

# Independence of Young Adults Before and After the Great Recession

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## Transition to adulthood and economic recession

- The transition to adulthood has changed greatly
  - Roles such as full-time employment, getting married, and having a child, have been **postponed** to the late 20s and early 30s (*Furstenberg 2010; Settersten et al. 2006; Sironi and Furstenberg 2012*)
  - The trajectories are more **diverse**, order of events has become less linear (*Elzinga and Liefbroer 2007*)
- Recent **economic recession** has had important implications for this crucial transition
  - Youth had the largest increase in unemployment rates (*Verick, 2009; O'Higgins, 2010; Grusky et al., 2011*)
  - Long-term trends, i.e. postponement and destandardization, will be exacerbated by the crisis

# Motivation

- The existing literature has investigated
  - the impact of the recession on youth **unemployment** (*Verick, 2009; O'Higgins, 2010; Minguez et al., 2012*)
  - the consequences on **fertility, partnership formation** and dissolution (*Sobotka, et al. 2011; Morgan et al., 2011; Cherlin et al., 2013*)
- However, only a few studies focused on how youth ability to achieve **financial self-sufficiency** has changed over **time** or across **countries** (*Smeeding and Phillips, 2002; Bell et al., 2007*) and on how the Great Recession has affected it

# Research Questions

- The consequences of the crisis on youth unemployment are known, but

(1) What is the influence of the crisis on the % of young adults working **full-time**?

(2) What is the influence of the crisis on **income** from work?

\*Cross-country comparison

- Several factors might explain changes in economic conditions across countries, in particular

(3) How do these trends differ by level of education?

# Data

## Luxemburg Income Study (LIS):

- National surveys are harmonized to allow for cross-country comparisons. LIS includes also information on employment status, paid hours of work, and **income**
- **Countries:** United States; United Kingdom; Norway; Germany; Spain
- **Years:** 2000, 2004, 2007, 2010, 2013
- **Sample:** select individuals between age 22 and 30 for each year; ~ 250,000 individuals combining all the countries and years ▶ Selected Sample

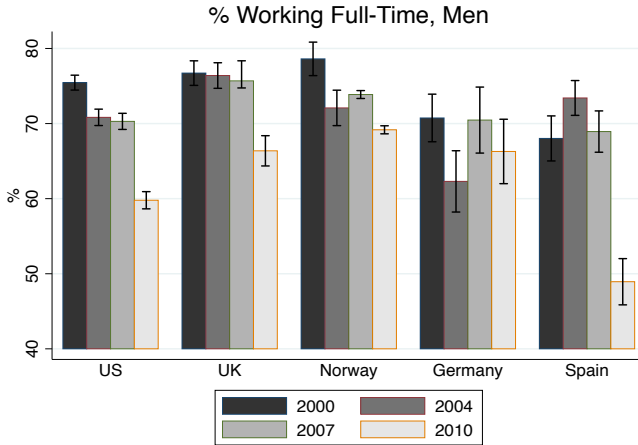
# Measures

- **(1) Working Full-Time:** Working more than thirty-five hours per week and more than forty weeks per year (*Smeeding and Phillips, 2002*)
- **(2) Economic Independence:** OECD definition of *low-paid workers*, i.e. earning wages less than two-thirds of median earnings [▶ Table 1](#)
  - Not an objective measure of financial independence: cost of living; public transfers; current income; individual income

# Analytical Strategy

- **(1) Time Trends:** Proportion of individuals working full-time and financially independent by gender, country and year
- **(2) Economic Independence:** logistic regressions to predict the probability that an individual is low-paid, depending on gender, year, country, gender\*year, year\*country
- **(3) Role of Education for Economic Independence:** logistic regressions to identify how education is associated with being low-paid

# (1) Working Full-Time





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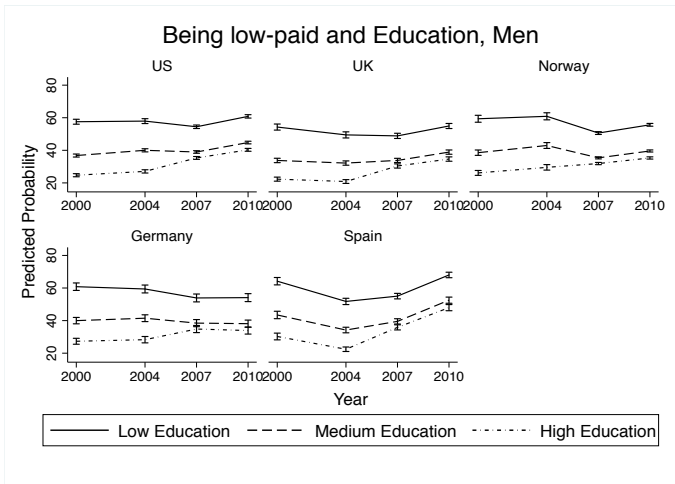
## (2) % Low-Paid



