D 8.4 - The role of parental material resources in adulthood transitions

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TÁRKI & Università degli Studi di Torino

STYLE-WP8:
Family and Cultural Drivers of Youth Unemployment and Adulthood Transitions

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i) to ‘advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and their transition to economic and social independence’, and

ii) to engage with ‘relevant communities, stakeholders and practitioners in the research with a view to supporting employment policies in Europe.’ Contributions to a dialogue about these results can be made through the project website www.style-research.eu, or by following us on Twitter @STYLEEU.

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Ildikó Nagy

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Executive Summary

While transition from adolescence to independent adulthood has become longer and more fragmented in advanced societies, family ties persist after residential emancipation of young people and often take the form of reciprocal intergenerational transfer of goods and services between parents and children. This report investigated the role of the family of origin in adulthood transition by focusing on monetary transfers flowing from parents towards children. Specifically, we examined three distinct aspects of this role: (i) intra-household sharing of resources, (ii) regular inter-household monetary transfers and (iii) poverty outcomes of independent living. We addressed the following questions.

(i) What is the extent to which young adults pool their incomes with other household members or keep incomes separately? Four hypotheses regarding determinants of financial arrangements in co-residential households of young adults’ contribution to the household budget are tested.

(ii) Who are the young people with higher likelihood to receive regular cash transfer? Is it those in higher need (non-employed) or stemming from higher social class? Four scenarios are tested by considering jointly the effects of class of origin and occupational status.

(iii) What are the dynamics and patterns of youth poverty across member states? How living arrangements between the young and their parents, gender differences and labour market status shape these patterns?

Our analyses are based on cross-sectional EU-SILC data, including specific modules on the intra-household share of resources from 2010 and the intergenerational transmission of poverty from 2005 and 2011.

The analysis on intra-household sharing of financial resources studied determinants (the role of household income, needs of household members and relative income of young adults) of contributions of young adults to the household budget and ability to decide over personal expenses. Further, we also tried to quantify the effect of taking into account intra-household income sharing on the measurement of the income situation of young adults.

Results about determinants of contribution to the household budget and ability to decide about personal expenses broadly confirmed our hypotheses about the effect of household income, relative income of household members and household members’ needs. In households with higher income, young adults contribute less to the household budget and are more able to decide about their personal expenses. The unemployed and students contribute less and have lower ability to decide over personal expenses. Contrary to the expectations, those having a child in the household often pay higher contribution to household expenses. Relative income of young adults also influences their participation in household finances. Contribution to the household budget increases with relative income of young people, albeit sometimes non-monotonically. Those with higher income than their parents have more ability to decide on personal consumption. Young adults living in the parental home in old member states, Cyprus and Malta are more able to decide about personal expenses and
are less likely to contribute to the household budget. In contrast to the conventional assumption of intra-household equality, the majority of young adults seem to benefit from co-residence when taking into account intra-household sharing of resources. This happens because of two mechanisms: parents typically have higher incomes as compared to young adults and also share a larger fraction of their incomes with other household members.

Further, we analysed the role of the family or origin in helping children in their transition to adulthood once they have left the parental household and reached residential independence. We explored the characteristics of young Europeans most likely to trigger, and become recipients of, regular economic support. We empirically tested two contrasting hypotheses, whose combination lead to four possible scenarios: whether coming from more advantaged class backgrounds (resource hypothesis) made young people more likely to be recipients than those in circumstances of higher need (need hypothesis).

The results showed a strong gradient across countries in the likelihood to be recipient of regular cash transfers, with Southern European countries displaying a much lower probability than others. We did not find evidence supporting a gender divide, or a change over time after the economic crisis, but support for both a strong class effect and the relevance of occupational circumstances. Non-employed children are more likely to benefit from parental support throughout, as are those from higher social backgrounds. However, our results have also shown that parental resources seem more important than young people’s needs: while in all countries (but Belgium) non-employed children had higher chances to be supported, in all countries employed children from higher social backgrounds had a similar or higher likelihood to receive regular transfers as unemployed children from the lower class. Regular cash transfers are thus another way in which social inequalities and unequal transmission of opportunities are being maintained and reproduced. Counteracting this mechanism would entail redistributive policies aimed at supporting the income level of the lower class, especially during non-employment, either through housing allowances, and/or through a universal system of unemployment benefits for young people unrelated to the previous contributive history.

Further, we provide descriptive results on how the risk of poverty of those aged 15-29 living independently relative to those in parental home changed between 2005 and 2011, for all young adults and also by gender and parental background. We found that overall in the EU, the at-risk-of-poverty rate of the youth living independently compared to those living in parental home was by 10 per cent higher in 2005 and by 50 per cent higher in 2011. Also, the poverty rates of young adults with low educated parents compared to the poverty rates of their peers with highly educated parents, is higher than 1.0, either data from 2005 or 2011 are analysed. This risk, in average, increased between 2005 and 2011, from 1.7 to 2.0. On average, the effect of parental background seems to be more important for those still living with their parents: the relative risk of low social background among them is higher than average in both years.

Key words:

monetary transfers; youth; unemployment; family
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<td>Austria</td>
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<td>BE</td>
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<td>ES</td>
<td>Spain</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>EU</td>
<td>European Union</td>
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<td>EU-SILC</td>
<td>European Union Statistics on Income and Living Conditions</td>
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<td>FI</td>
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<td>NL</td>
<td>Netherlands</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>PL</td>
<td>Poland</td>
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<td>PT</td>
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<td>Slovenia</td>
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<tr>
<td>SK</td>
<td>Slovakia</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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</tbody>
</table>
1. Introduction

While transition from adolescence to independent adulthood has become longer and more fragmented in advanced societies, family ties persist and often take the form of reciprocal intergenerational transfer of goods and services between parents and children. Transfers from parents to their children aim at making adulthood transition smoother in many domains of life: on the labour market, in establishing an own residence and also in forming a new family. Contrarily, children may support their parents in need from a very early stage of their life. Depending on available resources, these transfers vary in their occurrence, their values and their regularity and they may also strongly differ in their form (monetary transfers, non-monetary transfers, assets, services). Co-residence might be in itself a form of support provided by parents to their offsprings. Living in the same household can be not only a rationale choice to minimise expenses and maximize resources, but also a means of social control and an investment into children's future prospects (who can cumulate savings or experiences). In terms of outcome, young people can avoid falling into poverty by staying in co-residence with their parents, but they can also prefer an increased autonomy by taking the risk of material hardship when poverty status is expected to expire shortly (Aasvve et al. 2006).

Co-residence between parents and young adults benefit the latters by providing support, security, and financial advantages as saving on housing costs, for example. However, this co-residence inevitably entails lower level of autonomy compared to independent living (White 2002, Sassler 2008). Most of the research in this field is concerned with the timing and determinants of the transition to independent living. However, financial arrangements in multigenerational households are not in the focus of the literature on intra-household inequality and money management, since this literature tends to analyse couple households. In turn, empirical analysis on exchanges in co-residential living and and how such households manage finances is scarce.

Very often, parents help their children also after living the parental household and reaching residential independence. Both the role of monetary (e.g. regular help, occasional gifts, inheritance and intra-vivo transfers of properties and wealth) and non-monetary (e.g. child-care, personal assistance in case of illness or disability) transfers from parents to children are important here. Regular monetary transfers from the family of origin are less studied in the literature, and are a distinctive contribution of this report. This lack of attention is mostly due to shortage in comparable data, which could systematically reveal the regularity of these aids.

Youth poverty is an outcome of different processes during the transition to adulthood and avoiding it, or reducing the risk of its occurrence, might be in the focus of family strategies. Since poverty, by definition, is a household level concept, the observed risk of poverty among young people is very much dependent on their living arrangement. Co-residence can be part of the family strategy to protect younger generations from starting an independent life in material hardship (e.g. Aassvve et al.
2007, Ayllón 2012), while early residential independence can be also accompanied with a continuation of providing regular monetary transfers by parents to their children. These strategies are very strongly related to the societal and policy context (Ayllón 2012).

This report investigates the role of family of origin in adulthood transition by focusing on monetary transfers flowing from parents towards children. Specifically, we examine three distinct aspects of this role, by addressing the following questions.

