

## ECONOMIC VIEWPOINT

# From One Generation of Young Quebecers to Another (Part I)

## Are the Current Factors and Conditions Better for One Generation than Another?

Youth is an important stratum of the population in terms of the life stages they are going through (end of schooling, household formation, entry into the job market) and the influence that their actions, choices and lifestyles have on the economy, culture, the environment and politics. In exchange, the life prospects available to young people are also largely determined by the economy and society in which they are taking their place.

Over the last fifty years, various generations of Quebecers became adults and entered the job market in somewhat different economic and social contexts. Economic cycles, demographics, technology and public policy may have been favourable or unfavourable when these young people were becoming adults.

Overall, it is not possible to establish whether any of these generations of youth had a better destiny than the others. The generation that reach adulthood in the 2020s is no exception. This generation faces major challenges, but it also has assets that preceding generations did not have.

### Introduction

Becoming an adult is an important phase in every individual's life. This stage has its issues, challenges, difficulties and hopes which differ from era to era because, over time, values, techniques, knowledge and material and financial means change. Moreover, some periods are marked by particular positive or negative circumstances which have a big impact on the outlook for young adults: economic highs and lows, demographic imbalances, major conflicts, technological changes or, as is the case right now, the significant disruptions caused by a pandemic or increasingly intense climate events.

Comparisons are frequently drawn between the situation of youth and that of older groups, and some observers find intergenerational inequities. These analyses often have substantial limitations, however. On one hand, it is not surprising that the material situation and living standards differ among age groups, given that older people have had more time to get established, move up the income scale, and acquire assets. On the other, we may wonder who can pinpoint what the living standards and quality of life will be for the different generations in 10, 20 or 30 years.

This study aims to examine how similar or dissimilar the situation of Quebec's current youth and their prospects are from those of previous generations when they themselves were becoming adults.

### Interrelations Between Young People and Society

As a stage in life, youth is characterized by the end of schooling, then joining the work force, household formation (alone or as part of a couple) and, for many, starting a family.

Most studies and surveys of youth set the start date at age 15, but they vary substantially as to when a young adult becomes a full adult. The threshold may be 25, 30 or even 35, depending on available data and the subjects under study.

The flexibility in the upper limit on youth is justifiable, as the timing of the actions involved in transitioning to the next phase of life may fall earlier or later, depending on the action. Student employment has become increasingly widespread, so that people under 20 are now much more present in the labour force than they were 30 or 50 years ago. Conversely, schooling has been extended, with the result that a growing proportion of young people cannot hold a permanent job or leave their parents' home until age 25.

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Also, actions such as buying a home usually require several years of work to build up some financial capacity. This is why homeowners under the age of 35 may be considered young homeowners. Lastly, a longer lifespan also argues in favour of shifting the various age ranges upward. For the last few decades, youth is no longer over at age 25, and 65 is no longer old. The life stages have shifted.

Regardless of the cut-off ages that define youth, young people are very important in the evolution of the economy, and all of society, since they represent an important share of the labour force. Youth also contributes new sensitivities, new ideas, new ways of seeing the world, and new approaches. Young people are therefore a key factor in both perpetuating and renewing societies.

Youth's influence on society is felt, among other things, through numbers, i.e., its importance in the age pyramid. This phenomenon was spotlighted after World War II, through an exploding birth rate--baby boom--that lasted two decades, and the ensuing baby bust, when the birth rate plunged. The imbalance in the age pyramid meant that the dependency ratio<sup>1</sup> swung from one extreme to the other between the 1950s and today.

Quebec went from a ratio of 86.9 dependents per 100 people aged 20 to 65 in 1971 to a low of 57.5 in 2005.<sup>2</sup> This gave Quebec what analysts describe as a demographic dividend: the economy benefits from an overrepresentation of the labour force in the age pyramid, increasing the overall population's productivity. This is a temporary gain, however: gradually, the decline in births affects the labour force. Quebec's demographic dependency ratio has been moving up since the low in the 2000s, and could reach 80.4 in 2027 and 84.1 in 2037,<sup>3</sup> similar to where it was in the 1970s. There is a big difference however: the largest contingent of dependents will be made up of seniors rather than children.

In addition to these strong demographic effects, the size of the group of young people in one era has direct impacts on the nature of the goods and services that are most in demand, as well as on the supply and demand for savings. The impact of demographics on home prices is very clear.<sup>4</sup> Similarly, demographic fluctuations, whether up or down, influence the labour market insofar as more (or less) consumers generate more (or less) demand for goods and services and, accordingly, more

(or fewer) jobs to meet the new demand. Depending on the era, governments will have to build schools and sports facilities or hospitals and long-term care centres. Generational effects can also be seen in culture, values and fashions.

According to economist and demographer David K. Foot, demographic phenomena have great predictive value and can explain up to two thirds of what happens in the markets for all products and services over the medium and long range.<sup>5</sup> Peter F. Drucker, one of the most renowned management specialists in the second half of the 20th century, was also convinced that demographics is one of the best indicators for predicting an economy's medium- and long-term evolution.

