

# **Independence of Young Adults in the Western World: Evidence Before and After the Economic Crisis**

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## **Abstract**

Transition to adulthood has undoubtedly changed in the last few decades. One aspect that has become more and more relevant over time, and one that youth today considers one of the most important markers of adulthood, is the achievement of economic (and residential) independence. Financial self-sufficiency is not only dependent on young adults' educational choices and participation in the labour market, but also subject to economy fluctuations and the government's response. In this work, I explore the employment and economic conditions of young adults in five countries – United States, United Kingdom, Norway, Germany, and Spain – at four different points in time: 2000, 2004, 2007, and 2010. Using the Luxembourg Income Study (LIS), I can investigate the changes in the transition to economic and residential independence before and after the Great Recession of 2008, taking into account the trends since the beginning of the 21<sup>st</sup> century. I find a general deterioration in economic conditions of young men, but with quite large differences across countries. Young women suffer less from the crisis, and in some countries, their ability to achieve financial self-sufficiency improves. The results show how the impact of the financial crisis is highly dependent on the context and youth welfare transfers.

**Keywords:** Transition to adulthood; Employment; Low-paid workers; Economic Independence; Economic Crisis; Luxembourg Income Study.

## **1. Introduction**

During the last fifty years, the process that brings adolescents and teenagers to adulthood has changed greatly in many, if not all, countries in the developed world. After World War II, young people assumed adult roles, such as being employed full-time, getting married, and having children, by their early twenties. Today, those roles have been postponed to the late twenties and early thirties (Aassve et al. 2002a; Furstenberg 2010; Settersten, Furstenberg and Rumbaut 2006; Sironi and Furstenberg 2012).

In addition to the slower path to adulthood, the trajectories are more diverse. The standard sequence of events leading into adulthood in the 1950s and 1960s— graduate from school, leave the parental home, start a full-time job, marry, have children—is no longer standard. The order of events has become less linear, and it is more likely for youth to experience multiple events at different points in time (Elzinga and Liefbroer 2007; Marini 1984a; Marini 1984b).

The recent economic recession has had important implications for this crucial time in young adults' lives. Several studies have documented how the economic crisis has hit youth the hardest, as they have the largest increase in unemployment rates, which has persisted long after the crisis (Verick, 2009; O'Higgins, 2010). Therefore, it is likely that the recession will exacerbate the long-term trends that we have observed in the transition to adulthood so far, i.e. postponement and destandardization. The lack of jobs can encourage young people to stay in education longer, delaying the beginning of the transition. Moreover, it will encourage them to live with their parents longer, postponing their family formation, or to leave home only for single living or cohabiting with friends. Consequently, the state of semi-autonomy persists over time.

Several studies have documented the variation in major steps of the transition to adulthood, including the school-to-work transition, the expansion of education (Blanchflower and Freeman 2000b; Gangl 2002; Quintini, Martin and Martin 2007), and the departure of young adults from the parental home (Mandic 2008; Mulder and Clark 2000; Mulder, Clark and Wagner 2002). Many others have investigated the impact of the recession on youth unemployment and labor market outcomes (Mínguez et al., 2012; Verick, 2009; O'Higgins, 2010), or the consequences on fertility, partnership formation and dissolution (Sobotka, Skirbekk, and Philipov, 2011). However, only a few studies have focused on how youths' ability to achieve financial self-sufficiency has changed over time or across countries (Smeeding and Phillips, 2002; Bell et al., 2007); in particular, how the Great Recession has affected it.

In the past, “adulthood” was associated more with family formation, but today it is associated more with self-actualization in education and career, and, consequently, financial self-sufficiency (Furstenberg et al. 2003; Berlin, Furstenberg and Waters 2010). Moreover, what the recent economic and financial crisis has affected the most are unemployment rates and job instability among young adults. This in turn has had implications for their economic independence. What are the consequences of economic uncertainty and instability on income from work? Would stagnating or declining wages impair the ability to be financially self-sufficient also among those who manage to keep their job? How does not being self-sufficient influence living arrangements? These are some of the questions that I am trying to answer with this work.

Documenting and analyzing the changes in the financial resources of young adults before and after the crisis could help to understand their subsequent life trajectories, such

as partnership and fertility histories, and to identify – or even construct – social policies that are adequate to support them.

Therefore, this study describes how the employment and economic conditions of young adults have changed since the beginning of the new century in Western societies, and in particular, it looks at trends before and after the economic crisis. Given the differing timing of the transition into adulthood in different parts of the world (Billari 2004; Billari and Liefbroer 2010; Liefbroer and Goldscheider 2006) and the different implications of the economic crisis in different countries, this work adopts a cross-national comparative perspective. Using data from the Luxembourg Income Study of 1999/2000, 2004, 2007 and 2010, I compare young adults in five countries: the United States, the United Kingdom, Norway, Germany and Spain. These countries have very different welfare regimes, culture, demographic trends, and labor market structure, and have been hit by the recession in different ways. Therefore, they represent a natural sample of diverse experiences to detect common and divergent trends.

## **2. The Transition towards Residential and Economic Independence**

### **2.1 Evidence of Long-term Trends**

As anticipated, the transition to adulthood today is very different than it was right after World War II: it starts later, it takes longer, and it happens in a less standardized fashion (Sironi, 2015). The expansion of education in developed countries that took place in the last five decades has raised the median age for completing schooling and has contributed to the delay in the age at which young adults start working (Corijn and Klijzing 2001; Schizzerotto and Lucchini 2004). For example, the median age of completing school

among cohorts born in the 1950s in Great Britain, Germany, and Italy, was sixteen, but it increased to age 20-22 in 2011 (Buchmann and Kriesi 2011; Quintini and Martin, 2014; Schizzerotto and Lucchini 2004). The proportion completing upper secondary (90 percent) and tertiary education (43 percent) is high in the United States among those born in the late 1970s and 1980s (OECD 2014). The figures are even higher in the United Kingdom and Scandinavian countries, where the completion rate of tertiary education approached 50 percent in 2012. The lowest rates are in Germany and southern European countries (OECD 2014), below 30 percent.