- What is the extent to which young adults pool their incomes with other household members or keep incomes separately? Four hypotheses regarding determinants of financial arrangements in co-residential households of young adults’ contribution to the household budget are tested (Section 2).

- Who are the young people with higher likelihood to receive regular cash transfer? Is it those in higher need (non-employed) or stemming from higher social class? Four scenarios are tested by considering jointly the effects of class of origin and occupational status. (Section 3).

- What are the dynamics and patterns of youth poverty across member states? How living arrangements between the young and their parents, gender differences and labour market status shape these patterns? (Section 4).

These processes are clearly shaped by differences in the social status of parents, as well as in the needs of children to start their own independent life. Empirically, this report examines the differences in social status by including the characteristics of both parents (e.g. attained level of education, labour market attachment) and children (e.g. labour market status, own family type) in the analysis, depending on the specific research question and the availability of the information.

Our analyses are based on cross-sectional EU-SILC data, including specific modules on the intra-household share of resources from 2010 (Section 2) and the intergenerational transmission of poverty from 2005 and 2011 (Section 3). The use of these data also delimits the time coverage of the analyses. Intra-household sharing of money between parents and children is examined for year 2010, regular monetary inter-household transfers primarily for 2011, but a comparison with year 2005 is provided. The poverty analysis involves several years of cross-sectional EU-SILC database. In all cases, the time span in analysis refers to that covered by EU-SILC survey years. All sections rely on cross-country comparative analysis.
2. Income sharing and spending of youth living with parents

2.1 Topic of the study and hypotheses

In many advanced societies the transition from adolescence to independent adulthood has become a longer and more variable process, which often includes periods of co-residence of young adults and their parents. The benefits of co-residence for the young adult are the support, security, and company that living at home provides, as well as the financial advantages of such an arrangement (saving on rent, bills etc.). Co-residence can protect young adults from falling into poverty (Aassve et al. 2007). On the other hand, co-residence with parents inevitably entails lower level of autonomy compared to independent living (White 2002, Sassler 2008). The young adult has to accept rules of the parental house and has to accept some parental oversight over work/education, free time, social activities, and also money spending. In many cases parents ask young adults for paying room and board and/or doing housework. These economic contributions to the household obviously reduce the financial attractiveness of co-residence but on the other hand positively affect young people’s feelings of independence and influence over household decisions (White 2002, Moehling 2005).

Most of the research on living arrangements of young adults concerns the timing and determinants of the transition to independent living, and the literature on exchanges in co-residential living and how such households manage finances is scarce. Financial arrangements in multigenerational households are not in the focus of the literature on intra-household inequality and money management either, since this literature tends to analyse couple households. Here we are interested in financial arrangements between young adults and their parents living in the same household. More specifically we study the extent to which young adults pool their incomes with other household members or keep incomes separate. We describe the determinants of income sharing and assess its effects on the measurement of intra-household inequality.

Our hypotheses regarding determinants of financial arrangements in co-residential households and more precisely of young adults’ contribution to the household budget are the following.

1. H1 (absolute income): For poor households making ends meet requires the careful management of the totality of household incomes. Under a certain level of income there is no “discretionary” income. Thus we expect that the young will keep a lower fraction of income for personal use and have less control over spending decisions in poor households.

2. H2 (needs): Literature underlines the importance of needs in intergenerational support (Cox 1987). Our expectation is that young adults in need (inactive, unemployed, student, those with children) will be contributing less to the household budget. On the other hand contribution of youth to the common household budget will be higher if parents are in need e.g., when parent is single, in ill health or inactive.
1. H3 („relative income“): We expect young adults with relatively low income compared to their parents to have smaller contribution to the household budget. On the other hand our expectation is that young adults will be more able to decide about expenses for personal consumption if their income relative to parents is higher – in line with the “relative resource theory” (Bennett 2013).

2. H4 („cross-country differences“): We expect to see country differences related to differing family norms after controlling for different composition of the population of co-resident young adults. In more individualistic countries characterized by “weak family relations” (Reher 1998) (e.g. Western Europe) young adults should be more independent and be able to care for themselves, thus could be more inclined to contribute to the household budget. We also expect that in more individualistic countries young adults will be more able to decide about personal expenses.

2.2 Data and methods

This study explores the 2010 ad-hoc module of EU-SILC on intra-household sharing of resources in the EU. This module contains household-level and individual-level questions about management of household finances covering aspects of income pooling and decision making about expenses and savings. Two questions are particularly relevant for our research issue.

Our first dependent variable measures the degree to which respondents contribute to the household budget. The survey asks respondent (PA010): "What is the share of income kept separate from the household budget?" The possible response categories are:

1 - All my personal income
2 - More than half
3 - About half of personal income
4 - Less than half
5 - None
6 - No personal income

Our other variable of interest measures the extent to which other household members (in this case parents) have control over spending decisions of young adults. The question (PA090) asks about the "Ability to decide about expenses for personal consumption, leisure activities, hobbies". Response categories are the following:

1 - Yes always, almost always
2 - Yes, sometimes
3 - Never or almost never

We restrict our analysis altogether to seventeen EU countries representing different country-groups in Europe: there are three counties from Western Europe (Germany, Belgium and Luxembourg, with Ireland instead of Germany for the second dependent variable), six countries from Southern Europe (Cyprus, Portugal, Spain, Italy, Malta and Greece), three countries from Central-Eastern Europe (Czech Republic, Hungary and Slovakia), three Baltic States (Estonia, Latvia and Lithuania) and two
countries from South-Eastern Europe (Bulgaria and Romania), Our analysis studies the 18-34 age-group in these countries.

Measurement of key explanatory variables:

- Needs: Young adults’ needs are measured by labour market status (5 categories: working full-time, working part-time, unemployed, student, other non-working) and having own children in the household (dummy variable). Parental need is measured by parental labour market status (3-categories of work intensity of parents\(^1\): below 0.5, 0.5-0.99, 1), health status (dummy variable showing whether any of the parents is seriously limited in daily activities because of health problems) and parental family status (3 categories: single mother; single father; both parents live in the household or one of the parent with partner).

- Absolute income of the household is measured using total equivalent household income. In order to focus on within-country differences in income, we divided equivalent household income by the median of the given country, and used the log of this relative income as an explanatory variable.

- Relative income is measured by the personal income of young adult relative to average personal income of parents. Relative income was than transformed into a 5-category variable.

To study the effect of the variables of interest, our analysis controls for other determinants of income sharing in the household. First group of controls are basic socio-demographic variables (gender, age, education, parental age, parental migrant origin, number of young adults and children in the household), but we also control for parental contribution to the household budget, homeownership and overcrowding in the household.

2.3 Determinants of financial arrangements

To study our hypotheses about determinants of young adults’ financial contribution to the household ordinal probit regressions were run on pooled models with country dummies included. In Model 1 the sample has been restricted to young adults with positive income, since respondent with zero incomes cannot contribute to the household budget. As robustness analysis we also run the same model on the sample of those aged 25-34 (Model 2) and on the entire sample of those 18-34 living in the parental home (Model 3).

Results confirm the role of absolute income, which has a statistically negative effect, meaning that higher household income goes together with a decreased probability that young adults contribute to the household budget. Variables related to needs of young adults and their parents show mixed results. Results regarding employment status of young adults are in line with our hypothesis H2. As

1 Work intensity of parents is measured as the ratio of the number of months spent in employment during the year by parents - adjusted for part-time working (i.e. weighted by the number of hours worked per week relative to 35) - to the number of months they would work if they were all employed full time (defined as working 35 hours a week or more) throughout the year. Households where every parent is employed full time throughout the year have a parental work intensity of 1. Those where no parent is employed during the year have a work intensity of 0.
Table 1 shows, students are 8 points less likely, while the unemployed young are 6 points less likely to contribute all income compared to the working young adults. Contrary to the expectation, having a child in the household actually increases the probability that the young adult will contribute all income to the household budget (by 4 points). There are several possible explanations to this finding: it might be a reciprocation to more intensive parental help to young adults with children; but it is also possible that the purpose of such coresidential arrangements is to help the parents.