Note that the relationship between youth and society works both ways. Depending on the economic and political conditions that prevail at a given time, the prospects open to young adults may or may not be promising. As a result, it may be easier--or harder--for them to find the kind of job they want and achieve the standard of living and quality of life they expect.

To reflect the interrelationships between youth and the era in which they were born and grew up, marketing agencies and the media have gotten into the habit of tagging the successive generations with labels that are supposed to represent what characterizes them, and what differentiates them from other generations. This notion of generation refers to a group of people who are broadly in the same age group and who, for that reason, were born and grew up during the same political, economic and cultural events.

The distinctions between these sociodemographic generations are arbitrary, particularly with respect to their start and end dates, as are their names, but many publications consider that four generational groups can be identified since the end of the last world war. The following breakdown is used in this study for Quebec's most recent sociodemographic generations:

- a) Baby Boomers (born between 1946 and 1965)
- b) Generation X (1966-1980)
- c) Millennials (1981-1995)
- d) Generation Z (born after 1995)

Note that this breakdown is partly based on random phenomena, such as the cycle of births or economic cycles: the length of a generation is not uniform. The length ranges from 15 years for Generation X and the Millennials to 25 years (so far) for Generation Z.

For the purpose of this study, it is not the generation group's start date that matters, but rather when its first representatives became adults, about twenty years later. Because they reached maturity at the turn of the millennium, the generation following

<sup>1</sup> The ratio between the number of people in the employment market and the number of non-participants, particularly children and retirees.

<sup>2</sup> Institut de la statistique du Québec data and projections published in Finances Québec, *Le contexte démographique du Québec : Horizon 2025*, December 2009, p. 18.

<sup>3</sup> Projections published by CIRANO.

<sup>4</sup> Francis VAILLES, *Votre future maison, les jeunes*, La Presse+, March 8, 2018.

<sup>5</sup> David K. FOOT, *Boom, Bust & Echo*, Macfarlane Walter and Ross, 1996, 245 p.

Generation X was named the Millennials (they were briefly tagged Generation Y).

To take into account the years for which federal censuses produced socioeconomic data on the various demographic groups, this study privileges the data published for four reference years, 1971, 1986, 2001 and 2016; each year is representative of the situation prevailing at the time the four generations selected began to reach adulthood. Where data was not produced for a reference year, the data available for the closest year was used.

The COVID-19 pandemic is not reflected in the data since the data for 2020 had not yet been released when the study was done. On the other hand, the pandemic's impacts on Generation Z's prospects are dealt with on the basis of possible scenarios for the next decade.

### Times Are Changing

Although there are only fifteen years between the reference years, this was enough time for youth to reach adulthood in economic, political, social and cultural environments that had changed substantially during that time.

The changes from generation to generation can be summarized by referring to what could be described as the "spirit of the times," as well as demographic change and changes to the economy.

#### ► The Spirit of the Times

The spirit of the times refers to an era's atmosphere as it may be expressed in fashion as well as economic, political, cultural and social events. This spirit impregnates values and shapes how the present is seen, and how the future is viewed. Each of the reference years enjoys a specific atmosphere. Here is a brief list of the highlights:

- 1971

The start of the 1970s was marked by a huge influx of young baby boomers into school and work. At the time, this cohort represented 41% of Quebec's population (appendix 1 on page 10).

The creation of the welfare state led to a surge in the number of public sector jobs. The federal government launched a variety of programs for offering temporary jobs to young people.

The economy was affected by a sharp rise in oil prices triggered by a cartel of oil-producing nations, the Organization of the Petroleum Exporting Countries. During this time, the publication of the Club of Rome report created a global shock wave by making populations aware of the limits of an economic model based on growth.

The international climate was marked by the Cold War's nuclear threat, the never-ending conflict in Vietnam, two successive wars between Israel and Arab nations, the overthrow of Chile's Allende government, secessionist conflicts in Bangladesh and Biafra, etc.

Across Quebec, labour relations were very strained. Strikes were frequent, including the strike by the Front commun union coalition which paralyzed public services in Quebec (1972).

Despite these tensions and threats, overall, Boomers were optimistic, since they grew up during the prosperous post war period and, in Quebec, benefited from the creation of infrastructure and new or improved public services, the holding of the Expo 67 Universal Exposition and 1976 Olympic Games in Montreal as well as the start of large hydroelectric development projects.

Mores Change Religion's declining influence, the fine-tuning of the birth control pill, legalization of divorce, and feminist demands, among other factors, changed the perceptions of sexuality, marriage, the family and the status of women.

The Boomers believed it was possible to change the world and society. May 1968 and the protests on U.S. campuses were echoed in Quebec, with ongoing student demonstrations and strikes. They were generally peaceful. It was the time of Flower Power, communes, and the increasing popularity of psychotropic substances.

This generation was not worried about its health. The Salk vaccine had defeated polio, while the Asian flu (1957) and Hong Kong flu (1968) did not cause any major harm. Heart transplants became possible. It seemed like medicine could defeat the major diseases.