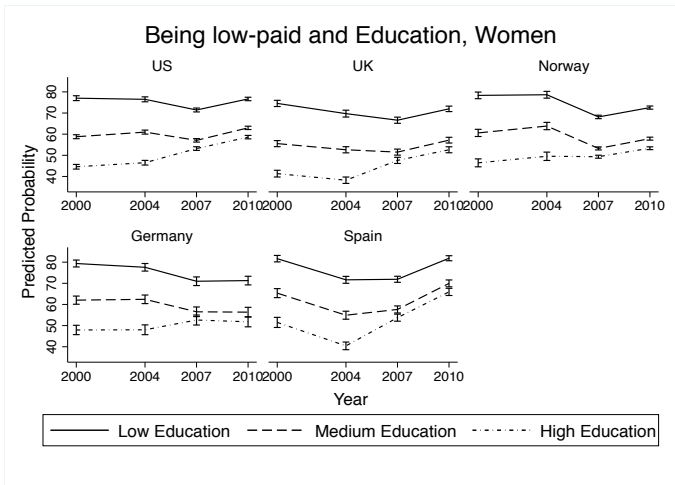
## (2) % Low-Paid



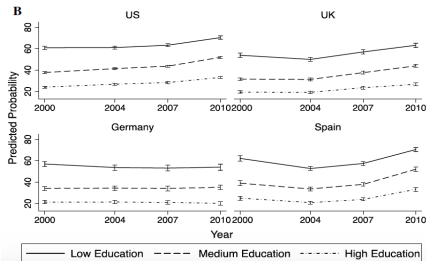
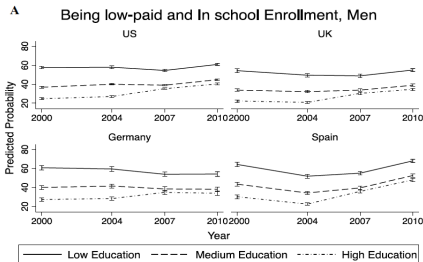
### (3) % Low-Paid and Education



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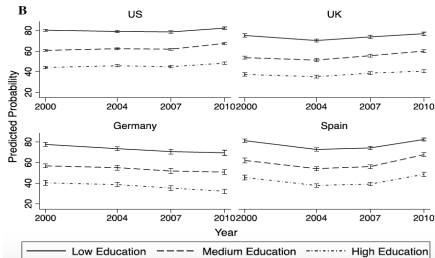
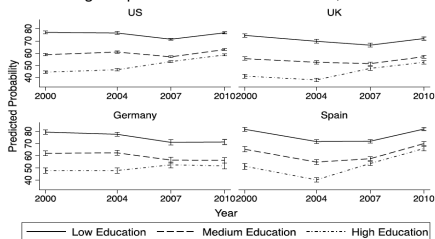


# (3) + In School



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**A** Being low-paid and In school Enrollment, Women



# Discussion

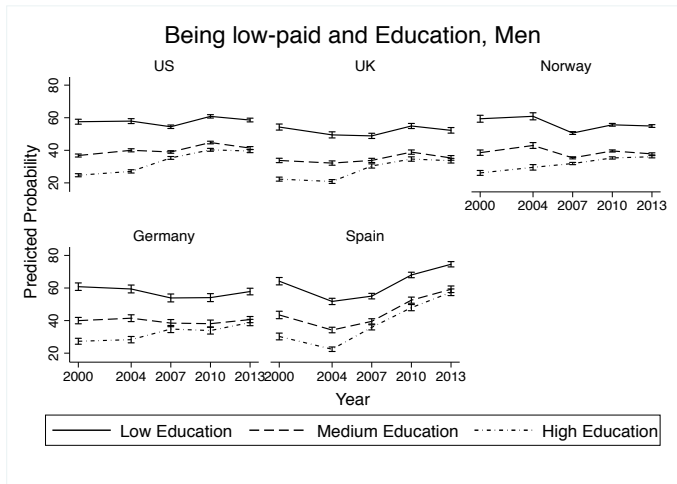
- Drop between 2007 and 2010 in the % of men working full-time and increase in the % of men who are low-paid in US, UK, and Spain. Small changes in Norway and Germany, and among women
- Results consistent with the presence different **welfare regimes**:
  - generous welfare (Norway) or strong vocational educational system (Germany) - impact of the recession on economic independence has been limited
  - less generous welfare - reliance on the market (US and UK), or on the family (Spain) - greater impact of the crisis
  - Female labor force participation rates have increased in the last decades and more women had to start working during the crisis
- **High educated group** shows the largest increase in the probability of being low-paid, in particular between 2007 and 2010
  - staying in school longer to protect themselves from economic uncertainty (increase in the accumulation of human capital)