Table 1. Proportion of personal income contributed to common household budget, average marginal effects on the probability of „contributing all personal income” for selected explanatory variables

<table>
<thead>
<tr>
<th>Model 1: those with positive income</th>
<th>Model 2: those between 25-34 years of age</th>
<th>Model 3: all those between 18-34 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td>log household income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>relative income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-30%</td>
<td>-0.0212*** (5.946)</td>
<td>-0.0170*** (3.711)</td>
</tr>
<tr>
<td>30-50%</td>
<td>0.0306*** (6.038)</td>
<td>0.0554*** (8.092)</td>
</tr>
<tr>
<td>50-80%</td>
<td>0.0392*** (8.382)</td>
<td>0.0622*** (10.221)</td>
</tr>
<tr>
<td>80-120%</td>
<td>0.0432*** (9.465)</td>
<td>0.0687*** (12.076)</td>
</tr>
<tr>
<td>120-%</td>
<td>0.0411*** (9.320)</td>
<td>0.0684*** (12.548)</td>
</tr>
<tr>
<td>labour market status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>work full-time</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>work, part-time</td>
<td>-0.0060 (0.840)</td>
<td>0.0041 (0.414)</td>
</tr>
<tr>
<td>unemployed</td>
<td>-0.0604*** (15.232)</td>
<td>-0.0690*** (14.699)</td>
</tr>
<tr>
<td>student</td>
<td>-0.0782*** (23.313)</td>
<td>-0.0762*** (14.152)</td>
</tr>
<tr>
<td>partner in household</td>
<td>0.0774*** (11.430)</td>
<td>0.0793*** (10.003)</td>
</tr>
<tr>
<td>child in household</td>
<td>0.0413*** (5.147)</td>
<td>0.0449*** (4.902)</td>
</tr>
<tr>
<td>number of parents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>only mother</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>only father</td>
<td>-0.0073 (0.742)</td>
<td>-0.0158 (1.436)</td>
</tr>
<tr>
<td>two parents</td>
<td>-0.0528*** (11.106)</td>
<td>-0.0475*** (8.037)</td>
</tr>
<tr>
<td>parental work intensity</td>
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<tr>
<td>0-0.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>0.5-0.99</td>
<td>-0.0042 (0.845)</td>
<td>-0.0002 (0.028)</td>
</tr>
<tr>
<td>1</td>
<td>-0.0082* (2.142)</td>
<td>-0.0035 (0.702)</td>
</tr>
<tr>
<td>parent health limitations</td>
<td>0.0000 (0.009)</td>
<td>-0.0044 (0.649)</td>
</tr>
</tbody>
</table>

Source: own calculations based on the ad-hoc module on intra-household sharing of resources of EU-SILC 2010.
Notes: Pooled models include all controls and country dummies. One star (*) means that p < 0.05, two stars indicate (**) that p < 0.01, and three stars (***) mean that p <0.001.

Also in line with the “needs” hypothesis young adults contribute higher fraction of their income when the parent is single. The probability that the young adult contributes all personal income to the household budget is 5 points lower when both parents live in the household (or one parent with a spouse/partner). Contributions to household income are also less likely if parental work intensity equals 1. Contrary to our hypothesis having health limitations was not associated with the probability of contributing to the household budget. It is also evident that relative income position of parents and the young is also important in determining the contribution of young adults to the household budget.
Young adults with higher incomes compared to their parents are more likely to have higher contributions to the household budget. Young adults whose incomes exceed 50% of average parental income are 4 points more likely to contribute all incomes.

Table 2. Ability to decide about expenses for your own personal consumption, average marginal effects on the probability of „always able to decide” for selected explanatory variables, all co-resident young adults between 18-34 years of age

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>log household income</td>
<td>0.1417*** (22.606)</td>
<td>0.0762*** (11.584)</td>
<td>0.0630*** (7.973)</td>
</tr>
<tr>
<td>log relative income 0-30%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>log relative income 30-50%</td>
<td>0.0896*** (5.999)</td>
<td>0.0207 (1.485)</td>
<td>0.0279* (1.999)</td>
</tr>
<tr>
<td>log relative income 50-80%</td>
<td>0.1388*** (11.472)</td>
<td>0.0368** (2.997)</td>
<td>0.0520*** (4.235)</td>
</tr>
<tr>
<td>log relative income 80-120%</td>
<td>0.1780*** (15.785)</td>
<td>0.0556*** (4.397)</td>
<td>0.0669*** (5.227)</td>
</tr>
<tr>
<td>log relative income 120%</td>
<td>0.2020*** (20.310)</td>
<td>0.0641*** (5.409)</td>
<td>0.0795*** (6.456)</td>
</tr>
<tr>
<td>work full-time</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>work, part-time</td>
<td>-0.0523** (3.052)</td>
<td>-0.0539** (3.076)</td>
<td></td>
</tr>
<tr>
<td>unemployed</td>
<td>-0.2280*** (18.042)</td>
<td>-0.2205*** (16.991)</td>
<td></td>
</tr>
<tr>
<td>student</td>
<td>-0.2348*** (17.259)</td>
<td>-0.2293*** (16.649)</td>
<td></td>
</tr>
<tr>
<td>no work, other</td>
<td>-0.2934*** (14.975)</td>
<td>-0.2823*** (14.035)</td>
<td></td>
</tr>
<tr>
<td>partner in household</td>
<td>-0.0732*** (5.593)</td>
<td>-0.0841*** (5.925)</td>
<td></td>
</tr>
<tr>
<td>child in household</td>
<td>-0.0126 (0.748)</td>
<td>-0.0051 (0.279)</td>
<td></td>
</tr>
<tr>
<td>number of parents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>only mother</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>only father</td>
<td>0.0382 (1.846)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>two parents</td>
<td>0.0267** (2.624)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>parental work intensity 0-0.5</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.5-0.99</td>
<td>0.0276* (2.459)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>0.0063 (0.669)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>parental health limitations</td>
<td>0.0098 (0.735)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: own calculations based on the ad-hoc module on intra-household sharing of resources of EU-SILC 2010.
Notes: Pooled models include country dummies and control variables. One star (*) means that p < 0.05, two stars indicate (**) that p <0.01, and three stars (*** ) mean that p <0.001.

In the case of our second dependent variable, which measures the ability of young adults to decide about personal expenses, average marginal effects for most important explanatory variables are shown in Table 2. Ability to decide about expenses on personal consumption is also related to absolute income of the household: young adults living in more affluent households are more likely to be able to decide about expenses on personal consumption. Among variables related to “needs” the role of employment is in line with our hypothesis H2. Part-time workers, the unemployed, students and other inactive young adults are less likely to be able to decide about expenses on personal consumption compared to those who are working full-time. Having children does not seem to have an independent effect on the probability that young adults can always decide about expenses on personal consumption. Variables measuring parental needs are expected to have a negative effect. This is confirmed in the case of parental family status: when young adult is living together with a single mother the probability of being able to decide about expenses is lower. On the other hand,
contrary to the expectations, coresiding with parents having health limitations is not associated with the ability of deciding over personal expenses. Relative income is also related to the ability to decide about personal consumption. In households where incomes of the young are roughly equal or higher compared to the average income of parents, the young are 7-8 points more likely to be able to decide about expenses on personal consumption compared to young who have less than 30% of parental income. These results confirm Hypothesis 3.

Differences between countries

Differences between country intercepts show variation in the dependent variable across countries that exists after controlling for a wide set of explanatory variables. According to the estimates the probability that young adults contribute to the household budget (Figure 1) is highest in Romania, Bulgaria and Hungary while the likelihood is lowest in Luxembourg, Malta and Cyprus. Other Western European countries, such as Germany and Belgium, are also found in the lower part of the country ranking. In case of our second dependent the ability to decide about expenses on personal consumption (Figure 2) is highest in Malta, Cyprus and Belgium. Spain, Portugal and Luxembourg are the following in the country ranking, while lowest estimates were obtained for Bulgaria and Romania.

