parts of Europe, where cohabitation has often largely supplanted marriage as a stable, long-term relationship between couples, in the United States, cohabitation is more serial, and fleeting. The United States has the shortest duration of cohabiting in any Western country—one to two years.³⁶

Whether other relatives will be able to step in to assist elders who have no children is indeed a question of some significance.

The trends mean that the age at first marriage is creeping up. In 1960, 68% of adults between the ages of 20 and 29 were married; in 2008, only 26% of adults in this same age group had tied the knot. Consequently, in 1960, the age at first marriage for women was 20 and 22 for men. In 2000, it was 25 and 27. The result is that record numbers of young adults are living alone. Whereas in 1950 only 5% of young women aged 20-29 were single heads of household, by 2000, 35% were.³⁷

Moreover, birth rates overall are falling just as the number of elderly who may potentially need assistance is increasing. In addition, the percentage of childlessness has also increased from approximately 10% of women in 1970 to just under 20% in 2008.³⁸ As Rosemary Blieszner writes:

increased life expectancy also means that family members surviving to old-old age are more likely to need care from younger generation members, including the possibility that several

³⁴ Pew Research Center, “The Decline of Marriage and Rise of New Families.” Executive Summary. (Washington, DC: Pew, November 18, 2010), p. 2. In addition, there is a growing gap in marriage rates between those with less and more education. While in 2008, the marriage rates among college graduates was 64%, among those having high school diplomas or less the marriage rate was only 48 percent—a gap of 16 points. In 1960, however, the gap between these groups was only 4 percentage points.

³⁵ Suzanne Bianchi and Lynne Casper, “American Families,” *Population Bulletin*, vol. 55 (December 2000).

³⁶ Andrew J. Cherlin. *The Marriage-Go-Round: The State Of Marriage And The Family In America Today* (New York: Knopf, 2009). All young adults are more often cohabiting today but those with greater education are more often using cohabitation as a test run for marriage.

³⁷ Pew Research Center, “The Decline of Marriage.”

³⁸ Between 1994 to 2008, the percentage of women ages 40 to 44 who have no children increased among white women from 18% to 20%; among black women, from 13% to 17%; among Hispanic women, 13% to 17%; and among Asian women, 13% to 16%. See G. Livingston and D. Cohn, “Childlessness Up Among All Women; Down Among Women with Advanced Degrees” (Washington, DC: Pew Research Center, June 25, 2010), p. 1.

generations of family elders might need help simultaneously. But the emergence of the *beanpole* family, with more generations alive than in the past yet fewer members in each generation, suggests that the responsibility for elder care is shared across relatively fewer kin than might be the case with larger sets of siblings and cousins available.³⁹

Whether other relatives will be able to step in to assist elders who have no children is indeed a question of some significance.

And not only has the percentage of adults in traditional marriages declined over the past 50 years, but the structure of what constitutes a “family” has also been transformed to now include single-parent households, cohabiting couples with children, blended step-families, gay and lesbian couples raising children, and childless households.

In addition to the delay in marriage, high rates of divorce and remarriage have driven up the number of step-parents and step-children in the United States. In 2010, 42% of adults polled indicated that they had at least one step-relative.⁴⁰ According to the report, “A Portrait of Stepfamilies,” published in 2011, “Among those under the age of 30, more than half (52%) report that they have at least one step relative.”⁴¹

The rise of more blended and step-families—the result of divorce and “serial” cohabitation—also calls into question the commitment to elderly parents later in life. Currently, research shows, step-children are much less likely to provide support to nonbiological parents.⁴² This may change as more families are blended, however.

The alternatives to family caregivers and support include siblings and other relatives, nonrelatives, such as friends; purchased services (for those who can afford to purchase them), and public programs. However, currently, blood still remains thicker than water. These alternative forms of support are less tenuous in the eyes of most Americans, which points to a lesser sense of obligation. As a Pew survey finds:

Americans express a greater sense of obligation toward relatives—including relatives by way of fractured marriages—than toward best friends. The ranking of relatives aligns in a predictable hierarchy. More survey respondents express an obligation to help out a parent (83% would feel very obligated) or grown child (77%) than say the same about a stepparent (55%) or a step or half sibling (43%). But when asked about one’s best friend, just 39% say they would feel a similar sense of obligation.⁴³

The rise of more blended and step-families—the result of divorce and “serial” cohabitation—also calls into question the commitment to elderly parents later in life. Step-children are much less likely to provide support to nonbiological parents.

³⁹ R. Bleiszner, “Who Are the Aging Families?” In *Aging Families and Caregiving*, edited by S. H. Qualls et al. (New York: Wiley, 2009). p. 11.