In addition, the structure of the labor market itself has changed significantly amid global competitive pressure, leading to instability of labor markets and greater difficulties in finding a job – another cause of the delay (Bernardi, Gangl and van de Werfhorst 2004; Breen 2005; Brzinsky-Fay 2007; Brzinsky-Fay 2008; Gangl 2002; Scherer 2005). Since the 1970s, earnings inequality and employment instability have grown and job tenure has declined with growing turnover (Duncan, Boisjoly and Smeeding 1996; Katz and Autor 1999; Sironi and Furstenberg 2012). Among people born in the 1950s in developed Western countries, the median age range at first job was between sixteen and nineteen. Among those born in the 1970s, the median age range was between nineteen and twenty-four (Schizzerotto and Lucchini 2004). In 2011, the median age at first job is even higher than 26, e.g. in Italy and Spain (Quintini and Martin, 2014). The job path differs by region and labor market structures. Young adults in southern Europe often experience a period of career instability when they exit education, and youth unemployment is highest in those countries (Brzinsky-Fay 2007; Quintini, Martin and Martin 2007). The entry into the labor market is easier and faster in continental countries,

while liberal (e.g. United States and United Kingdom) and Scandinavian countries occupy an intermediate position (Gangl 2002; Quintini, Martin and Martin 2007; Scherer 2001). In fact, in northern Europe, young people may experience high unemployment and uncertainty immediately after school completion, but only for a short time.

Partly due to the expansion of education, the departure from the parental home (which marks the beginning of residential independence) has been postponed as well. The age of leaving home has increased with time, but the postponement has been modest in most countries. Southern Europe is the exception. There, the median age of leaving has risen substantially (Billari and Wilson 2001; Billari and Liefbroer, 2010). In northern Europe, young adults leave their family of origin very early, before age twenty. In continental and liberal welfare states, individuals leave on average in their early twenties, while in countries such as Italy, Spain, Portugal, and Greece, young people leave in their late twenties or early thirties (Aassve et al. 2002a; Billari 2004; Mandic 2008).

Those mentioned so far are among the most well-known and well studied trends in the transition to adulthood related to independence. However, one less investigated – but fundamental – step leading to independence is financial self-sufficiency. Smeeding and Phillips (2002) analyzed young people's earnings in the 1990s in seven countries (France, Germany, Italy, Sweden, the United Kingdom, the United States, and the Netherlands) using the Luxembourg Income Study for just one point in time. They measured economic independence in many different ways; they looked at full-time employment, wage earned, earnings inequality, social transfers, and family resources. They found that in the mid-1990s, only a small percentage of young adults were financially self-sufficient in their early twenties. This situation persisted even when

welfare transfers are considered (Aassve et al., 2006). Bell et al. (2007), on the other hand, compared trends in six countries (United States, United Kingdom, Canada, Belgium, Italy, and Germany) on household living arrangements, employment rates, and earnings levels in the mid-1980s and late 1990s, as youth aged from eighteen to thirty-four. They found a declining economic self-sufficiency over time. Only women in their late twenties and early thirties saw somewhat improved prospects, even though their earnings remained below men's. The United States, and to some extent, the United Kingdom are exceptions to this general pattern. In those countries, employment rates improved for young people in their late twenties and early thirties, and earnings levels either remained stable or increased modestly (Bell et al. 2007).

## **2.2 Implications of the Great Recession**

The economic crisis that started in 2008 and affected most developed economies has had its largest impact on young adults. Many young people work in sectors that are particularly affected by the recession, such as manufacturing, construction, services and tourism. Youth is generally more vulnerable to unemployment because of a greater risk of losing a job or the increased difficulty to enter the labour market (Marcus and Gavrilovic, 2010). In 2009, 40% of the unemployment segment of the population was between 15 and 24 years old (O'Higgins, 2010), and the global youth unemployment rate rose from 11.9 to 13 per cent between 2007 and 2009. The one per cent increase in youth unemployment rate between 2008 and 2009 corresponded to the 0.5 per cent increase in the adults' rate. In developed societies, the youth unemployment rate went up by 4.6 per cent between 2008 and 2009, reaching a rate of 17.7 per cent in 2009 (ILO, 2010). Young women had more difficulty finding jobs than young men, but most regions showed

decreasing gaps between male and female labour force participation rates. In the United States, where the crisis had started, the unemployment rate for young men rose from 12.1 per cent in 2008 to 19.8 per cent in 2009, while the increase for young women was 5.9 per cent. Similar figures have been observed in the United Kingdom, with an increase from 15.4 to 21.8 per cent for young men, and from 11.9 to 16.2 per cent among young women. The increase in Norway and Germany has been more modest, with a 2.7 increase for men and a 0.9 increase for women in Germany, and a 2.1 increase for men and a 1.8 one for women in Norway. Spain showed a rise of 21.1 per cent and 11.5 for men and women, respectively (Verick, 2009). Not only do youth unemployment rates differentials change by country and gender, but they also vary across education levels. The crisis seems to have hit more young people with higher (tertiary) levels of education (O'Higgins, 2010), and there are also cross-national differences.

These trends not only have negative consequences in the short-run, but also in long run related to the careers of young adults and unemployment. These individuals do not have financial resources that could support them during unemployment spells, and very often, they have to rely on their family/parental income. Moreover, employment and unemployment trends are key to understanding the conditions of young adults on the labour market; however, it is not the only thing that matters. Among the young people who could find a job during the recession, working conditions could have possibly been low: forced to work part-time, have informal and temporary contracts, which results in a low wage and not much social protection. This study aims at looking at employment outcomes of youth and also at income from work to try and capture a more comprehensive picture of their working conditions before and after the crisis.



As reported above, the recession has had important implications for the independence of young adults and for the social policies connected to it. The labour market became more and more unstable, with higher unemployment rates and higher turnover, and housing markets became inaccessible and house prices went up substantially (Sobotka, Skirbekk, and Philipov, 2011). The crisis and its effects on the youth labour market situation have contributed to shaping trends in family formation, fertility, and union dissolutions. For example, cutting government spending on childcare to face a high increase in unemployment could directly influence the affordability of having children for some families. Moreover, rising unemployment is associated with a decrease – or postponement – in union formation (Prioux, 2003). As far as divorce or union dissolution is concerned, the implications of the crisis are not clear. Instability increases stress – both financial and psychological – so it should assumedly also increase divorce rates. However, divorce is also expensive, so during times of crisis, couples may decide to stick together because they do not have enough resources to separate (Fischer and Liefbroer, 2006; Sobotka, Skirbekk, and Philipov, 2011). As these studies show, investigating the consequences of the economic recession on youth employment and economic conditions could also shed light on changes at the family level.