To sum up, young adults living in the parental household have most independence in household finances in the Western European countries together with Cyprus and Malta. In these countries young adults have the most saying over personal expenses and they are least expected to contribute to the household budget. Other Southern European countries and Eastern European countries follow in the country ranking, while lowest figures were found in Bulgaria and Romania. On the other hand, we don’t see the expected relationship that young adults in more individualistic Western European countries would be more willing to contribute to household finances.

Figure 1. Country effects on the probability of contributing all incomes to the household budget (reference category: Belgium)

Source: own calculations based on the ad-hoc module on intra-household sharing of resources of EU-SILC 2010.
Note: Average marginal effects of country dummies from ordered probit model with all controls.
Figure 2. Country effects on the probability of always being able to decide on personal expenses (reference category: Belgium)

Source: own calculations based on the ad-hoc module on intra-household sharing of resources of EU-SILC 2010.
Note: average marginal effects of country dummies from ordered probit model with all controls.
3. Regular cash support from parents to non co-resident young adult children

3.1 Intergenerational economic support

This second part of the analyses focuses on the pivotal role of the family or origin in aiding children in their transition to adulthood, also after they have left the parental household and have reached residential independence. For young people this stage is becoming increasingly uncertain, owing especially to the retrenchment of welfare states and increasing liberalisation of labour markets. These recent trends seem risking to bring European countries to converge towards the more familialistic Southern and Eastern models of welfare provisions (Viazzo 2010). This prompted renewed attention to the relevance of inter-household transfers from family (and kin), to support and secure individuals’ well-being, also once co-residence is no longer (or not yet again) a means of direct support. In the literature, intergenerational transfers from the parental to the children generation have inspected both monetary and non-monetary transfers. The former, in particular, have traditionally been studied as occasional gifts: especially economic support for house purchase (Druta & Ronald 2016), or in occasion of a wedding, but also inheritance and intra-vivo transfers of properties and wealth. The latter, as for example childcare or personal assistance in case of illness or disability, have been studied instead not only for their occurrence or intensity, but also for their regularity.

Regular monetary transfers from the family of origin, i.e. the possibility to receive regular economic support rather than an occasional aid, have been much less studied instead, and are a distinctive contribution of this study. This lack of attention is mostly due to the paucity of comparable data, which could systematically reveal the regularity of these aids. Indeed, most often, economic support received from kin from another household, although frequent, might not be regular. If irregular, they would be studied as extraordinary forms of support. Our aim in this section is instead to focus on regular inter-household cash transfers. These cash transfers may not have the same periodicity but have to take place regularly, creating a sort of expectation on recipients to be able to “count” on them: e.g. monthly, every semester or yearly (considering several consecutive years). If support from the family of origin is documented to have a general relevance, regular transfers might become a crucial support especially in times of crisis, when long-term commitments to expenditures (e.g. rent or mortgage, investments or purchases, childbirths) are uneasy to respond to sudden income drops and the opportunities for securing a sufficient and stable income decrease.

We first study the relevance of regular cash transfers for young people: how many are being interested? Which differences across European countries? We secondly aim to inspect the role played by the resources available to the family of origin: does social class matter? Finally, we inspect if aids are sensitive to the occupational circumstances of young adults: are non-employed, i.e. those with higher need, helped more or not? In studying the relevance of regular cash transfers, we have also explored any differences over time or by gender. Although not the main focus of our analyses, we have also investigated: did the phenomena change in Europe between 2005 and 2011? Are there
significant gender differences among recipients? We try to answer to these questions using EU-SILC data for 2011 on a subsample of young people living independently from their parents, in the age range 25-34 in 25 European countries. This section of the report is structured as follows: in the next paragraph we will refer to some useful theoretical framing, with special reference to regular help. In the following paragraph we will illustrate the data and methods used, followed by the main results. The section will close with some conclusions and policy recommendations.

3.1 Theoretical background and hypotheses

Ample sociological literature reveals the crucial role of inter-household support, in its variety of different forms. There can be direct, economic aid, or indirect, non-economic aid. To this latter group pertain all care activities provided free of charge, like childcare or assistance to ill or disabled persons, support with practical tasks and activities (e.g. sorting of bureaucratic affairs, shopping or paying bills, organising and planning logistics) or emotional support (e.g. company). To the first group belong instead different sorts of both monetary and non-monetary economic support. Object of the transfer could be both varying amounts of money and material goods such as cars, equipment or housing properties. All of these forms of support could be categorised on the basis of either their value or regularity. There are minor aids, such a small monetary gift, or a babysitting for two hours a month, and more conspicuous gifts (a home, or the long-term full-time care for an ill kin). Still, there are forms of help that take place extraordinarily, in or around special occasions and events, like a wedding or a surgical operation, and regular ones, like a weekly childcare, or a monthly fixed payment.

Every type of support can be salient in itself, but it can play differing roles depending on the life stage of the recipient person. In particular, those aids received from the family of origin during the transition phase to adulthood can be crucial in contributing to define constraints and opportunities for young people. A clear example is housing: many financial transfers take place indeed around the transition towards the achievement of residential independence (Poggio 2008, Filandri 2015, Filandri & Bertolini 2016). Young people can be sustained either indirectly through a longer stay in the parental household, or directly through home gift or purchase. Beside the support aimed at achieving residential independence, some aid can be addressed also to maintain housing autonomy. Inter-vivos transfers can pursue this aim by transferring money from the parental to the children generation. Monetary transfers are clearly tied to households’ of origin capacity to afford offering help, but also to the degree of need for it in the subsequent generation, which is reflected in the occupational condition of young people. The transition to residential independence is indeed strictly linked to young people’s position in the labour market (Shahanan 2000). To gain and maintain autonomy, young people need to rely on a certain degree of economic security, such as provided by a regular income from work. However, the initial positioning of young people in the labour market is characterised by low wages and, often, intermittent employment attachment, with alternating employment and non-employment periods (Filandi, Nazio & O’Reilly forthcoming), especially in times of economic crisis and soaring youth unemployment. When individuals fall on hard times, often they can rely on their family for financial support. This support, given the framework, can be provided with a regular timing, to make
up or top-up young people’s income. This type of regular support has been underresearched, beside few studies on the pocket money received by adolescents residing with their parents (see the previous section for a study on intra-household money transfer). Research on inter-household transfers has focused mainly on transfers between older parents and non-coresident children (Schoeni 1997; Soldo & Hill 1993), as we do here, but not yet on regular cash transfers. It shows the relevance of resource availability: the extent to which parents can afford providing money to their children is likely to depend on their availability of economic resources and the social class of origin. A lack of economic resources reduces the ability of individuals to make financial transfer to other family members (Agree, Biddlecom, Chang & Perez 2002). Studies of parents and adult children in the United States find a positive relationship between parental income and the likelihood of a transfer to a child (Schoeni 1997; Soldo & Hill 1993). Beside economic resources, social class of origin might affect the likelihood to transfer regularly: if the literature suggests of stronger intergenerational ties among the working class (Chang 2008), aids could also be non-economic, or even take place in the opposite direction, from the children to the parents. Parents from any social class may want to help their children, with transfers aimed to promote children’s socio-economic success not only in terms of educational attainment, but also continued investment in their professional careers and even in their ‘conspicuous consumption’ (Albertini & Radl 2012). Parents from a working-class background can avoid downward intergenerational mobility at an earlier point in their children’s life. For service-class parents, in turn, greater and more prolonged investments are necessary to ensure that their children at least achieve the same status (Albertini & Radl 2012). This status aspirations mechanism can be connected to the level of resources of both the parents and the children (Bernardi & Ballarino 2016). The transmissions from parents to children can also be targeted to different purposes depending on the circumstances of the recipients. The transfers can be used to enhance permanent income (e.g., investments in schooling; assistance with opening a business), support living standards (e.g., aid with the purchase of a home or a car), insulate offspring from the financial consequences of job loss or illness, or the transfers can be used to build up the net worth of children (Spilerman & Wolff 2012). Moreover there are specific phases in the life course where people cannot rely solely on their current income in order to satisfy particular needs, and it is when the chance to receive economic aid can prove pivotal (Spilerman 2000, 2004). Some studies have examined how characteristics of the children affect parent-child transfers (Saraceno 2008; Kohli & Künemund 2003; McGarry & Schoeni 1997), since are not only the characteristics of senders, but also of recipients, that affect the likelihood of the exchange. Regular monetary transfers are aimed at supplying for the income or consumption needs required by young people, thus linked to their occupational status. Higher needs are experienced by people on low-income occupations or not in employment (Kohli & Künemund 2003; McGarry & Schoeni 1997). But the institutional context in which people live can deeply shape young people access to resources other than the familial ones: countries with more generous welfare provisions rely less on intergenerational transfers (Alberti & Kohli 2012, Saraceno & Keck 2010). In this study we control simultaneously for the characteristics of donors and recipients in their contexts, i.e. parental social class, children occupational status and country of residence.