- 1986

The first representatives of Generation X reached adulthood in the mid-1980s, at a time when the economy was struggling back from the stagflation of the 1970s and deep 1981-1982 recession. At the time, Gen Xers represented 20.9% of Quebec's population, half that of the Boomers fifteen years earlier (appendix 1 on page 10). The difference is due to the drop in the number of births after 1960, and the fact that Generation X is only 15 years long, rather than 20 years, like the Boomers.

Government debt and neoliberal ideology ended the expansion of the welfare state. This was a time of budget cuts, privatization and deregulation. The high divorce rate and appearance of AIDS showed the limits of the previous generation's dream of sexual liberation. Quebec's political and cultural milieus were dealing with disillusionment over

the failed 1980 referendum. It was a time for cocooning, returning to the private sphere.

The Cold War seemed less and less threatening: President Gorbachev began to liberalize the Soviet Union. At the end of the decade, the Berlin Wall came down, elections were introduced in some Eastern Bloc countries, and Rumania's dictatorship collapsed, to mention just some of the upheaval seen during this period. On the other hand, environmental concerns intensified, as acid rain ravaged forests and lakes, a hole in the ozone layer threatened public health, and the accidents at Three Mile Island (1978) and Chernobyl (1986) cast doubt on the safety of nuclear plants. The Bruntland Commission report (1987) popularized the notion of sustainable development.

Gen Xers saw their opportunities for achieving their ambitions as so limited that they adopted the slogan "No future." In fact, access to the job market was tougher for Gen Xers than it was for the Boomers. For example, education was no longer a fast track to a career.<sup>6</sup> To a much greater extent than the Boomers 15 years earlier, a large proportion of Gen Xers were unemployed or had to make do with precarious work. According to researchers Linteau, Durocher, Robert and Ricard, "Many saw the young people of the 1980s as a sacrificed generation"<sup>7</sup> and people began to wonder whether, for the first time in history, a generation would have to give up on achieving a better standard of living than their parents.

- 2001

The economy was swept along by globalization and the new information and communications technology. A "new economy" seemed to be emerging, increasingly based on knowledge.

The Quebec and federal governments continued the effort to clean up public finances. In Quebec, the goal resulted in the stated intention of not leaving too much public debt to future generations, which led to the creation of the Generations Fund in 2006.

The international scene was marked by the attacks of September 11, 2001, the war on terror, and the start of the wars in Afghanistan and Iraq.

With the 1997 signing of the Kyoto Protocol, the public was increasingly aware of climate disturbances that greenhouse gas emissions could cause.

The SARS episode in 2003, occasional cases of E. coli poisoning, and the recurring fear of an Avian flu epidemic were among the new threats to public health.

The Millennials reached adulthood having spent their youth in constant contact with the Internet and other electronic tools, preparing them to enter workplaces where digital technology was playing a growing role. At about 19% of Quebec's population, their relative weight was slightly smaller than that of Generation X, fifteen years earlier (appendix 1 on page 10). With a reputation for being creative, qualified and hard-working, they were also demanding, looking for working conditions that were in line with their values, rather than job security.

- 2016

The economy was still recovering from the 2008 financial crisis and employers were struggling to recruit. There was even talk of a labour shortage. The population was increasingly aware of income and wealth inequalities that had widened over time. Populist governments were elected around the world, echoing the frustrations of much of the population, who had the impression they had been passed over by economic and political leaders.

Governments were gradually relaxing budget restrictions. "Neoliberal" values gave way to a more determined government commitment to support the economy and deliver services to the population.

Until the COVID-19 pandemic disrupted everything, public health was focused on the ravages being caused by illegal opioid consumption.

Between 2000 and 2017, the increase in the cost of housing, in purchasing a residence, was the main factor eroding household buying power in developed countries.<sup>8</sup> Canada is one of the Organization for Economic Co-operative and Development (OECD) countries in which the pension replacement rate has declined the most over this period.<sup>9</sup> These problems primarily affected Gen Xers and Millennials, as Gen Z was only now reaching adulthood. Gen Z is a fairly small generation given that, even with 25 years of births, it only represents 21% of Quebec's population (appendix 1 on page 10), not much more than the 15-year generations, the Gen Xers and Millennials. Even more than the Millennials, this generation has, since infancy, been immersed in the digital universe and is perfectly comfortable with social networks, online transactions, and the myriad other applications of information and communications technology.

<sup>6</sup> Stéphane KELLY, *À l'ombre du mur – Trajectoires et destin de la génération X*, Montréal, Les Éditions du Boréal, 2011.

<sup>7</sup> Paul-André LINTEAU, René DUROCHER, Jean-Claude ROBERT and François RICARD, *Le Québec depuis 1930*, Montréal, Les Éditions du Boréal, 1986, p. 410.

<sup>8</sup> McKinsey Global Institute, *The Social Contract in the 21st Century*, 2020, p. 9.

<sup>9</sup> *Ibid.* p. 15.



The environment issue is galvanizing populations, the political class and business people to establish goals and measurable targets, as well as set deadlines. Generation Z is very concerned about climate change and other environmental problems that are increasingly making themselves felt.