### **2.3 Differences across countries**

There is little evidence of a clear convergence in life course patterns in different countries (Billari and Wilson 2001; Liefbroer and Goldscheider 2006). If anything, the clearest trend is that of “converging divergences” (Blossfeld et al. 2012; Mills et al. 2008), meaning that all countries have experienced increasing diversity at the individual level

(Buchmann 1989; Kohli 2007; Shanahan 2000). It has been argued that the lack of convergence may stem from differences in labor market regulations, welfare regimes (and in the diversity underlying institutional structures), and cultural aspects, such as family ties. Both institutions and culture influence life course trajectories, creating prospects and constraints to which people adapt (Breen and Buchmann 2002).

Different types of welfare regimes can influence individuals' behavior, especially their "demographic" decisions (Esping-Andersen 1990; Mayer 2001). The four regimes often characterizing the West include the *social-democratic* welfare state (Scandinavian countries), characterized by high levels of state support and a focus on the individuals; the *conservative* welfare state, which provides generous support for the family rather than the individual (for example in France, Germany, and the Netherlands) and, thus, reinforces family ties; the *liberal* welfare regime, which provides a modest level of means-tested benefits, applicable only in case of inefficient markets, and oriented to individuals (examples include the United Kingdom and the United States). The fourth category includes the *southern European* countries with their strong reliance on the family as the locus of support and low levels of welfare provisions from the state (Ferrera 1996; Mayer 2001; Trifiletti 1999).

Each regime is associated with a different transition to adulthood. In social democratic countries, for example, labor market entry and leaving the parental home should take place at relatively younger ages, owing to generous social benefits, which provide more certainty about future economic conditions. In conservative and liberal welfare regimes, it is difficult to predict a typical life course trajectory, but one would expect less de-standardization and variability in the life course than in Scandinavian

countries. In contrast, southern European countries should show late exit from the parental home and late marriage and childbearing, given the lower level of benefits and stronger dependence on the family of origin (Aassve, Iacovou and Mencarini 2006; Aassve et al. 2002a; Aassve and Lappegård 2009; Billari 2004; Billari, Philipov and Baizán 2001; Esping-Andersen 1990; Mills et al. 2008; Mulder, Clark and Wagner 2002).

These differences in welfare states, and the varying cultural and institutional aspects across countries, imply that the impact of the economic crisis will be different in different settings (Blossfeld et al. 2005). Given the unstable opportunity structure associated with the recession, and the deterioration in employment and earnings levels, young people are likely to adapt their behavior to improve their immediate and short-term living conditions. Consequently, their choices reflect the specific combination of the opportunities in the labor market, welfare state provisions, and family support in their country of residence (Vogel 2002).

Given the differing paths into adulthood and the timing of the transition in different parts of the world (Billari 2004; Billari and Liefbroer 2010; Liefbroer and Goldscheider 2006), and also the different implications of the Great Recession for young adults' ability to achieve residential and economic independence, this work adopts a cross-national comparative perspective. I will compare young adults in the United States, the United Kingdom, Norway, Germany and Spain in 2000, 2004, 2007 and 2010. More specifically, I will look at the proportion of young adults between age 22 and 30 who are working full-time and who are financially independent (more on the definition of independence in the

next section), and how their economic conditions are associated with their living arrangements.

### **3. Data and Methods**

#### *Data*

The Luxembourg Income Study (LIS) contains harmonized microdata from high- and middle-income countries around the world beginning in the late 1960s and early 1970s. National surveys are harmonized to create databases that are comparable and that allow researchers to examine similarities and differences across countries. LIS includes information on employment status, paid hours of work, and income. The analysis presented here examined data at four points in time (2000<sup>1</sup>, 2004, 2007, 2010) in five countries that are representative of the different patterns in the transition to adulthood and different typologies of welfare states: the United States and the United Kingdom (representing the liberal welfare state), Norway (northern Europe), Germany, and Spain (representing Southern Europe).

The LIS has some limitations. First of all, given the harmonization process, some information in the original data sets is lost, and not all the countries and all the years include exactly the same variables. Also, sample sizes vary across countries, which may affect reliability of the estimates in the countries with a smaller number of observations and affect the regression results on the pooled data (driven by the countries with the largest sample size). Despite these limitations, harmonized data in the LIS are unique because they include information on labour earnings for all countries and do not suffer from problems of missing values. There are no other data sources comparing different

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<sup>1</sup>1999 for the United Kingdom

developed countries with information on individual earnings that are harmonized and that started early enough to compare young adults economic conditions over time. The sample includes individuals between age twenty-two and thirty at different points in time in order to observe changes before and after the crisis, but to also take into account continuing trends that were taking place before the onset of the crisis.

### *Measures*

In order to investigate economic independence of young adults, I use two different measures. The first one is the proportion of youth working full-time. Following the definition used by Smeeding and Phillips (2002), secure, full-time employment is defined as working more than thirty-five hours per week and more than forty weeks per year<sup>2</sup>.

The second measure I used tries to capture economic independence, and exploits the OECD definition of ‘low-paid’ workers. ‘Low-paid’ workers are those earning wages less than two-thirds of median earnings. Therefore, the measure of earnings has been constructed by computing the individual median income in each sample among those who are employed. Table 1 shows the median income for youth in each country and in each time period.

The level of independence is based on whether the person was low-paid or not. Hence, everyone who is not ‘low-paid’ is considered as independent. With that said, the low-paid worker measure used here is not an objective measure of financial independence, given that economic self-sufficiency is determined by many different

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<sup>2</sup> In the U.K. surveys the information includes only hours worked per week. The analysis looks only at full-time in order to link the analysis directly to economic independence. Many young people work in temporary or part-time positions, many as students (especially after the crisis). These workers would be defined as employed. However, part-time work is not conducive to financial independence, so it is not investigated in the analysis.

factors, such as the cost of living (housing, food), public or private transfers, access to credit and future streams of incomes, and financial obligations. It is also difficult to establish whether economic independence should be evaluated using current income (as used here), if any, or the discounted flow of future earnings. Also, the measure I used is an individual measure that does not take into account the household size, the number of dependent children, or partner's income. However, the measure does give a sense of the level of wages (and potential independence) in each country, by age and sex, and shows changes in trends over time.