Who are the young people with higher likelihood to receive regular cash transfer? Is it those in higher need (non-employed) or stemming from higher social class? We have hypothesised 4 different scenarios by considering jointly the effects of class of origin and occupational status. The first
The role of parental material resources in adulthood transitions

scenario (that we termed ‘resource condition’) considers being in place only an effect of class of origin: young people can receive regular monetary transfers insofar as their family is able to provide them. In this framework, since we model the probability to be a recipient regardless of the amount, there might be a case where it is not the frequency/regularity of help that changes, but the amount: less resourceful parents may support their children equally regularly but with smaller amounts. In the second scenario, if regular economic aids would not depend on the social origin, they could depend on children’s degree of need, a ‘need condition’. Families would intervene when children have no income, like in the case of non-employment. The third scenario is a ‘mixed condition’, where both social class of origin and occupational status might matter jointly. In this case we would observe an interaction effect: young people from the higher class might be more likely supported regularly regardless of their occupational status, while those from the lower class might more likely be so when are non-employed. Alternatively, it could be that the most helped are non-employed from higher class. The last scenario is that of ‘absence of condition’, where neither the parental nor the children characteristics would affect the likelihood of transfers.

<table>
<thead>
<tr>
<th>Influence</th>
<th>High social origin</th>
<th>Non-employment status</th>
<th>Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>None</td>
<td>Positive</td>
<td>Resource condition</td>
</tr>
<tr>
<td>None</td>
<td>Positive</td>
<td>Positive</td>
<td>Need condition</td>
</tr>
<tr>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
<td>Mixed conditions</td>
</tr>
<tr>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Absence of conditions</td>
</tr>
</tbody>
</table>

Table 3 Scenarios to analyse the relationship between regular inter-household cash transfers and social status

3.2 Data and methods

The analyses are based on EU-SILC data from 2011. The thematic module on the intergenerational transmission of poverty provides the most recent wave with information on young people’s social class of origin. The analytical sample comprises young adults (aged 25-34 years), either employed or not, with the exclusion of students. We selected the 25 European countries with valid information on the dependent variable (recipiency of regular cash transfers) and on the main independent one (social class of origin). The dependent variable was built from the regular inter-household cash transfers received, i.e. the regular monetary amounts received, during the income reference period, from other households or persons. They refer to regular payments received, monthly, once a semester or even if once a year (if received over several consecutive years), available to finance (regular) consumption expenditure. We excluded compulsory and voluntary alimony received on a regular basis. Given the selection of young adults and the exclusion of alimonies, we assumed that transfers came from the parental household. The social class of origin was build on the basis of the highest educational level achieved by either parents (dominance criterion, Erikson & Goldthorpe 1992).

We defined as high class of origin those with at least one parent with completed tertiary education. Those with at least one parent with completed upper secondary education belong to the middle class,
while young people in low class are those with both parents having a primary level of education. Occupational status distinguishes between employed and non-employed in order to depict income availability. Non-employed comprises unemployed and inactive young people. In order to explore the characteristics of those who offer and receive cash support, we have focused on the probability of receiving regular economic support through a dummy variable (yes/no) rather than on the amount of cash provided. We employ probit regressions models to test our hypotheses on the factors affecting young adults’ recipiency of regular cash transfers, since the frequency of these types of support in the population is rather small. We estimate pooled models with country dummies, controlling for both parental and children characteristics. Results are presented as average marginal effects to be more easily interpreted as probabilities.

3.3 Country differences, social class and occupational status

The average proportion of young people receiving regular cash support is 5.7% in Europe (Figure 3). In other words, around one in twenty young people living independently from their parents and having left the education system received regular cash transfers from their family of origin. This rather small rate should not distract from the saliency of the phenomena, being a form of support that sums up to other aids provided by the family of origin (free lodging, extraordinary aids, care activities, etc.), and constitutes an indicator of young people’s capacity to face periods of economic hardship through informal strategies. The rate of young people receiving regular cash transfers varies greatly across countries, with a minimum in Spain and Portugal (around 1%) to a maximum in Bulgaria and Cyprus (around 13%).
The role of parental material resources in adulthood transitions

Figure 3. Probability of receiving regular inter-household cash transfer, 2011 (young adults aged 25-34)

Source: own elaboration based on EU-SILC 2011.

A special reference can be made here on Southern European countries, known to provide a greater bulk of support to younger generations, especially through longer co-residence in the parental household (Viazzo 2010, Bernardi 2007). It is thus not surprising that in Spain, Portugal and Italy, regular monetary transfers are in contrast more sustained compared to the European average. Notwithstanding in Greece, which is now undergoing a deep economic crisis, we observe a higher than average rate of regular cash provision to adult children living independently.

We turn now to the role of the family of origin in receiving regular monetary support. Our hypothesis was that larger resource availability favours this type of aid, in line with the available research that shows a positive effect of social class on extraordinary economic transfers. Our analyses provide clear support for the resource hypothesis: belonging to high social class – having at least one parent tertiary educated – increases the probability to receive regular cash transfers. It is a relevant advantage both with respect to young people for lower class (primary educated parents) and to the middle class (at least one parent with upper secondary education). The effect of social class is found across all countries, net of their different frequencies in this type of help. In those countries with a larger diffusion of regular cash transfers, however, the difference in the probability to receive these transfers by social class of origin is larger (see Figure 4).
Our findings support the first scenario of ‘resource condition’, but they do not support the second scenario, in which no class effect should have been found in favour of that of occupational circumstances (need condition), and the fourth scenario, with neither effects (absence of conditions). We cannot exclude yet the hypothesis of a ‘mixed condition’, whereby the effect of social class of origin combines with young people occupational condition. In other words, we expect that either young non-employed people from the high class receive most frequently regular transfers, or that higher-class pupils are more generally helped regardless of their circumstances, while youngsters from the more disadvantaged classes receive support only in case of need. Our analyses provide support for this latter hypothesis, i.e. the interaction effect between class of origin and occupational circumstances proved to be both associated to positive and statistically significant effects. All families are more inclined to help their adult children living independently when non-employed, but those from higher class have higher likelihood in any case than those from the lower class (see Figures 5 and 6).
Figure 5. Estimated probability (and relative 90% confidence intervals) of receiving regular inter-household cash transfer by social class of origin and occupational condition, 2011 (young adults aged 25-34)

<table>
<thead>
<tr>
<th>Employed, High vs Low</th>
<th>Employed, High vs Middle</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="Employed_High_Low.png" alt="" /></td>
<td></td>
</tr>
<tr>
<td><img src="Employed_High_Middle.png" alt="" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-employed, High vs Low</th>
<th>Non-employed, High vs Middle</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="Non_employed_High_Low.png" alt="" /></td>
<td></td>
</tr>
<tr>
<td><img src="Non_employed_High_Middle.png" alt="" /></td>
<td></td>
</tr>
</tbody>
</table>

Source: own elaboration based on EU-SILC 2011.