- 2020-2030

In the years to come, the economy and society as a whole will be marked by the consequences of the COVID-19 pandemic. At this time, it is not possible to determine the magnitude and exact nature of these consequences, but they are likely to be deep and lasting. The IMF refers to a long economic convalescence. People, particularly young adults, may hesitate to go into business after having seen how many sectors were pummelled by the pandemic.<sup>10</sup>

Among other things, the coming years could be characterized by substantial budgetary prudence on the part of the federal and Quebec governments, given the pandemic's impact on their balance sheets. In this context, it would be hard to expect substantial tax relief or more generous government programs. Greater uncertainty about the future will also be fuelled by the consequences of more frequent and more destructive climate disturbances.

Moreover, population ageing will have a greater effect on the economy and public finances. Many analysts fear that greater demand for health care and social services, and slowing economic growth could undermine the Quebec government's budgetary balance. The Quebec government could be confronted with tough choices with respect to the tax burden on Quebecers and maintaining the quality of public services.<sup>11</sup> Even before the pandemic threw a monkey wrench into public finances, some econometric simulations suggested the Quebec government would have a budget deficit of \$9.5B in 2035.<sup>12</sup>

However, for young adults, the future might be less gloomy in the next decade than this sombre picture suggests. Their strong qualifications and the relative scarcity of labour should help them get rewarding, well-paid jobs. Less numerous, they will not have to compete with peers as heavily as previous generations over the best jobs.

<sup>10</sup> Éric DESROSIERS, *Analyse : les esprits et l'économie marqués au fer rouge par la pandémie*, *Le Devoir*, September 4, 2020.

<sup>11</sup> Luc GODBOUT et al., *La soutenabilité budgétaire des finances publiques du gouvernement du Québec*, Chaire en fiscalité et en finances publiques, Université de Sherbrooke, January 2014.

<sup>12</sup> Pierre-Carl MICHAUD, *Les implications pour les finances publiques du Québec*, presentation to the May, 2018 conference of the Association des économistes québécois.

To deal with scarce labour and to adapt to the new economy that will emerge from the pandemic's upheaval, businesses will invest more, particularly in new technologies, new processes and more powerful equipment, so Quebec's economy could make productivity gains that will result in better pay.

On an individual level, some young people will inherit financial and physical assets from their parents and grandparents.

► Sociodemographic Evolution

Table 1 sets out the demographic weight of young people aged 15 to 24 in each of the reference years and in 2019. It shows that the proportion of 15- to 24-year-olds in Quebec's population has dropped by nearly half since 1971, going from 19.6% to 10.9%. The decline was smooth from one reference year to another. Just as eloquent and meaningful is the major, smooth increase in the population's average age, which went from 29.9 years in 1971 to 42.4 years in 2019. This trend will persist in the coming decade; the average age is projected to reach 43.7 in 2031 in Quebec.<sup>13</sup> In other words, whereas the Boomers were entering a young society, Generation Z is reaching adulthood in a middle-aged society.

**TABLE 1**  
**Youth in Quebec's population**

	1971	1986	2001	2016	2019 <sup>i</sup>
Proportion of 15- to 24-year-olds in the population (%)	19.6	14.5	13.3	11.5	10.9
Median age of the population (years)	25.6	31.8	38.5	42.4	42.5
Average age of the population (years)	29.9	34.4	38.4	41.9	42.4

i: Interim data

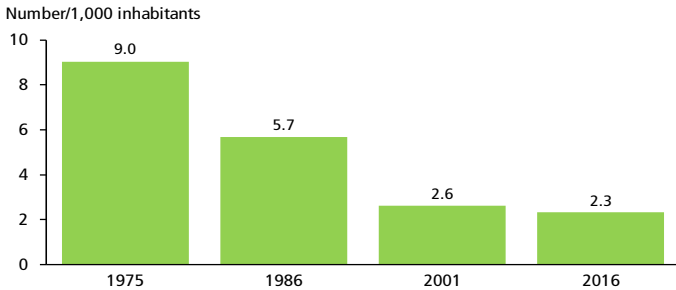
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Appendix 1 on page 10 provides more complete information on the demographic profile of Quebec's population in the reference years.

The ageing of Quebec's population is partly due to a longer life expectancy, but it is also greatly due to the drop in natural population growth (graph 1 on page 6). In 2016, when the Millennials were of an age to start families, the natural growth rate (births minus deaths) per 1,000 people had dropped substantially due to an increase in deaths combined with a decline in births between 1975 and 2016. The drop in fertility is due to the change in mores and social practices mentioned

<sup>13</sup> According to the ISQ's baseline scenario (2019), p. 72.