On top of financial independence, it is important to consider residential independence. The first step of residential independence for young adults is to leave the parental home. Clearly, the possibility of leaving the parental home is conditional on having enough money to leave (or on being supported by the parents). Being self-sufficient is not a necessary condition for leaving the parental home, but it is surely one of the most important steps that can induce young adults to establish their own independent household. Because of this, I look at the relationship between the level of wages and the probability of living with parents.

**Table 1. Median Income and Low-paid Income**

	Median Income of those with a job	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

Note: Low-Paid Income corresponds to two thirds of the median income.

### *Analytical Strategy*

The first step in the analysis is to compute the proportion of young adults in each country that are working full-time over time and who is financially self-sufficient. These proportions are computed using person weights included in the LIS to account for the sampling probability and the different age structures in different countries. Given gender differences in paths into adulthood and different labour force participation rates, the analyses are performed separately for men and women.

The relationship between economic independence and living arrangements is investigated using logistic regressions to predict at each point in time the probability that an individual will live with parents, depending on whether or not he or she is a low-paid worker. Controls include gender, level of education, age, and country.

Finally, to study how economic independence is associated with different individual and contextual characteristics, I run several logistic regressions: first, I look at how economic independence is associated with age, gender, year, and country of residence. To explore possible differing trends between men and women over time, I add an interaction term between gender and year in the second specification. In the third specification, I add interaction terms between year and country, given that it is possible that the trends over time differ across countries and that the impact of the crisis is different. Finally, in the last two specifications, I introduce the individuals' level of education<sup>3</sup>. Current evidence shows that across all developed societies, young people from lower social classes leave school and start working earlier (Bynner 2005; Muller

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<sup>3</sup>The highest completed level of education is coded into three categories: low (less than secondary education completed), medium (secondary education completed, completed ISCED levels 3 or 4), and high (tertiary education completed, ISCED levels 5 or 6).



and Shavit 1998). Hence, it is possible that they achieve financial independence earlier. However, low levels of education are usually associated with unstable employment (Arts and Gelissen 2002; Blossfeld et al. 2005; Furstenberg 2008), thus increasing the risk of future poverty. Moreover, it is possible that the crisis affected different levels of education in different ways, therefore, I add an interaction term between year and education level.

## **4. Results**

### ***4.1 Descriptive Findings***

Table 2 presents characteristics of the selected samples, by country and survey year. The mean age in the sample is approximately twenty-six in all countries, and the proportion of women ranges between 48.1 percent (Norway in 2004) and 56.2 percent (Germany in 2007). As expected, the proportion of people reporting a high level of education increased over time, except in Norway, where the proportion with a tertiary education was already high in 2000 (31.3 percent). The greatest increase is observed in the United Kingdom, where 23.7 percent of the 2000 sample completed tertiary education, rising to 34.5 percent in 2007 and 32.8 in 2010. The smallest proportion of people with high education in 2010 was in Germany (19.2 percent). Differences across countries can be due to the fact that the expansion of education has unfolded in different ways across countries, both the starting point and the rapidity of expansion. Therefore, educational systems are not homogeneous. These differences should be considered when interpreting the results.

**Table 2. Descriptive Statistics – Weighted by Country and Year**

Country and Year	Mean Age	% Female	% In School	% with high education	% Living with parents	% Working "full-time"	Unemployment rate (%)*	N	National Data Source
United States									
2000	26.1	51.0	6.2	34.7	21.4	66.3	4.0	22441	CPS
2004	25.9	50.8	7.5	33.7	23.6	61.0	5.5	21093	
2007	26.0	50.2	7.8	36.6	25.5	62.4	4.6	21280	
2010	26.0	49.9	8.6	38.7	28.6	54.1	9.6	21550	
United Kingdom									
1999	26.2	49.2	14.3	23.7	24.0	63.9	5.9	6038	Family Expenditure Survey
2004	26.0	50.9	17.4	30.1	22.4	63.8	4.7	6194	
2007	25.9	50.3	8.0	34.5	23.2	63.3	5.3	5397	
2010	26.0	50.1	10.3	32.8	24.2	55.3	7.8	5619	
Norway									
2000	26.3	49.0	-	31.3	15.3	72.3	3.2	3804	Income Distribution Survey
2004	26.2	48.1	-	28.2	11.9	68.9	4.3	3485	
2007	26.1	49.3	23.5	32.6	13.8	69.0	2.5	52725	Household Income Statistics
2010	26.0	49.0	-	31.8	14.6	64.2	3.6	56141	
Germany									
2000	26.2	51.5	26.5	16.5	25.3	59.7	8.0	2733	GSOEP
2004	26.0	53.6	29.0	12.8	27.3	53.7	10.5	2454	
2007	26.3	56.2	21.9	18.9	22.9	56.6	8.7	1921	
2010	26.0	55.4	28.6	19.2	28.4	56.2	7.1	1997	
Spain									
2000	26.1	51.1	18.5	24.2	57.1	55.1	11.9	2242	ES ECHP
2004	26.3	49.0	19.6	32.8	59.6	61.7	11	4386	EU-SILC
2007	26.3	48.9	21.6	25.7	58.4	61.1	8.2	3903	
2010	26.3	49.7	26.4	25.9	61.2	44.6	19.9	3274	

\*Source: UNECE Statistical Division Database.

Note: For Norway the % working full-time reflects only those who state to be employed (no info on hours and weeks of work)

As Table 2 shows, the percentage working full-time decreased over time in each country. The magnitude of the change is, however, quite diverse across countries. In the United States, United Kingdom, and Norway, there has been a small decrease from 2000 to 2007, with a larger drop between 2007 and 2010, which is most likely due to the hit of the crisis.

In Germany, there has been a very small decline (3%) between 2000 and 2007, but there is almost no change between 2007 and 2010. In Spain, the trend in the percentage of young adults employed full-time has been positive from 2000 to 2007, but this figure drops drastically in 2010 (from 61.1% to 44.6%). Together with these changes in full-time employment, it is possible to observe fluctuations in the proportion of young adults who live with parents as well. We observe almost no change in the United Kingdom (around 24%) and Norway (around 15%), a modest increase in Germany (from 25 to 28%), and a larger rise in the United States (from 21 to 28%). In Spain, this figure increases by 4%, but the starting point was substantially higher than in other countries (from 57 to 61%). These numbers are consistent with the fact that in Spain, and more generally in southern Europe, the delay in the transition to adulthood is greater than in other European countries or the United States.