This result is more clearly visible by inspecting Figure 6, where estimated average probability of receiving regular cash transfers are jointly presented for social class of origin and occupational status, across the 25 countries analysed. With the only exception of Belgium, the highest probability to be a recipient is always for the non-employed children of tertiary educated parents, and it is lowest for the employed children from the lower class (see black circle vs. grey square in Figure 6). As a general rule, in many countries also the children from the lower class are more likely being helped when non-employed rather than employed. However, it is worth noticing that the average probability to receive a regular support by non-employed lower class young adults are always less or equal to that of their employed peers from the higher class (see grey circle vs. black square in Figure 6). Young recipients are more often non-employed than employed also in the middle class. We can also observe how the middle class youth are in an intermediate position between the high and low class young people, confirming again the crucial role played by social class of origin.
3.4 Changes over time and gender differences

In studying regular inter-household cash transfers we have also explored if any changes took place between the economic pre- and post-crisis periods. For this purpose, we have estimated the differences in the likelihood to become recipient of regular monetary help between the years 2005 and 2011. However, in the year 2005, unlike for 2011, the variable reporting on the amount of regular monetary help received did not allow to distinguish between voluntary aid and alimony. Notwithstanding, in order to explore any increase in transfers across households towards young adults during the crisis, we have compared the total amount of monetary transfers in the two time points, including both voluntary support and alimony. Despite acknowledging that this is not the ideal solution, if we assume that alimony have not increased over time, we can attribute possible changes to the different probabilities of receiving economic help across the two time points. We have selected all those 18 countries with valid data at both time points. We have estimated the changes in the risk of receiving regular help between countries and time points, controlling for young people’s occupational status. The results, however, do not allow for any clear conclusion on a significant change over time in the likelihood of receiving (/providing) regular monetary transfers by young adults from (/by) their families of origin. If any differences are observed, it is only a few countries (Italy, Norway and Poland), and not always in the expected direction (likelihood to transfer seemed to have decreased over time).
The inability to distinguish between economic aid and alimony, and the absence of a clear and statistically significant trend, warns us not to pursue any attempt to further investigate this issue with the available data.

**Figure 7. Average probability of receiving cash transfers: comparative results for 2005 and 2011 (confidence intervals at 90%)**

In a second step (using 2011 data), we have also estimated gender differences in the likelihood to become recipient of regular support. In other words, we have explored if the probability of receiving inter-household regular monetary transfers (excluding alimony) by young women were higher or lower as compared to that of their male peers. Here again, the estimated coefficients do not point to any statistical significant gender difference. In many countries the probability of receiving regular monetary transfers, on average, is very similar by gender. Even when estimates fall slightly apart, like in the case of Denmark, Norway or Greece, the differences never prove to be statistically significant.
Regular monetary help is a rather neglected component of family support towards young adults living independently. We saw how this pertains around one in twenty young people, with important differences across countries. In some countries regular monetary transfers are virtually absent or negligible, like in Spain or Portugal, whereas in other countries are reaching as far as 13% of young adults (like in Cyprus and Bulgaria). We have than explored the role of the family of origin and of young people’s occupational status in the probability of being a recipient of this form of support. We have questioned if it was a phenomena linked to the amount of resources available in the family of origin, or rather in the degree of need in the younger generation, or both instances. We have shown that those more likely to benefit from this kind of support from their families of origin are coming from more advantaged backgrounds or not-employed. Also young people from lower social class are more likely of being helped if they are non-employed with respect to being employed. Notwithstanding, non-employed young people from lower classes have an average probability of being helped through regular monetary transfers, smaller or equal to that or employed young people from the higher class. This relative advantage of younger people from the higher classes sums up to that already signalled by the previous literature on extraordinary money transfers. These two elements together, regular and occasional intergenerational money transfers, stress the weakness of non-employed individuals coming from the lower classes. It is especially for those that welfare state provisions and unemployment protections are crucial to compensate for a lower support from their families of origin.

Source: own elaboration based on EU-SILC data 2011.

3.5 Class of origin: when resources trump need
in face of a higher (average) need as illustrated in earlier reports (see Berloff et al. 2015 & 2016). In this framework of cumulative disadvantage for the weakest, income support measures in the form of housing allowances or unemployment benefits would greatly help those struggling the most and those more greatly exposed to the risk of a sudden income loss when non-employed.
4. Patterns of youth poverty in Europe

4.1 Introduction

In the European Union, the risk of poverty among young people is higher than population average and increased considerably during the Great Recession (from 17.9 per cent in 2005 to 20.1 per cent in 2011). These poverty rates varies largely across countries and this variation is dependent on several factors, including differences in young people’s living arrangements and activity status (Aaasve, Iacovou and Mencarini 2006).

This report is concerned with the role of parental financial resources in adulthood transitions. Examining youth poverty and changes in the poverty risk of young people across time and across countries, provides some further insights in learning about this role. As we could see in Sections 2 and 3 of this report, parents can support their offsprings in many ways. Young adults in general benefits from co-residence, because parents typically have higher incomes compared to young adults and share a larger fraction of their incomes with other household members. While separating, parents generally provide inter-household transfers to their children. We assume that these transfers alleviate youth poverty risk.

The youth poverty alleviation capacity of these distinct strategies may very depending on other factors, especially on the institutional and policy context. For example, the dynamic anaylsis of Ayllón (2009) sheds light on the fact that young people in Northern countries face high poverty after living home early, but only for a relatively short period. In turn, youth in Southern countries leave parental home much later, in order to avoid falling into a poverty state that proves to be more persistent.

The financial and economic crisis in Europe strongly hit young people by bringing increasing risk of unemployment among them. Unfavourable intitial conditions at the labour market may determine the subsequent employment history, and increased risk poverty associated with unemployment can be one of the mecahnisms (e.g. Gallie, Paugam and Jacobs 2003). In many countries the share of non-employed youngsters living with their parents increased, while income inequality between those in parental home and those living independently increased (Göksen et al. 2016).

This section focuses on youth poverty from the point of view of family strategies to make adulthood transition as smoother as possible for young adults. In the followings, we examine how these trends and strategies show up in the risk of poverty among the youth. First we provide some descriptives on how the risk of poverty of those aged 15-29 (while the same figures are provided for those aged 25-34 in Annex) living independently relative to those in parental home changed between 2005 and 2011, for all young adults and also by gender. Further, the by taking use of the EU-SILC thematic
modules on the intergenerational transmission of poverty from 2005 and 2011, we differentiate between those with low and high parental background.²

4.2 Youth poverty in Europe during the crisis

Either the pre-crisis or the post-crisis period is examined, the youth from the Southern and the Northern countries are among those with the highest probability to live in poverty (see Figures A3 for 2005 and A4 for 2011 in Annex). In 2005, one quarter of Danish younsters aged 15-29 lived in poverty, while about one-fifth of them were at risk in Sweden, Italy, Greece, and the UK. Polish (24 per cent) and Lithuanian (21 per cent) youth also experienced high levels of poverty in the pre-crisis period, while the same figure for EU average was 18 per cent. This average increase by 2 percentage points between 2005 and 2011 and youth at-risk-of-poverty rates increased in all member states, with the very few exceptions of Belgium, Poland, Slovakia and the UK. Highest probabilities of living in poverty for all young people in 2011 characterized Denmark (31 per cent), Romania (26 per cent), Italy, Spain, Greece and Lithuania (24-24 per cent). The most striking increase in poverty risk was registered in Spain (close to 8 percentage points) and Denmark (6 percentage points).

Figure 9 indicates the relative risk of poverty of those living independently compared to their counterparts in parental home. One can observe that is higher than 1, either 2005 or 2011 is the year of analysis. Overall in the EU, the at-risk-of-poverty rate of the former group was by 10 per cent higher in 2005 and by 50 per cent higher in 2011. While this risk was also higher than 1 in most of the member states, there are a few exceptions: the Baltic countries (Estonia in 2011), Poland, as well as Spain and the UK in 2005. Any other year by country combination is considered, poverty is higher among those living independently from the parental household. As already presented and discussed in the literature (e.g. Aasve, Iacovou and Mencarini 2006; Ayllón 2009, 2014), the relative position of young people living independently is worse in Northern countries (their relative risk is about five times higher in Denmark, for example) and in a few Continental member states (Germany, Austria and the Netherlands). These figures also indicate that high relative poverty risk attached to independent living can be present at both high and low levels of overall youth at-risk-of-poverty rates. Denmark and Sweden are examples for the former, while Austria, the Netherlands and Slovenia for the latter.