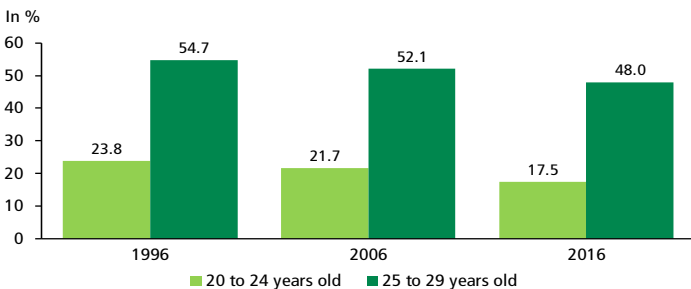
**GRAPH 1**  
Quebec: Quebec's natural population growth rate is declining



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

earlier. These lifestyle changes have resulted in a decline in young Quebecers living as couples (graph 2) or in any form of cohabitation (table 2); if they get married, they are increasingly doing so for the first time at an older age (graph 3).

**GRAPH 2**  
Quebec: The proportion of young people in couples has declined since 1996



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

**TABLE 2**  
Proportion of Quebecers living alone

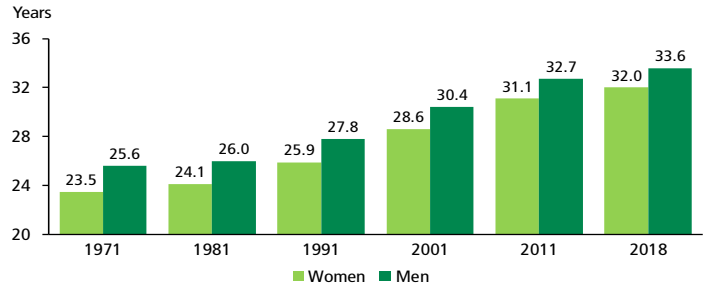
IN %	1981	1986	1996	2001	2016
15 years and over	8.4	9.8	13.3	14.8	17.2
15–19 years	1.1	0.9	1.1	1.1	1.2
20–24 years	6.9	6.3	7.8	8.5	8.9
25–29 years	9.0	9.2	12.0	13.0	15.5

Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

Immigration has partially compensated for the drop in the natural growth rate. In 1991, immigrants represented 9.0% of Quebec's entire population. In 2016, this proportion was 13.7%.<sup>14</sup> In that

<sup>14</sup> QUÉBEC (MINISTÈRE DE L'IMMIGRATION, DE LA DIVERSITÉ ET DE L'INCLUSION), *Recueil de statistiques sur l'immigration au Québec*, 2019, p. 31 (available in French only).

**GRAPH 3**  
Quebec: The average age at first marriage has risen substantially since 1971



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

year, immigrants accounted for a slightly smaller proportion of 15- to 29-year-olds, at 10.4%.<sup>15</sup>

► Changes in the Economy

- Economic Growth

In terms of economic growth, two trends could be seen between 1971 and 2016. Firstly, thanks to actions taken by governments and institutions like the Bank of Canada, the amplitude of economic cycles (peak to trough) and length of recessions in Canada were much smaller than in previous eras, which welcome trend continued throughout the period. However, the Canadian economy's annual growth also trended down.

In the early 1970s, Boomers could reasonably expect the postwar period's strong economic growth to persist, with average annual rates of around 5%. That did not happen: instead, growth declined until the last few years. In fact, graph 4 on page 7 shows that the five-year average for Canada's real GDP growth rate was 5.8% in the 1960s, and declined to 4.9% at the start of the 1970s. In the middle of the last decade, it was just 1.9%.

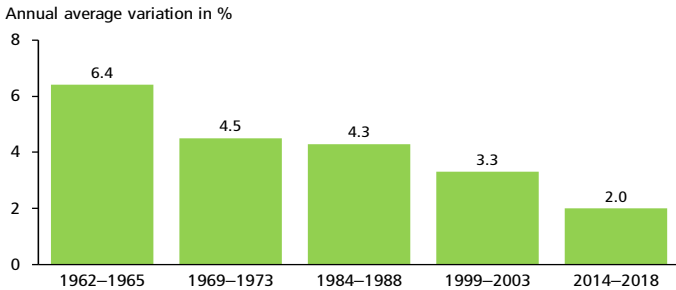
Therefore, although the four generations being examined only experienced four years of recession, 1982 (4.4% contraction in Quebec GDP), 1991 (-2.5%), 2009 (-1.1%) and 2020 (-5.4%)<sup>16</sup>, they all got the impression of reaching adulthood during a time when the outlook for economic growth was worse than previous years<sup>17</sup>.

<sup>15</sup> Census data reproduced in ISQ (2020), *Regard statistique sur la jeunesse*.

<sup>16</sup> Forecast from Desjardins, Economic Studies, January 21, 2021.

<sup>17</sup> For a more in-depth analysis of economic cycles, see: *Special study: Economic history of Quebec over the past six decades*, Desjardins, Economic Studies, *Economic Viewpoint*, November 25, 2014, 13 p. and *Comparative Study of magnitude and length of economic cycles*, Desjardins, Economic Studies, *Economic Viewpoint*, September 22, 2015, 5 p.