Macro-level employment rates showed almost no change in Germany and Norway between 2000 and 2010, with some fluctuations within the two periods. Both the United States and the United Kingdom reported an increase in the unemployment rate, from 4% to 9.6% and from 5.9% to 7.8%, respectively. Coherent with the micro-level statistics, Spain is the country that shows the largest deterioration: the unemployment rate went from 11.9% in 2000 to 19.9% in 2010, which is even worse if we consider that the rate

was 8.2 in 2007. It is worth noticing that the unemployment rate referred to the entire population in working age, and not only to the age range (22-30) that is considered in the analysis.

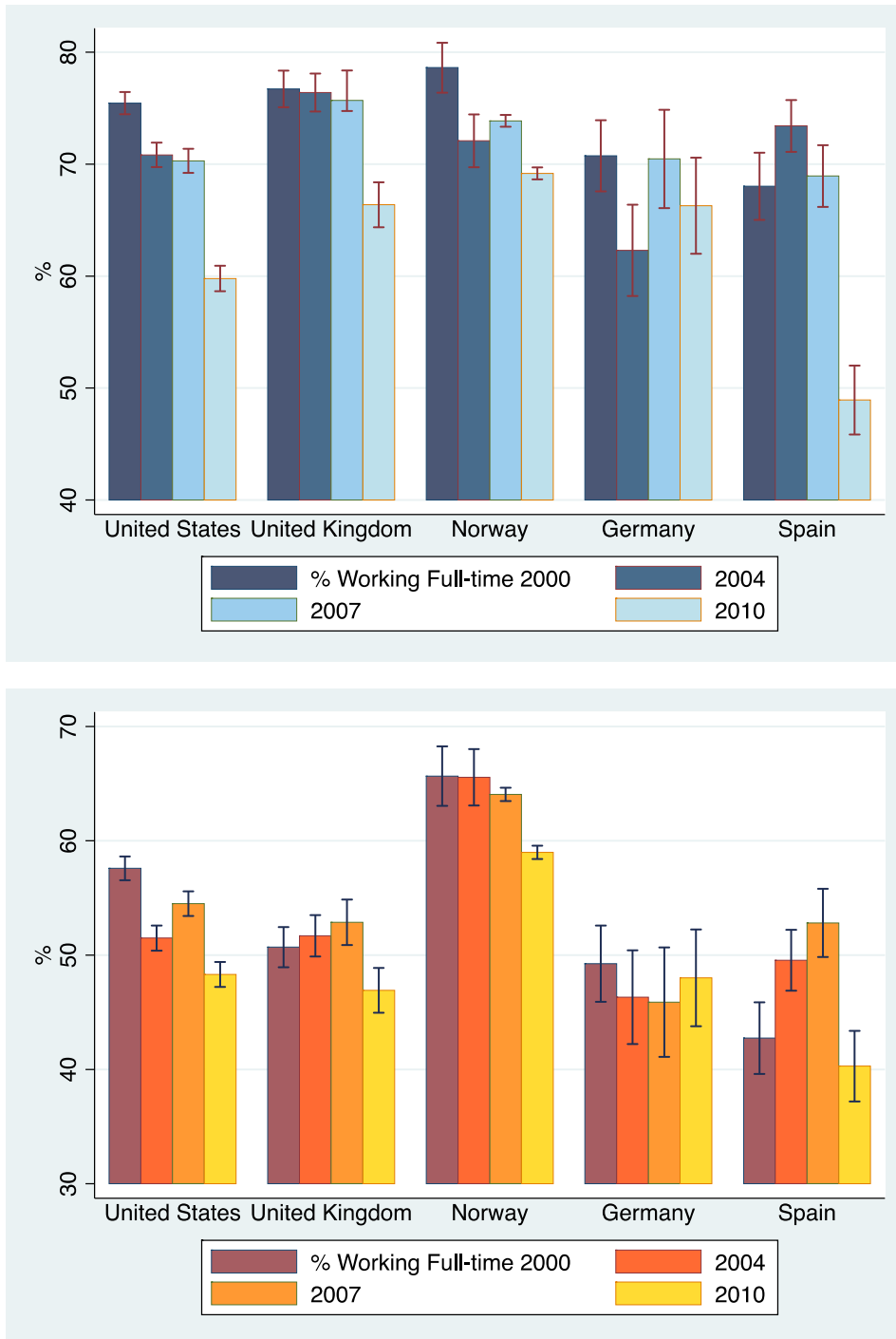
#### ***4.1.2 Employment Trends and Economic Self-Sufficiency by Gender***

Figure 1 and Figure 2 show the proportion of men and women working full-time and who are defined as economic independent, respectively. Generally, we can see how the proportion of young men working full-time has decreased over time in all countries. The drop between 2007 and 2010 – presumably due to the financial crisis – is quite substantial in the United States (-10.5%) and United Kingdom (-10.2%), and even more in Spain (-20%). The decrease is less evident in Norway (for which we report the proportion employed) and Germany. So we can see how the trend was on a negative slope since the beginning of the 21<sup>st</sup> century, but the impact of the recession is very visible. Among young women, the situation is less clear-cut. Everywhere but in Spain the proportion of women working full-time was quite stable, and in the United States, United Kingdom and Norway, there has been a 5-6% drop after the hit of the recession. In Germany, there has been a 2% increase between 2007 and 2010. Spain has shown a positive trend from 2000 to 2007 – with an increase of almost 10% - but the crisis brought the proportion of women working full-time to a lower level than 2000 (40.3%).

