Generation un lucky

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Graduating members of the Millennial Generation find themselves leaving the comforts of campus for what seems, by historical standards, the bleakest of futures: limited job prospects, prohibitive housing prices, schizophrenic financial markets, the ravages of a global recession and one giant bill from decades of excess.

Landing that first career position has never been easy. But the labour force's youngest cohort seems to have some legitimate grievances.

Older workers are clinging to their jobs longer, eating up available salary and squeezing the job market from the top. That's exacerbating competition for junior vacancies, which high youth unemployment indicates are already in short supply.

When Boomers eventually do leave their jobs en masse, the capacity of the workforce to finance those retirements will be tested.

And the dwindling of defined-benefit pension plans will make it more difficult for Millennials to save for their own retirements, which can't even begin until they reconcile their record high student debt loads.

Having enjoyed a stretch of relative economic prosperity, Boomers are now committing younger generations to a fate of austerity and stagnancy - an intergenerational transfer dubbed "fiscal child abuse" by one pundit.

Is this the unluckiest generation? Having earned a commerce degree from the University of Toronto, Aaron Prakash, pictured on Page FP1 at his graduation, fully expected to land a job in finance as an analyst or consultant, preferably at a larger organization where he could rise through the ranks.

"Anything to get me a window to a junior or middle associate role," he said.

Two years later, he's stuck at an agency in a low-level sales job, which he said doesn't really require any post-secondary education. "There's no opportunity for advancement, there's no feedback, there's not a bright future in it," he said.

With many employers reluctant to hire while a global contraction threatens, competition is fierce for the limited entry-level jobs that come available, Mr. Prakash said. Positions he has interviewed for have gone to overqualified candidates.

So he's considering going back to school for an MBA - an expensive option that will add considerably to his studentdebt load - but worries about his job prospects after that.

His other option is to bide his time in a job he dislikes until something opens up. That way, however, he runs the risk of his knowledge and skills going stale. Once top employers fully resume hiring, they might prefer more recent graduates.

"I might be in limbo," he said. "That's what I'm worried about."

His concern is justified, according to research demonstrating that graduating into a recession can have permanent consequences for income and job quality.

"There is a risk that the longer it takes, the more their skills depreciate, and the less attractive they are to employers," said Philip Oreopoulos, labour economist at the University of Toronto and co-author of a study analyzing the incomes of a large number of Canadian graduates over a 20-year period.

The central finding of the much-cited study: Luck matters.

Those unlucky enough to graduate into a recession face an average initial income shortfall of almost 10%. It takes an average of 10 years after graduation to overcome the initial damages.

"They're significant and real and longterm," Mr. Oreopoulos said. "For some people, there are lifetime effects."

While contending with the effects of a recessionary employment market, what's known interchangeably as Generation Y, the Millennial Generation or the Echo Boomers also must wrestle with a macroeconomic albatross that could persist long into their working lives.

More and more, Baby Boomers are indicted by analysts as having handed off to future taxpayers a monumental bill for years of unsustainable finances.

Through their control of politics and elections, Boomers "have rationally chosen a path of more consumption today at the expense of future generations," Jason Hsu, chief investment officer at Research Affiliates, said in a recent report.

The resulting "new normal" he envisions features "an extended period of lower economic and return expectations for the aging and debt-ridden developed world."

Gross debt as a proportion of GDP in the United States is projected to hit 103% this year, a level not neared since the aftermath of the Second World War.

"They're going to require draconian efforts in the years ahead to get their budgets on a sustainable track," said Doug Porter, deputy chief economist of Bank of Montreal.

Those efforts will likely include a mix of spending cuts and tax hikes, either of which can choke economic growth, Mr. Porter said.

Compound that with the effect of changing demographics, particularly the retirement cycle of the Boomers, and a substantial increase in the tax burden seems inescapable.

In developed countries, the support ratio of working age adults per retiree was 5.3 to 1 in 1970, Mr. Hsu said. By 2050, that ratio is expected to fall to 2 to 1. In the United States, there will be "10 new retirees for each new entrant to the workforce," he said.

"Not only does the future appear unenviably poor in aggregate, it also appears predictably unproductive," he concluded.

Entitlement programs in the United States, including Social Security and Medicare, need profound reform to avoid a drastic increase to the taxes of the future American workers. In The Coming Generational Storm, Laurence Kotlikoff and Scott Burns likened the trend to fiscal child abuse.

Canada's public pensions, by contrast, are fairly well-funded. But retirement security is no less a concern for younger and future entrants to the workforce.

Between 1991 and 2009, the proportion of Canadian employees covered by a private pension plan fell from 45% to 33%. Of those, about 75% are members of defined-benefit plans. But the discrepancy between the public and private sectors is vast, with only 56% of private-sector pension members covered by defined benefits.

Just thinking about a pension would be a luxury for Aaron Young. After completing a PhD in medical science at McMaster University last summer, he simply did not anticipate having trouble finding work.

But with research funding dried up, cutting off post-doctorate opportunities, he has had no luck finding a job in academia or the private sector.

"My job search has expanded to include pretty much anything I could possibly think of that I could apply to," he said. He's now considering options in the pharmaceutical industry and seeking jobs in the United States.

"The pool of candidates applying for jobs is a lot greater and the number of jobs available is fewer," he said.

Never far from his mind is the debt burden he accumulated over 10 years of post-secondary studies, totalling more than $100,000.

Having made that investment only to encounter a dead end upon graduating has him questioning the value of university. "The idea that if you want a good job, if you want a good life, this is the path to go down, that's been rammed down our throats since we were old enough to understand," he said.

There are many others in the same position.

Unemployment of younger workers remains at about 14%, the product of the recession, which tends to disproportionately punish youth, as well as the unsteady recovery, during which older workers have postponed retiring.

Many workers near retirement saw the value of their investment portfolios sink over the past few years and decided to stay on the job to top up their savings, said Eric Cousineau, founder of OC Group, a human resources consultancy.

Meanwhile, just to rise to the point of zero net worth will take students years, given that student debt has soared over the past two decades.

For many, that will mean "postponement of milestones of life, like having children or owning a house," Paul Cappon, president of the Canadian Council on Learning, said in a document.

Canada's elevated real estate market itself could prove another impediment to home ownership for younger Canadians. Average home prices hit a record high of $365,000 in February, more than double the price set a decade earlier.

"There are opportunities in the city, but the reality is, you're going to have to get into pockets that are going through the gentrification process," said Vince Gaetano, a principal broker at Monster Mortgage, who advised that first-time buyers lower their expectations.

"But young people aren't interested in spending too much time in an area waiting for that to happen. It could be a decade and young people today want things now," he said.

BY THE NUMBERS

$26,680
Average debt of university borrowers upon graduation, 2009.

$24,706
Average debt of university borrowers upon graduation, 2000, in 2009 dollars.

$12,271
Average debt of university borrowers upon graduation, 1990, in 2009 dollars.

Source: Joseph Berger, "Student debt in Canada," 2009.