**GRAPH 4**  
The average annual growth rate of Quebec's real GDP has slowed over time

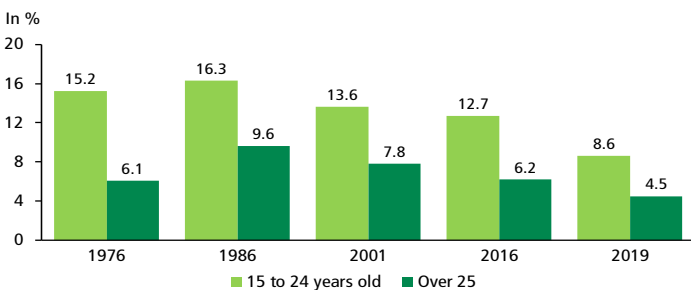


Sources: Statistics Canada, Conference Board of Canada and Desjardins, Economic Studies

- Unemployment

As graph 5 shows, different generations of young people aged 15 to 24 always had to grapple with a much higher unemployment rate than the rest of the population. In 2016 and in 1976, the unemployment rate among people aged 15 to 24 was twice that of the rest of the labour force. In absolute terms, however, the youth unemployment rate has declined, apparently as a result of the increasing scarcity of labour during the 2010s. Whereas Generation X faced an unemployment rate of 16.3% in 1986, Generation Z, for its part, had a much lower rate, at 12.7% in 2016 and 8.6% in 2019.

**GRAPH 5**  
Quebec: The youth unemployment rate declined from 1976 to 2019, prior to the pandemic



Sources: Statistics Canada and Desjardins, Economic Studies

- Inflation

The four youth generations' experience of inflation is sharply different. When the first Boomers were becoming adults, the inflation rate was shooting up, hitting an average annual rate of 4.7%; a decade earlier, it had been hovering around 1.2% (table 3). The situation eroded further in the 1970s; in just ten years, the average annual inflation rate doubled to about 10%. It even peaked at 12.5% in 1981. Generation X

**TABLE 3**  
Average annual inflation rate in Canada\*

PERIOD	GENERATION	IN %
1959–1963		1.2
1969–1973	Baby-boomers	4.7
1978–1982	Baby-boomers	10.3
1984–1988	X	4.2
1999–2003	Millennials	2.4
2014–2018	Millennials Z	1.7
2019	Z	1.9

\* Quebec data was only available as of 1979.  
Sources: Statistics Canada and Desjardins, Economic Studies

reached adulthood in this highly inflationary context. At this time, central banks in Canada and other industrialized nations were adopting money supply management policies that would disrupt inflation expectations among workers, consumers and businesses. These policies delivered the hoped-for results: during the childhood and youth of the Millennials and Generation Z, inflation was under control, with an average annual rate around 2%, the Bank of Canada's target.

Interest rates are another variable that created varied economic conditions for the different generations as they became adults, that is, when they had to borrow to acquire various durable goods and, a few years later, buy homes or condos.

It is not possible to provide a thorough view of interest rates at various times, since they vary according to duration, purpose (real estate or consumer loan), certain terms (closed or open) and the lender, among other factors. However, the rates all vary in tandem, up or down, in response to the signals sent by the Bank of Canada. One of these is the prime rate. It is the basis for all variable mortgage rates in Canada. Table 4 on page 8 provides the level for the prime rate on January 1 in certain years.

Although the prime rate had not gone over 5.00% between 1934, when the Bank of Canada was founded, and the mid-1960s, it started to climb just as the Boomers were completing their education and entering the job market. It hit 7.50% at the start of 1971, but the worst was yet to come: it climbed to 9.50% in 1974, and 18.25% in 1981, going above 20.00% in August of that year. In 1986, the first Generation X contingents benefited from a slight lull, when the prime rate fell to 10.00%, but it remained high, particularly as both mortgage and consumer loans were affected.

Subsequently, the monetary policies applied by the central banks continued to make themselves felt, and Millennials and Generation X were able to get much more accommodating interest rates. The prime rate came down to 7.50% in

**TABLE 4**  
**Prime rate on January 1 in Canada**

IN %	RATE
1964	5.75
1971	7.50
1974	9.50
1981	18.25
1986	10.00
2001	7.50
2016	2.70
2020	3.95
2021	2.45

Sources: Bank of Canada, Datastream and Desjardins, Economic Studies

January 2001, and was just 2.70% at the start of 2016, before the Bank of Canada pushed it up to 3.95% at the start of 2020. The crisis triggered by the COVID-19 pandemic prompted the Bank to lower it to 2.45% as of March 2020.