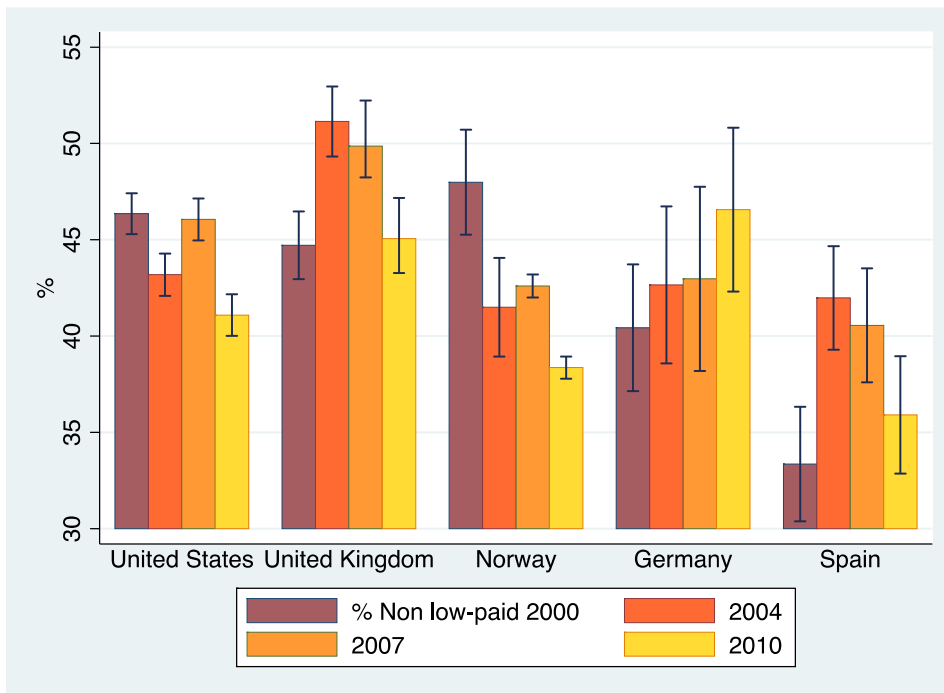
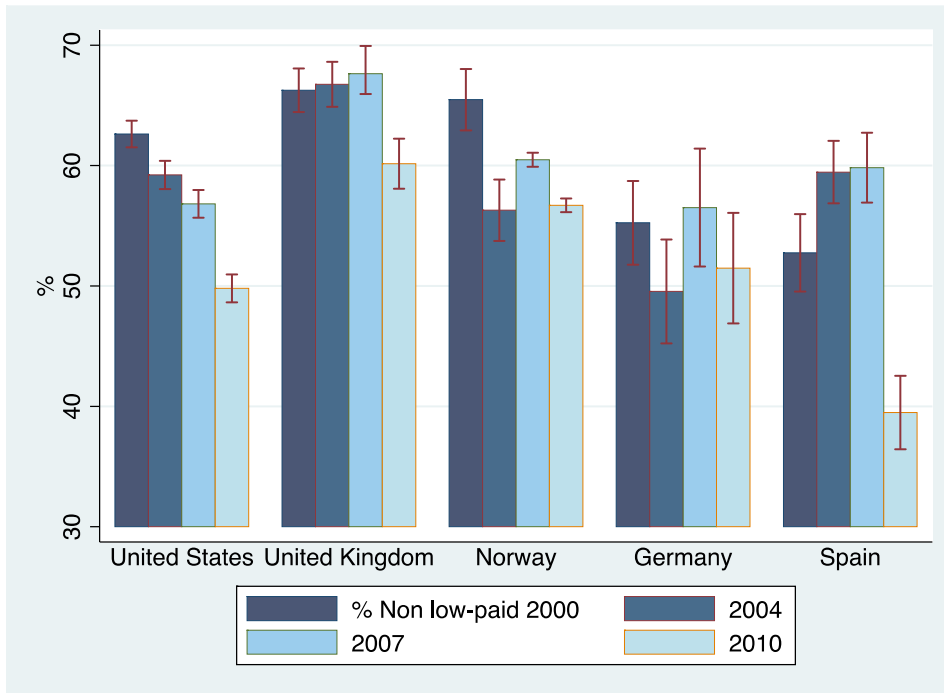
If we look at the proportion of youth who is defined as economically independent (i.e. who is not a low paid worker), we do observe a very similar trend among men and a quite clear impact of the crisis, especially in Spain, United States and United Kingdom where the proportion financially independent has dropped significantly between 2007 and

2010. Among women, the trend over time is decreasing in all the countries considered here, except for Germany, where there is an increase from 40% to 46.6% between 2000 and 2010.