⁴⁰ Pew Research Center, “A Portrait of Stepfamilies” (Washington, DC: Pew, January 13, 2011), p. 1.

⁴¹ *Ibid.*, p. 3.

⁴² Lilliana E. Pezzin, Robert A. Pollak, and Barbara Steinberg Schone, “Parental Marital Disruption, Family Type, and Transfers to Disabled Elderly Parents.” *Journal of Gerontology: Social Sciences*, vol. 63 (2008): S349-S358.

⁴³ Pew, “Decline of Marriage,” p. 4.

As the number of our filial bonds decline, will weaker bonds—but more of them—suffice? Does quantity, in other words, offer advantages? Also, will nontraditional families, many of which are likely to have fewer resources available to them than traditional families, *be able to provide* assistance to their elders? The jury is still out on those important questions. The Network’s policy briefs on caregiving offer some concrete policy recommendations for improving the capacity of family to care for its members.

Increasing Racial and Ethnic Diversity in America. The United States has always been a nation of immigrants. In the 1800s, the majority of immigration was from Europe. After the middle of the 20th century, however, and continuing forward, the majority of immigrants will be Hispanic and Asian. The percentage of foreign-born persons in the United States is expected to increase from 12% in 2005 to 19% in 2050. In 2005, 30 percent of young adults aged 18-34 were foreign-born or had foreign-born parents.⁴⁴ Among today’s Millennials, 20% are foreign-born. In 2011, for the first time, more non-white and Hispanic babies were born than white babies. As a result of these and other trends, the white population in America is projected to compose less than 50% of the population by 2050.⁴⁵

The growing diversity raises a question for generational cohesion: to what extent will the various racial and ethnic groups, and particularly the new immigrant populations and the first-generation children who are born here, continue to support the current social compact when the elderly population is majority white and native-born? Will this unprecedented demographic shift lead to intergenerational conflict? Must we re-imagine the social contract when generations looks so different from each other? Clearly, proactive efforts to ensure that new immigrants are included in American society and social life will be important if we are to avoid future conflicts among these new residents and those who are already here.

To what extent will the various racial and ethnic groups, and particularly the new immigrant populations and the first-generation children who are born here, continue to support the current social compact when the elderly population is majority white and native-born?

The Return of Multigenerational Households. Another source of care for family members is the supports found in multigenerational households. The decline of the multigenerational household represented one of the major changes in American society during the 20th century. In 1900, 57 percent of adults ages 65 and over lived in multigenerational households. At mid-century about 25 percent of the U.S. population still lived in a multigenerational family. By 1980, just 12 percent did. Reasons for the decline include the push to move to the suburbs in single-family homes, the decline until recently in the share of immigrants, and the growing health and incomes of those over age 65, thanks in large part to Social Security and Medicare.

⁴⁴ Ruben Rumbaut and Golnaz Komai, “Immigration and Adult Transitions” *Future of Children*, vol. 20 (Spring 2010).

⁴⁵ J. Passel and D. Cohn, “U.S. Population Projections: 2005-2050” (Washington, DC: Pew Research Center, February 11, 2008), p. 1.

Since 1980, however, the United States has seen a rebound in multigenerational households, accelerated most recently by the Great Recession.⁴⁶ By 2008, 20 percent of adults ages 65 and older were living in multigenerational family households.

Yet as sociologist Katherine Newman finds, although the family is increasingly multigenerational, it is stretching to accommodate younger adults, rather than the other way around: bringing an elderly parent into the fold. In her book, *The Accordion Family*, she argues that the family today is expanding and contracting as needs arise, but more often than in the past, the stretching is in the other direction.

The number of adults aged 25 to 34 living in multigenerational household has increased from 11% in 1980 to almost 20% in 2008, driving by changing norms about the acceptability of living with one's parents into the early 20s, and most recently the recession. A 2009 Pew Research survey found that among 22–29-year-olds, one in eight say that, because of the recession, they have boomeranged back to live with their parents after being on their own.⁴⁷

While many American families worry that this boomeranging is a sign of lack of ambition on their children's part, or bad parenting on their own part, Newman sees a silver lining for older Americans: "If your child is not leaving home, then you're not becoming older. You might be biologically older, but, sociologically, you're not."

For intergenerational cohesion, the trend toward intergenerational living could cement bonds. Or it could fray them if tensions arise, especially when young adults move home and parents feel they are not making steady progress toward independence.

The family is increasingly multigenerational, it is stretching to accommodate younger adults, rather than the other way around: bringing an elderly parent into the fold.

