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## Failure to Launch or Launching Too Soon? Poverty and Leaving the Parental Nest in Europe and North America

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Most young adults would probably prefer to be out on their own, living independently of their parents by the time they reach their early 20s. As the economic climate changes in both Europe and the United States, however, many young people find it much more difficult to support themselves on their own. As Lisa Bell and her colleagues in their chapter in *The Price of Independence*<sup>1</sup> show, both employment prospects and associated wages have declined in North America and many European nations for most young adults, and especially for men. Further, although income adequacy declined for most young adults in the countries the authors examined, the declines were largest for those living on their own. As a result, by the end of the 1990s, poverty rates among young people who lived outside their parents' households could be 3 to 4 times greater than poverty rates among those who continued to live with their parents.

The authors use data from national labor force surveys and the Luxembourg Income Study (LIS) to compare trends in living arrangements, employment rates, earning levels, and net incomes between the mid-1980s and the late 1990s for 18–34-year-olds in Canada, the United States, the United Kingdom, Belgium, West Germany, and Italy. The poverty threshold, and hence the earnings needed to achieve an adequate level of self-sufficiency, is defined separately for each country as 50% of the nation's median Adjusted Disposable Personal Income (ADPI). People in households where adjusted disposable incomes are below this threshold are classified as “poor.”

### Living with Parents on the Increase

In all six countries, young adults of both sexes remained in their parents' homes longer in the late 1990s than they did in the 1980s. The only notable exception is young women in the United Kingdom, who were somewhat more likely to head a household or be married to a household head in 1995 than they were in 1986. The falloff in independent living was particularly large in Belgium and Italy, and among German women in their late 20s and early 30s. The proportion of young Italians who head households declined 20 percentage points among men aged 26–34 and by almost the same percentage among Italian women between 22 and 30. In the six countries studied, Italy had by far the highest percentage of young adults who lived with their parents (see also Newman and coauthors' brief in this series for more on Italian trends). The decline in independent living among young adults was much less pronounced in the United States, Canada, and the United Kingdom than it was in continental Europe.

One plausible hypothesis is that the increase in postsecondary education is responsible for the shrinking percentage of young people who live independently. Bell and coauthors show, however, that the trends in independent living do not necessarily mirror crossnational trends in education levels. Data from the Organization of Economic Cooperation and Development show that, on average, men and women have more years of schooling in North America than in Belgium, Germany, or Italy. If schooling delays independence, then young people in North

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<sup>1</sup>Sheldon Danziger and Cecelia Rouse, editors, *The Price of Independence: The Economics of Early Adulthood*, New York: Russell Sage Foundation (under review). Danziger and Rouse are Network members. For additional Network books on the transition to adulthood, see [www.transad.pop.upenn.edu](http://www.transad.pop.upenn.edu).

# Network on Transitions to Adulthood

America should stay home longer. In fact, they form independent households at younger ages than their counterparts in continental Europe.

## Men Losing Ground

The researchers find that the tendency of young adults to stay home longer is typically greater in countries with higher rates of youth unemployment and faster wage declines among young adults. Young adult men in continental Europe experienced the largest downturn in employment and earnings. The fraction of 20–24-year-old men who were employed in Belgium in 1985 was 59%. By 2005, it had dropped to 50%. In West Germany, the drop was from 70% to 60% , and in Italy from 59% to 49%. In the U.K. and North America, the employment drop was much less dramatic, only 1 to 4 percentage points. In these countries, roughly three-fourths of 20–24-year-old men are employed.

For those who were employed, the trends in real wage and salary earnings were largely negative as well. The average wages of employed men in all countries, and in most age groups, declined during the study period (see Table 1). Between the mid-1980s and the late 1990s, average wages for 22–26-year-olds in West Germany fell 30 percentage points, and in Italy, they fell 28 percentage points. Wages in Belgium and the U.K. declined 14 percentage points between 1984 and 2000. Canada and the United States saw smaller declines of 6 and 5 percentage points, respectively.<sup>2</sup> When this data is compared to the calculated poverty threshold, the proportion of men who could support themselves with their wages also declined for all but one group: U.S. men aged 26 and older.