**Figure 1. % of Men and Women working full-time**



**Figure 2. % of Men and Women who are economic independent**

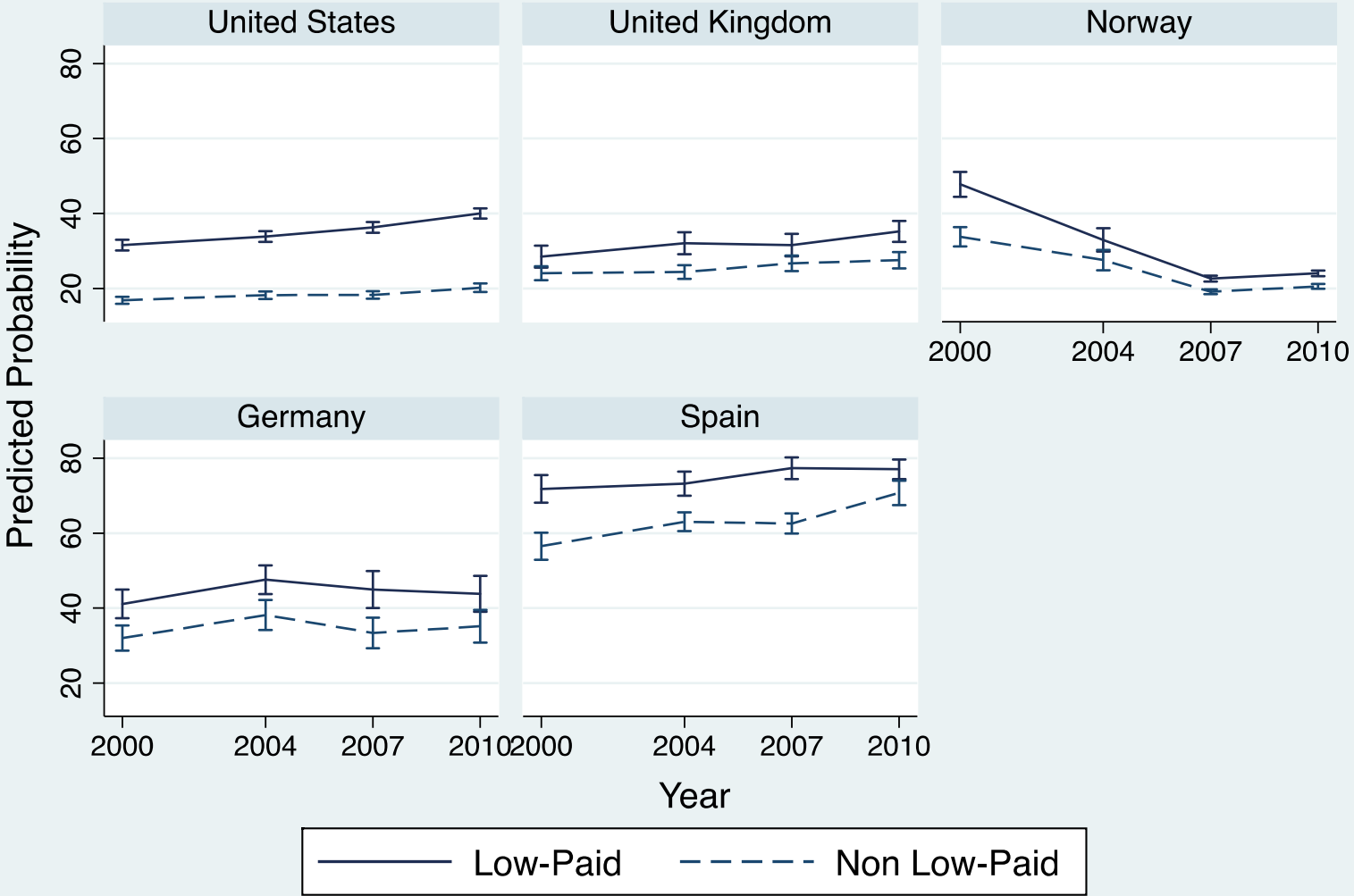


Hence, even if the picture doesn't look necessarily negative in terms of full-time employment among women, this doesn't guarantee the ability to achieve economic independence.

#### ***4.2 Economic Independence and Living Arrangements***

As mentioned in section 2, the transition to independence is not only exemplified by the achievement of economic independence, but also marked by the achievement of residential independence. Based on the numbers seen in Table 2, we know that the proportion of young adults living with parents has increased from 2000 to 2010, or stayed constant, like in Norway and the United Kingdom. In this section, I investigate whether there is an association between economic independence and residential independence. In particular, through a set of logistic regressions, I look at the predicted probability of living at home with parents and being a low-paid worker (not independent) or not (independent). Figure 3 reports the results for men, and Figure 4 the results for women. The logistic regressions include controls for age and education levels (other than year, gender, and country). Among men, we see how the probability of living with parents is always higher for those who haven't achieved economic independence. However, there are large differences across countries and also quite diverse trends over time. In the United States, the probability of living with parents is 15% higher in 2000 for those who are not independent and this percentage grows to 20% in 2010. The probability living with parents is increasing over time or staying constant in every country, except for Norway. These analyses are showing how it is easier to be residentially independent being financially independent, but the relationship is fairly different across countries.

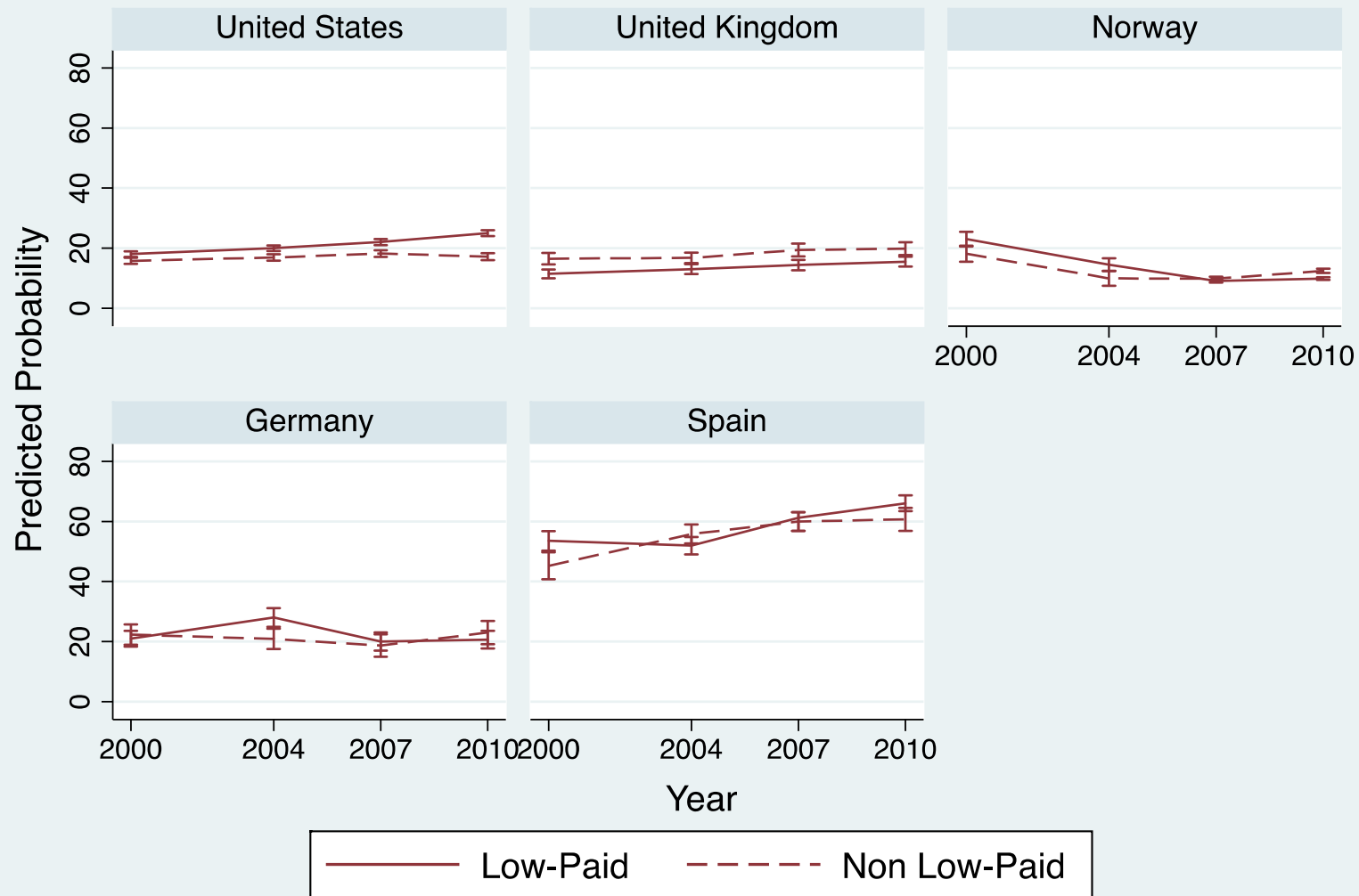
**Figure 3. Predicted probability of Living with Parents – Men**