The effect of the crisis can be also easily depicted in Figure 9. In almost all countries, the relative risk of the youth in independent households increased between 2005 and 2011. Exceptions are some of the Central-European countries at first place (Slovakia, the Czech Republic, and Poland), Luxembourg, but also Sweden and Finland. A strong increase in this relative risk is observed in Austria, Belgium Cyprus, the Netherlands, but also in the United Kingdom. Also, the very high relative risk of Danish youngsters living in independent households slightly increased in this period.

² The specific module on intergenerational transmission of poverty from 2005 and 2011 collected information on parental education only from those aged 25-59. Therefore, when computing the parental education variable, we used information from both the core questionnaire (for young adults aged 15-29 still livin in parental home) and the specific module (for those living independently). We are aware that this procedure affects our results, by providing information at different levels of reliability on parental background for the youth in various living arrangements. When interpreting our results, one should be aware of this methodological issue.
When interpreting these results, we have to be aware that they come from cross-sectional data and therefore they do neither reflect on persistency of the low income status nor on the patterns of adulthood transitions nor on the policy context.

Analysing differences by gender, the overall relative risks of women was either at average or higher in all member states both in 2005 and 2011 (Figures A7 and A8 in Annex), but displaying a somewhat higher variation in the latter point in time. This relative risk at the EU-average did not change between 2005 and 2011, either those living with parents or independently are analysed, but varies across member states (Figure 10). The relative risk of women living independently increased by more than 20 per cent in Sweden, the Netherlands, Slovakia and Cyprus, while decreased considerably in Greece, Lithuania, Portugal and Hungary.

**Figure 9. At-risk-of-poverty rate of the young people aged 15-29 living independently relative to the at-risk-of-poverty rate of young adults aged 15-29 in parental home, EU-27, 2005 and 2011* (%)**

*Source: own calculations based on the Eurostat database. Note. Countries are ranked according the overall poverty rate. *EU-SILC survey years with an income reference year t-1. The relative risk could not be computed for Bulgaria, Denmark, Croatia, Malta and Romania. Denmark is missing since no one in the 2011 sample lived with parents, while Bulgaria, Croatia, Malta and Romania were missing from the 2005 EU-SILC wave.*
Figure 10. Changes in the poverty risk of young women relative to young men aged 15-29 between 2005 and 2011 by living arrangement, EU-27, 2005 and 2011* (%)

Source: own calculations based on the Eurostat database.

Note. Countries are ranked according the overall poverty rate. *EU-SILC survey years with an income reference year t-1. The relative risk could not be computed for Bulgaria, Denmark, Croatia, Malta and Romania. Denmark is missing since no one in the 2011 sample lived with parents, while Bulgaria, Croatia, Malta and Romania were missing from the 2005 EU-SILC wave.

4.3 The role of parental background

While living independently tends to be associated with higher than average risk of poverty among young people aged 15-29, there is a considerable cross-country variation in these results. Does parental background make a difference in this respect? In the followings, we provide some descriptive results, using joint education as a proxy for parental social status. We differentiate between:

- **low status parents**, when one of the parents’ highest attained level of education is either primary or lower secondary;

- **high status parents**, when both parents highest attained level of education is primary or lower secondary.

When living with one parent only, parental social status is computed from the highest attained level of education of the single parent: low status when education is primary or lower secondary and high status otherwise. Due to missing information on parental education, a considerable part of the sample of young adults aged 15-29 are missing from the analysis (13,2 per cent in the 2005 sample and 19,3 per cent in the 2011 sample).
Figures 11 and 12 provide the main results of our descriptive analysis, displaying the relative risk of those with low social status parents compared to those with high social status parents, overall and by living arrangements (living with parents or living independently), for 2005 and 2011, respectively.

Overall in Europe and in all member states but Denmark, the relative risk of young adults with low educated parents compared to their peers with highly educated parents is higher than 1.0, either data from 2005 or 2011 are analysed. This risk, in average, increased between 2005 and 2011, from 1.7 to 2.0 and there was a slight increase also in the cross-country variation of these risks (partly due to the fact that Bulgaria, Croatia, Malta and Romania were part of the 2011 analysis, but not of the one from 2005).

Our previous figures have shown that living independently is associated with a somewhat higher risk of poverty among the youth and that this risk increased between 2005 and 2011. In addition to this picture, Figures 11 and 12 show that on average the effect of parental background seems to be more important for those still living with their parents: the relative risk of low social background among them is higher than average in both years. In the EU as a whole, the relative poverty risk of those with low social status is only slightly higher compare to their high status counterparts when living independently. This is not by surprise and two mechanisms should be mentioned here. First, since income poverty is a household concept, the probability of being poor for those living with their parents, is driven by parental income and parental household's structure, while for those living independently, by their own income and own family type. Secondly, and more importantly, if family strategies aim at reducing the risk of leaving parental home with unfavourable material conditions, they may lead to smaller disparities by social status. Further research should better differentiate between these strategies, by also considering the persistency of poverty status instead of only focusing on yearly cross-sectional results.

The overall relative risk of young adults of low social background was higher than 2.0 in 2005 in Italy, the Czech Republic, France, Luxembourg, Ireland, Slovenia and Portugal (Figure 11). In these countries (but the Czech Republic, France and Ireland) this relative risk was still higher than 2.0 in 2011 and other countries joined this ‘group’: Bulgaria, Hungary, Cyprus, Belgium, Romania, Germany and Slovakia (Figure 12).

The relative risk of low social background youngsters living independently was significantly higher than the EU-average in 2005 in Luxembourg, the Czech Republic, Italy, Lithuania and Hungary. Six years later, the new member states (Bulgaria, Croatia and Romania) had the highest relative risks, which was also considerably high (higher than 3.0) in Slovakia, Hungary and Luxembourg. However, in the Nordic countries (Denmark, Sweden and Finland) in both years, in the Netherlands in 2011, but also in a few Southern member states (in Spain before the crisis and in Portugal in 2011), young people with low social background had lower poverty rates than those having high social status background based on parental education. Further investigation is needed to check for the robustness of these results and also for the main factors affecting these relative risks.
Figure 11 Poverty risk of young adults (aged 15-29) with low educated parents relative to those with highly educated parents (overall and by living arrangement), EU-27, 2005* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2004.

Figure 12 Poverty risk of young adults (aged 15-29) with low educated parents relative to those with highly educated parents (overall and by living arrangement), EU-27, 2011* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2010.
5. Conclusions

The first part of this study exploits the EU-SILC special module on intra-household sharing of resources to shed light on practices of income sharing in households were young adults live together with their parents. The paper is novel in two respects. First, quantitative comparative evidence on how young adults in co-residence with parents participate in household finances and their financial independence is scarce. Exchanges in such households are rarely studied both in research on family processes and also in the literature on intra-household allocation. Here we studied determinants (the role of household income, needs of household members and relative income of young adults) of contributions of young adults to the household budget and ability to decide over personal expenses. The study also tries to quantify the effect of taking into account intra-household income sharing on the measurement of the income situation of young adults.

Results about determinants of contribution to the household budget and ability to decide about personal expenses broadly confirm our hypotheses about the effect of household income, relative income of household members and household members’ needs. In households with higher income young adults contribute less to the household budget and are more able to decide about their personal expenses. Variables measuring young adults’ and parental needs also have an influence over financial arrangements. The unemployed and students pay less contribution and have less ability to decide over personal expenses. Contrary to the expectations those having a child in the household often pay higher contribution to household expenses. If parent is single, or non-working, young adults pay higher contribution and have less ability to decide about personal expenses, but having health limitations do not seem to count. Relative income of young adults also influences their participation in household finances. Contribution to the household budget increases with relative income of young people, albeit sometimes non-monotonically. For what concerns the ability to decide on personal consumption, those with higher income than their parents have more ability to decide.

Our expectations regarding cross-country differences were only partially confirmed. Young adults living in the parental home in Western European countries and also in Cyprus and Malta are those who are most independent, in the sense that they are better/more able to decide about personal expenses and are less likely to contribute to the household budget.

The effect of taking into account intra-household sharing on income situation of young adults depends both on initial incomes of parents and young adults and their contributions to the household budget. Results show that the majority of young adults benefits from co-residence when taking into account intra-household sharing of resources, as compared to the conventional assumption of intra-household equality. This happens because parents typically have higher incomes compared to young adults and share a larger fraction of their incomes with other household members.