- Wages

Although, at first glance, interest rates were much better for the Millennials and Generation Z than they were for the Boomers and Gen Xers, on the other hand, the Boomers could count on wage increases that allowed them, to a certain degree, to keep pace with rise in the cost of living; also, higher inflation could quickly shrink the real value of contracted debt. During the 1970s, the average real wage in all activity sectors rose about 25% in Quebec, then remained stable in the first half of the 1980s.<sup>18</sup>

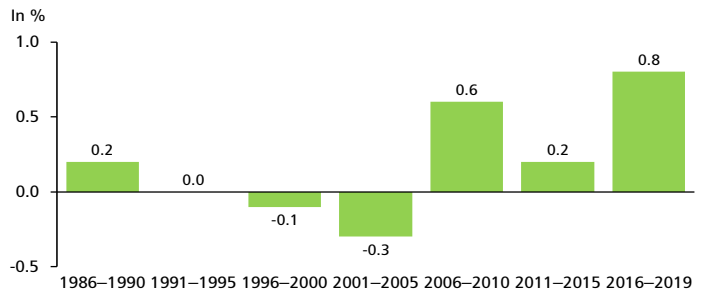
From the mid-1980s to 2019, the real wages of unionized employees increased by just 0.2% a year on average. Real wages even shrank between 1996 and 2000, and 2001 and 2005, then started to trend up as of the mid-2000s. Here, the 0.8% average annual growth rate for real wages in recent years (2016-2019) constitutes a much more favourable context for the Millennials and Generation Z than it was three decades earlier for the young Boomers and Gen Xers (graph 6).

In other words, the economic situation in a particular time can only be correctly understood by factoring in the simultaneous interplay of several complementary indicators.

- Residential Property

The Affordability Index, developed by Desjardins Group's Economic Studies, does just that: it simultaneously considers a variety of factors. The index is designed to reflect how

**GRAPH 6**  
**Quebec: Average annual growth of unionized workers' real wages is improved substantially since 2016**



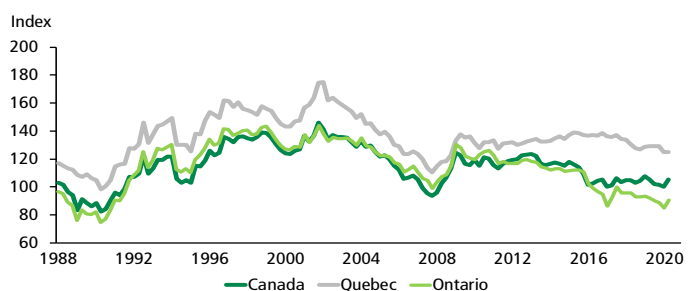
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

possible it is financially for households to acquire a home. It is formed by the relationship between households' average personal disposable income and the estimated income required to cover the various costs associated with owning an average home (mortgage payments, taxes, maintenance, repairs, heating, etc.). A higher index means more households are presumed to have the income necessary to buy their own home.

Graph 7 shows that Desjardins' Affordability Index has fluctuated substantially in Quebec since the end of the 1980s. Following a low in 1990s, the index began a rising streak that peaked in 2002; it then tumbled, reaching a floor in 2008. The index rose again, then began to fall since 2018.

This roller coaster trajectory gave Generation X the best conditions for entering the housing market at a time when they were becoming old enough to take the plunge. The conditions were much tougher for the Millennials at the end of the 2000s, then normalized somewhat in the last decade, when the first Generation Z representatives were becoming old enough to contemplate purchasing a home.

**GRAPH 7**  
**The evolution of the Desjardins Affordability Index illustrates major changes over time and across the generations**



Source: Desjardins, Economic Studies

<sup>18</sup> Jacques ROUILLARD and Jean-François ROUILLARD, *L'évolution des salaires réels au Québec de 1940 à 2018 : Analyse historique*, p. 31.



Although there were reasons to envy Generation Z in terms of homeownership, Quebec’s Millennials and Generation Z can be happy to benefit from a higher affordability index than their counterparts in the rest of Canada. Apparently, their situation is also a lot better than that facing young generations in other developed countries, where home prices have hit giddy heights.<sup>19</sup>

- Employment Structure

Reflecting the growing weight of service activities in the economy, the distribution of jobs between the primary, secondary (manufacturing and construction) and tertiary sectors has changed substantially in the last five decades. When the first Boomers were leaving school or university, they could consider heading toward activities that involved manual labour, since agriculture, forestry, mining, energy, constructing and manufacturing represented about 40% of jobs in Quebec. However, these sectors’ capacity to offer employment declined regularly after that. They already accounted for less than one quarter of the jobs when Millennials hit the job market, around the turn of the millennium, and less than a fifth when Generation Z entered the job market in the 2010s (table 5).

Between the Boomers’ entry into the world of work and the entry of Gen Z, the opportunities in the primary sector declined the most, going from 8.2% to just 3.0% of all jobs. While technological development and productivity gains account for much of the labour market’s transformation, it is possible that the growing popularity of work among students has also played a role, since this makes up the bulk of the work in commerce and food services.

**TABLE 5**  
**Distribution of employment by broad economic sector in Quebec**

IN %	1966	1976	1986	2001*	2016*
Primary	8.2	4.9	3.8	3.0	3.0
Secondary	34.9	29.9	22.6	20.8	16.8
Tertiary	56.9	65.2	65.6	76.2	80.2

\* For 2001 and 2016 the secondary sector includes construction, while the primary sector includes electricity and natural gas distribution. It was not possible to verify this information for 1966, 1976 and 1986.