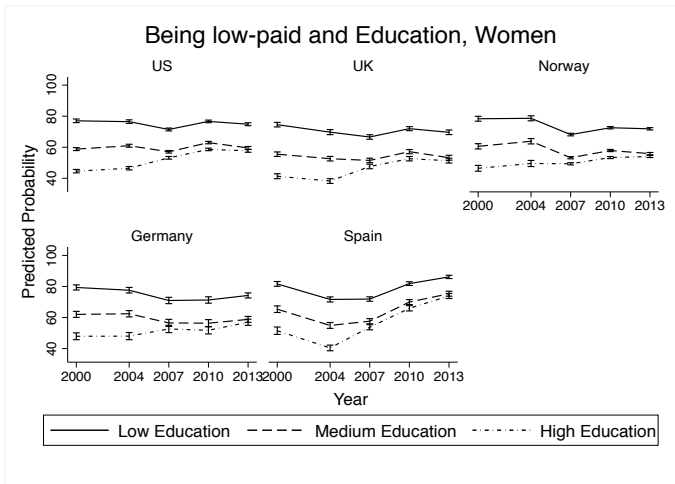
## Limitations and Next Steps

- LIS valuable source of information to compare individuals' income across countries
- Future research needs to look at how the generosity of different welfare regimes can actually affect the impact of the economic crisis
  - New data should include governments' transfers at the individual level in order to incorporate these transfers into the analysis of economic independence
- Necessary to look at the newest trends in young adults' economic situation to see whether there was recuperation after the Great Recession

# (3) % Low-Paid and Education 2013

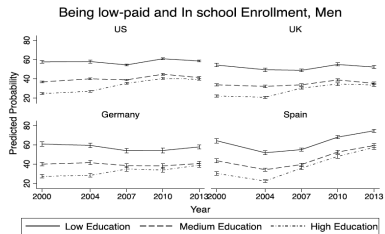


# (3) % Low-Paid and Education 2013

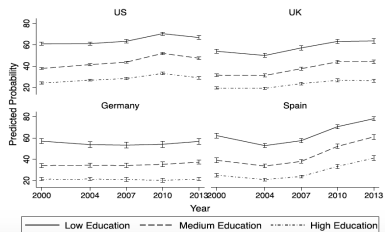


# (3) + In School 2013

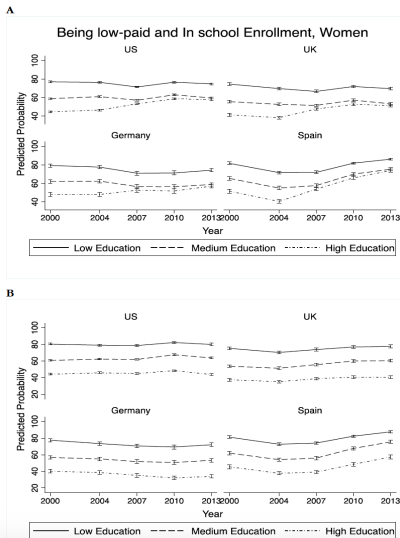
A



B



# (3) + In School 2013



## Questions or Comments?

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*Sironi, M. (2018). Economic conditions of young adults before and after the Great Recession. Journal of family and economic issues, 39(1), 103-116.*



## Additional Slides

# Median and Low-paid Income

	Year	Median Income of those working	Currency	Low Paid Income	Exchange Rate to USD	Low Paid Income in USD
United States	2000	21,000	USD	14,000.0	1.00	14,000.0
	2004	22,000	USD	14,666.7	1.00	14,666.7
	2007	25,000	USD	16,666.7	1.00	16,666.7
	2010	25,000	USD	16,666.7	1.00	16,666.7
United Kingdom	1999	13,277	GBP	8,851.3	0.62	14,276.3
	2004	15,432	GBP	10,288.0	0.55	18,705.5
	2007	16,800	GBP	11,199.7	0.50	22,399.3
	2010	16,640	GBP	11,093.3	0.65	17,066.7
Norway	2000	213,562	NOK	142,374.7	8.80	16,178.9
	2004	234,077	NOK	156,051.0	6.74	23,153.0
	2007	281,576	NOK	187,717.3	5.86	32,033.7
	2010	308,983	NOK	205,988.7	6.04	34,104.1
Germany	2000	32,500	DEM	21,666.7	1.80	12,035.0
	2004	14,426	EUR	9,617.3	0.80	11,963.0
	2007	18,255	EUR	12,170.0	0.73	16,679.0
	2010	17,975	EUR	11,983.3	0.75	15,886.3
Spain	2000	1,362,498	ESP	908,331.7	153.12	5,932.3
	2004	9,960.0	EUR	6,640.0	0.80	8,259.5
	2007	13,508.0	EUR	9,005.3	0.73	12,341.8
	2010	13,680.0	EUR	9,120.0	0.75	12,090.4



## Selected Sample

Country	Year	N	National Data Source
United States	2000	22441	CPS
	2004	21093	
	2007	21280	
	2010	21550	
United Kingdom	1999	6038	Family Expenditure Survey
	2004	6194	
	2007	5397	
	2010	5619	
Norway	2000	3804	Income Distribution Survey
	2004	3485	Household Income Statistics
	2007	52725	
	2010	56141	
Germany	2000	2733	GSOEP
	2004	2454	
	2007	1921	
	2010	1997	
Spain	2000	2242	ES ECHP
	2004	4386	EU-SILC
	2007	3903	
	2010	3274	