Table 1. Percentage Point Change 1984-2000 in Wages and Salary Earnings for Employed Men and Women

	Males				Females			
	18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
Belgium	-25	-14	-18	-22	-23	-11	-15	-17
W. Germany	-33	-30	-26	-24	-24	-18	-10	-11
Italy	-20	-28	-26	-18	-29	-19	-22	-16
UK	-19	-14	1	-1	-15	-7	4	11
Canada	-11	-6	-2	-3	-13	-11	5	9
U.S.	-8	-5	-2	-2	2	4	10	9

Note: Calculations refer to young adults who have wage and salary earnings.

## Women in their Late 20s and Early 30s Fare Better

In contrast to young men, women in their late 20s and early 30s saw somewhat improved employment prospects, although they started from a pay level that was well below men of the same age. Women aged 25–34 in Belgium, Canada, and the U.K are now more likely to be working than their U.S. peers, while in the 1980s American women in that age group had a higher employment rate. Although women in their late 20s and early 30s have made progress

<sup>2</sup> These comparisons by decade do not compare the same set of individuals in each year. If employment fell between the first and second survey, for example, the population in the later years might differ in many ways from those in the first survey. A greater percentage may be in school in the later year, for example. The second-year working sample might exclude some potential higher earners. Therefore, a fall in wages might indicate a change in the composition of the employed population.

The Research Network on Transitions to Adulthood and Public Policy examines the changing nature of early adulthood, and the policies, programs, and institutions that support young people as they move into adulthood. Significant cultural, economic, and demographic changes have occurred in the span of a few generations, and these changes are challenging youth's psychological and social development. Some are adapting well, but many others are floundering as they prepare to leave home, finish school, find jobs, and start families. The network is both documenting these cultural and social shifts, and exploring how families, government, and social institutions are shaping the course of young adults' development. The Network is funded by the MacArthur Foundation and chaired by University of Pennsylvania sociologist Frank Furstenberg.

in all countries, the employment and earnings gap between the sexes remains, and the earnings gap is wider for young women in their early 30s than it is for women who are in their 20s.

During the early part of the study period, a dip occurred in female employment between the ages of 20 and 29, presumably due to the demands of child-rearing. The researchers found that the dip disappeared in all countries by 2005. Today's young mothers are apparently less willing to withdraw from the labor market for an extended period of time following the birth of a child, or are delaying child-rearing altogether.

## Moving Out Increases the Incidence of Poverty

In North America and Europe, more than 90% of young people who live with their parents share household incomes that place them above the ADPI poverty threshold. In contrast, only 60–80% of those aged 18–22 who live on their own have incomes above the poverty threshold. Even among young adults between 30 and 34, the poverty rates of people who live independently of their parents are higher than those who live in their parents' home. In the late 1990s, only 82–90% of independent adults in this age range had incomes above the poverty level.

The income adequacy for self-sufficiency among young adults is lower in the United States than it is in Europe, but the U.S.–European gap declined between the mid-1980s and late 1990s, mainly because the European wage and employment picture worsened for young adults.

Although wages for women over age 25 declined, more of them are employed today. Therefore, their self-sufficiency (their ability to live independently above the poverty line) increased. Further, the youngest women (under age 25), just like young men, saw a drop in their self-sufficiency in all six countries. Achieving financial independence is particularly difficult for young women who live on their own in the United States, where they have an exceptionally high poverty rate of about 20%.

## Failing to Launch or Launching Too Soon?

The authors find a consistent picture of declining economic self-sufficiency among young men and very young adult women in Europe and the United States. In contrast, women in their late 20s and early 30s saw improved prospects for economic independence, albeit starting at a level well below that of men the same age. One exception to this trend was in the United States. There, the stability of the U.S. employment levels helped to offset an apparent reduction in male hourly wages, giving young American men between 25 and 34 a slight leg up compared with their peers in continental Europe. Young American women over age 26 also saw larger gains in wage self-sufficiency than their European counterparts.

The most striking finding of the study is that while young adults' incomes declined over the period, the biggest declines were among young adults who lived independently of their parents. These losses were especially large among the youngest adults. These findings suggest that the extended family, as well as the state, is an important source of income protection for young adults. "Failing to launch" may, in fact, be a perfectly reasonable response to deteriorating earnings prospects for youth in rich countries at the beginning of the 21<sup>st</sup> century.

*Based on Lisa Bell et al., "Failure to Launch, Cross-National Trends in the Transition to Economic Independence," in The Price of Independence: The Economics of Early Adulthood, edited by Sheldon Danziger and Cecilia Rouse (New York: Russell Sage Foundation, 2008).*

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