Sources: Statistics Canada for 2001 and 2016 and Ministère du développement économique, de l’Innovation et de l’Exportation (1996) for prior years and Desjardins, Economic Studies

### To Sum Up

**Some study data goes back to 2015, 2016 and 2018—not being published on an annual or regular basis. The onset of the pandemic back in 2020 could be a game-changer for some parameters, causing us to adapt certain conclusions.**

Depending on the era, the young generations became and will become adults in very different economic, political, social and cultural climates. Young Boomers soared on the wings of optimism and the sense that anything was possible, including political and sexual revolution; the Gen Xers became adults at a time when the horizons were clouded by the economic slump and the end of the big collective projects. For their part, the Millennials grew up with the hopes raised by globalization, new technologies, and their high level of education. Lastly, Generation Z hit the scene when the climate threat, inequality, identity tensions and the fallout from the COVID-19 pandemic point to a very uncertain future.

The social and demographic context has changed sharply in the last 50 years. The main transformation pertains to population ageing. The result is that, from generation to generation, youth has constituted a shrinking proportion of Quebec’s population. This demographic evolution has occurred in tandem with a change in lifestyles that has resulted in young people forming fewer couples, and starting fewer families.

One thing all four generations in this study have in common is that they reached maturity in the context of a long-term downtrend for the rate of economic growth. Moreover, from one generation to another, the youth were much more affected by unemployment than older age groups, but in the context of a chronic labour shortage, Generation Z benefited, before the pandemic, an unemployment rate significantly lower than that of previous generations, before the pandemic, when they were that age. In terms of inflation and borrowing costs, Boomers had it the worst, as these two variables hit records when they were becoming old enough to get established. However, the rapid increase in wages during the 1970s did a lot to mitigate the impacts of higher prices and interest rates.

In fact, such compensatory phenomena often work to mitigate the impacts of unfavourable factors. This is why it is impossible to judge an economic situation at a given time based on a single variable. In addition to the example of the cross effect of wages and inflation, the Gen X example speaks loudly. Although they were struggling with a somewhat hostile job market in the 1980s, Gen Xers benefited from very favourable conditions for purchasing property in the next decade.

Part 2 of this [Economic Viewpoint](#) will address the issue of income, debt and assets, various aspects of the employment market such as participation rates and employment, self-employment, education, health, and a few aspects of lifestyle, such as housing and means of transportation.

<sup>19</sup> According to MGI analysis (2020) based on OECD data and a [special report](#) by *The Economist*.

**APPENDIX 1**
**Demographic data**

	1971		1986		2001		2016		2019	
	In number	In %	In number	In %	In number	In %	In number	En %	In number	In %
Total	6,137,305		6,708,170		7,396,456		8,225,950		8,501,703	
0-4	485,861	7.9	436,854	6.5	381,919	5.2	442,489	5.4	435,169	5.1
5-9	637,478	10.4	476,594	7.1	460,772	6.2	446,931	5.4	465,310	5.5
10-14	676,275	11.0	444,739	6.6	463,039	6.3	402,574	4.9	443,067	5.2
15-19	635,037	10.3	485,642	7.2	467,515	6.3	429,466	5.2	425,445	5.0
20-24	573,174	9.3	626,272	9.3	515,656	7.0	517,216	6.3	503,005	5.9
25-29	494,415	8.1	655,490	9.8	473,546	6.4	518,570	6.3	564,245	6.6
30-34	389,580	6.3	602,419	9.0	503,069	6.8	534,815	6.5	538,832	6.3
35-39	367,837	6.0	545,824	8.1	623,352	8.4	568,116	6.9	581,933	6.8
40-44	364,186	5.9	463,638	6.9	653,318	8.8	521,293	6.3	567,671	6.7
45-49	342,953	5.6	358,552	5.3	590,217	8.0	532,643	6.5	522,612	6.1
50-54	286,573	4.7	333,792	5.0	530,422	7.2	629,208	7.6	565,464	6.7
55-59	255,439	4.2	327,684	4.9	436,368	5.9	642,195	7.8	642,398	7.6
60-64	210,049	3.4	292,913	4.4	333,012	4.5	563,494	6.9	610,411	7.2
65-69	162,565	2.6	230,439	3.4	291,925	3.9	482,961	5.9	513,607	6.0
70-74	114,205	1.9	181,311	2.7	257,444	3.5	369,265	4.5	426,398	5.0
75-79	74,544	1.2	125,212	1.9	198,583	2.7	252,546	3.1	296,739	3.5
80-84	42,218	0.7	72,971	1.1	121,813	1.6	183,822	2.2	192,491	2.3
85-89	18,423	0.3	33,379	0.5	64,486	0.9	119,161	1.4	127,607	1.5
90-94	6,493	0.1	14,445	0.2	23,752	0.3	53,711	0.7	59,624	0.7
95-99	na		na		5,475	0.1	13,466	0.2	17,063	0.2
100+	na		na		773	0.0	2,008	0.0	2,612	0.0
		100.0		100.0		100.0		100.0		100.0
Median age	25.6		31.8		38.5		42.4		42.5	
Average age	29.9		34.4		38.4		41.9		42.4	

na: Data not available

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## Appendix 2

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