The Path Forward

Current laws largely reflect the intergenerational commitments inherent in the American social compact. For example, an exemption of up to \$13,000 per year is allowed for taxes related to generational transfers (i.e., gifts to children). Most prominently, Social Security offers lifetime protection to workers in the form of life insurance and disability protections, as well as retirement benefits. Medicare offers health insurance for those over age 65. Indeed, a main impetus of President Johnson in enacting Medicare was to ensure that people who were working hard wouldn't lose their standard of living simply because their parents became sick and they did the right thing in supporting them.

⁴⁶ Pew Research Center, "The Return of the Multi-Generational Family Household" (Washington, DC: Pew, March 18, 2010), p. 2. <http://www.pewsocialtrends.org/2010/03/18/the-return-of-the-multi-generational-family>

⁴⁷ Ibid.

Medicare (and Social Security before it) was in many ways a family policy, in other words, not an old-age policy. It was designed to ensure a strong social compact and intergenerational cohesion. As Christine Cassell writes in *Medicare Matters*:

Health care costs were a growing threat to family stability. In 1964, Lyndon Johnson was elected to the presidency with 61 percent of the vote. Much of his support came from working-age Americans who realized that they would have to subsidize their parents' health care unless Medicare became the law. These Americans created an intergenerational social contract because they had a strong incentive to do so. ... (p. 199).

The future of Social Security and Medicare today is fraught with difficulty and uncertainty, but those programs are undeniably still the most important sources of cross-generational economic support. It also has wide intergenerational support. According to a Pew Research survey, nearly nine in ten (87 percent) of Americans say that Social Security has been good for the country. Younger adults may be highly cynical about whether Social Security will be there for them, but the baseline level of support remains.

People age 65 and older are the only age group in which majorities say these programs [Social Security and Medicare] work well; seniors also overwhelmingly say it is more important to maintain Social Security and Medicare benefits than to reduce the budget deficit. Those 50 to 64 also broadly favor keeping benefits as they are. Younger Americans support maintaining Social Security and Medicare benefits, but by smaller margins than older age groups.⁴⁸

An almost inevitable way to settle the problem of the program's solvency is to make the safety net a little less robust. But the question arises, how then do we continue to care for the old without bankrupting the young given all the issues we've outlined here?

Policies for the future, too, reflect strengthened measures for intergenerational support. The Affordable Care Act, for instance, allocates major resources toward the health insurance needs of those under 65. It will ban coverage denials based on health history, impose limits on the pricing of insurance policies based on age, and provide tax credits for individual adults below 400 percent of the poverty level to help finance the purchase of insurance. These provisions could prove especially beneficial for those approaching retirement age and lacking access to employer-provided coverage, which had previously allowed them to forgo the difficult process of securing high-quality, affordable care on the individual market.

The mutual generational benefits of all these efforts, both public and private, need to be valued and framed for public audiences in explicitly generational terms in order to foster greater appreciation for social and generational cohesion. National leaders must implement public policies that protect and even strengthen these programs crucial to the American social compact. By refuting generation-based criticism, reaffirming the value of generational cohesion, and promoting policies that embody that cohesion, we can ensure a strong social compact remains.

⁴⁸ Pew Research Center for People and the Press, "Public Wants Changes in Entitlements, Not Changes in Benefits" (Washington, DC: Pew, July 7, 2011).

In 2007, the United Nation’s Department of Economic and Social Affairs developed recommendations for increasing intergenerational solidarity (IG)—their term for generational cohesion. Among the recommendations was a call to promote public awareness. This document also included a statement regarding the scope of effort creating increased intergenerational solidarity and avoiding generational conflict that is worth considering:

Bonding can be strong or weak depending on ability and opportunity of stakeholders to use IG solidarity as a societal resource. There is a feeling of optimism in the opportunities that lie ahead for great integration of all ages in all spheres of life, at work and at home, within the family and in communities, and through public policies that enable to better balance work and family communities, and through public policies that enable to better balance work and family life. If governments and stakeholders are able to promote greater flexibility in the job market and greater support for vulnerable persons then, ..., ‘In such a context, we predict that complaints of generational inequity and threats of generational conflict will have little resonance in twenty-first century society.’⁴⁹

Finally, it is important to remember that the elderly themselves possess abilities that can help America move forward into the challenges that await us. In the words of Network on an Aging Society chair John W. Rowe:

The upside [of the longevity dividend] includes the availability of previously unimagined older individuals, many fully capable of participating productively in society either through the workforce or via civic engagement. The facts are that older people have much to offer, including their accrued knowledge, stability, unique creative capacities for synthetic problem solving, and increased ability to both manage conflicts and take the perspectives of other age groups into account.⁵⁰

⁴⁹ Ibid.

⁵⁰ John W. Rowe, “Successful Societal Adaptation to the Aging of America,” *Public Policy and Aging Report*, vol. 21, no. 4 (Fall 2011), p. 13.