The 2010 special module of the EU-SILC on intra-household sharing of resources is a valuable resource for studying intra-household allocation, which is seldom covered by large comparative surveys. There are, however, certain drawbacks of the study that impose constraints on the present
study. One constraint is that we are unable to differentiate between different cases of co-residence, like young adults returning to the parental home and those never having left the parental home. Another limitation is that the question about income sharing does not explicitly ask about what percentage of their income respondents keep separate or put into the household budget, so one needs to make assumptions when using this information in the estimations.

The second part of this study focuses on the pivotal role of the family or origin in aiding children in their transition to adulthood, also after they have left the parental household and reached residential independence. This stage has become increasingly uncertain, owing especially to the retrenchment of welfare states and increasing liberalisation of labour markets, which brought the risk for European countries to converge towards the more familialistic Southern and Eastern models of welfare provisions (Viazzo 2010). This prompted renewed attention to the relevance of family (and kin) transfers and regular support for securing individuals’ well-being, also once co-residence is no longer (or not yet again) a means of direct support. Intergenerational transfers from the parental generation to the children one in the literature have inspected both monetary and non-monetary transfers. The former, in particular, has traditionally been studied as occasional gifts: especially economic support for house purchase (Druta & Ronald 2016), or in occasion of a wedding, but also inheritance and intra-vivo transfers of properties and wealth. Regular monetary transfers from the family of origin have been instead much less analysed, which makes this study to provide a distinctive contribution to the literature. This paucity can be traced mainly to the lack of a systematic collection of comparable data on this phenomenon, albeit this type of aid towards withholding independence is particularly crucial in young people’s transition phase to adulthood. Here, we explored the characteristics of young Europeans most likely to trigger, and become recipients of, regular economic support (cash transfers). We empirically tested two contrasting hypotheses: whether coming from more advantaged class backgrounds (resource hypothesis) made young people more likely to be recipients than those in circumstances of higher need (need hypothesis).

In order to explore the phenomena of regular cash transfers to young people we used EU-SILC data 2011 special module on the intergenerational transmission of disadvantages, being the most recent data containing information on social class of origin. We selected young people between 25 and 34 years of age, living independently from their parents, and analysed their likelihood of receiving regular monetary transfer by employment attachment and class of origin.

Our results have shown a strong gradient across countries in the likelihood to be recipient of regular cash transfers, with Southern European countries (where longer co-residence plays a major role in young people support) displaying a much lower probability than others. We did not find evidence supporting a gender divide, or a change over time after the economic crisis, but support for both a strong class effect and the relevance of occupational circumstances. Non-employed children are more likely to benefit from parental support throughout, as are those from higher social backgrounds. However, our results have also shown that parental resources seem more important than young people’s needs. In all countries (but Belgium) non-employed children had higher chances to be supported. However, in all countries employed children from higher social backgrounds had a similar (if not higher) likelihood to receive regular transfers as unemployed children from the lower class.
Regular cash transfers are thus another way in which social inequalities and unequal transmission of opportunities are being maintained and reproduced. Families with fewer resources would be the ones more pressurised towards supporting their adult children (given lower educational credentials, increased risks of unemployment and lower likelihood of a successful integration into the labour market for their children, Filandri, Nazio & O’Reilly forthcoming). Counteracting this mechanism would entail redistributive policies aimed at supporting the income level of the lower class, especially during non-employment, either through housing allowances, and/or through a universal system of unemployment benefits for young people unrelated to the previous contributive history. Our analyses support a measure by which government social protection programs ought to guarantee regular cash transfers to poor young adults in periods of non-employment.

The third part of the report focuses on youth poverty from the point of view of family strategies to make adulthood transition as smoother as possible for young adults. We examined how these strategies show up in the risk of poverty among the youth. We provide descriptive results on how the risk of poverty of those aged 15-29 living independently relative to those in parental home changed between 2005 and 2011, for all young adults and also by gender. Further, the by taking use of the EU-SILC thematic modules on the intergenerational transmission of poverty from 2005 and 2011, we differentiated between those with low and high parental background.

In the European Union, the risk of poverty among young people is higher than population average and increased considerably during the Great Recession (from 17.9 per cent in 2005 to 20.1 per cent in 2011). These poverty rates vary largely across countries and this variation is dependent on several factors, including differences in young people’s living arrangements and activity status (Aaasve, Iacovou and Mencarini 2006). Either the pre-crisis or the post-crisis period is examined, the youth from the Southern and the Northern countries are among those with the highest probability to live in poverty. Overall in the EU, the at-risk-of-poverty rate of the youth living independently was by 10 per cent higher in 2005 and by 50 per cent higher in 2011. The relative position of young people living independently is worse in Northern countries (their relative risk is about five times higher in Denmark, for example) and in a few Continental member states (Germany, Austria and the Netherlands). High relative poverty risk attached to independent living can be present at both high (e.g. Denmark and Sweden) and low (e.g. Austria, the Netherlands and Slovenia) levels of overall youth at-risk-of-poverty rates. In almost all countries, the relative risk of the youth in independent households increased between 2005 and 2011.

Overall in Europe and in all member states but Denmark, the relative risk of young adults with low educated parents compared to their peers from high social status background, is higher than 1.0, either data from 2005 or 2011 are analysed. This risk, in average, increased between 2005 and 2011, from 1.7 to 2.0 and there was also a slight increase in its cross-country variation. On average, the effect of parental background seems to be more important for those still living with their parents: the relative risk of low social background among them is higher than average in both years.

Further research should identify household and institutional level factors differentiating between the poverty risks of different groups of the youth. In addition, the role of inter-household transfers in the income of youth living independently, should be also assessed.
Bibliography


6. Appendix

Tab A.1 EU-SILC 2011 sample sizes by country: selected sample of young adults aged 25-34 (excluding students)

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Source. Own elaboration based on EU-SILC data.
Table A.2 Probit models on the probability of receiving regular inter-household cash transfer by social class of origin and occupational condition (young adults aged 25-34)

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N: 25803  5558  20245

Source. Own elaboration based on EU-SILC data.

Notes. * p<0.10, ** p<0.05, ***p<0.01
Figure A1 Poverty rate among young people (overall and by living arrangement) aged 15-29, EU-27, 2005* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2004.

Figure A2 Poverty rate among young people (overall and by living arrangement) aged 15-29, EU-27, 2011* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2010.
Figure A3 At-risk-of-poverty rate of the young people aged 25-34 living independently relative to the at-risk-of-poverty rate of young people aged 25-34 in parental home, EU-27, 2005 and 2011* (%)

Source: own calculations based on the Eurostat database.
Note. Countries are ranked according the overall poverty rate. *EU-SILC survey years with an income reference year t-1.

Figure A4 Poverty rate among young people (overall and by living arrangement) aged 25-34, EU-27, 2005* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2004.
Figure A5 Poverty rate among young people (overall and by living arrangement) aged 25-34, EU-27, 2011* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2010.

Figure A6 Changes in the poverty risk of young women relative to young men aged 25-34 between 2005 and 2011 by living arrangegment, EU-27, 2005 and 2011* (%)

Source: own calculations based on the Eurostat database.
Note. Countries are ranked according the overall poverty rate. *EU-SILC survey years with an income reference year t-1. The relative risk could not be computed for Bulgaria, Denmark, Croatia, Malta and Romania. Denmark is missing since no one in the 2011 sample lived with parents, while Bulgaria, Croatia, Malta and Romania were missing form the 2005 EU-SILC wave.
Figure A7 Relative poverty risk of young women (aged 15-29) relative to men (overall and by living arrangement), EU-27, 2005* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2004.

Figure A8 Relative poverty risk of young women (aged 15-29) relative to men (overall and by living arrangement), EU-27, 2011* (%)

Source: Eurostat database.
Note. Countries are ranked according the overall poverty rate. Overall figures refer to young people aged 15-29, while breakdowns by living arrangement to those aged 16-29. *EU-SILC survey years with an income reference year 2010.
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