Graphs by country



**Figure 4. Predicted probability of Living with Parents – Women**



Graphs by country

As for among women in Figures 1 and 2, the results are not too straightforward to interpret. In the United States, the predicted probability of living with parents looks very similar to the men's. In Norway, Germany and Spain, we cannot observe a general trend, given that residential independence for those who are non low-paid workers is not always more likely than for those who are low-paid workers. It really depends on the years considered. Interestingly, in the United Kingdom, it is more likely to have left the parental home without being financially independent. This might be related to moving out of the parental home to form a partnership, but that isn't a requirement for independence from an economic point of view.

#### ***4.3 What is associated with Economic Independence?***

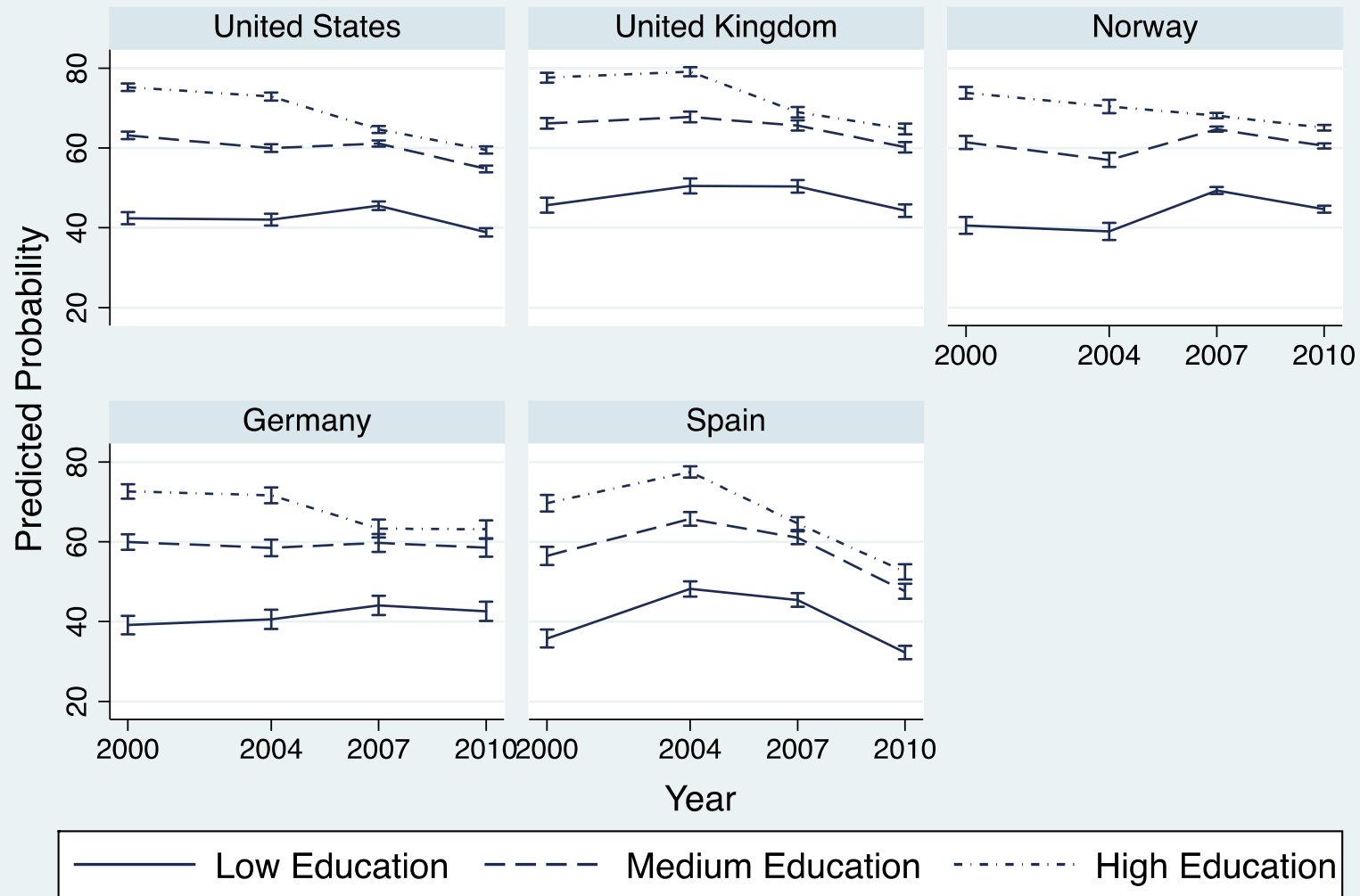
In this last section, I study the main factors associated with economic independence. Using a set of logistic regressions (see Table A2 in the Appendix), I compute the predicted probability (margins) of being financially self-sufficient depending on the year, country of residence, gender and level of education. The margins reported in Figures 5 and 6 are based on a regression model that includes the following variables: age, gender, country, year, education, and interaction terms between year and gender, country, and education level.

Among men, the probability of being independent is always higher among those with tertiary education, as expected. The levels are also quite comparable across countries. However, the trends over time show a different impact of the economic recession. The young men who seem to be the more affected by the crisis are from Spain while the least affected are from Germany. Very interestingly, across all countries, those

who show a larger drop in the probability of being independent between 2000 and 2007 are those with high education. This can be due to the fact that the economic sectors that were mostly influenced by the crisis, i.e. the financial sector, is mostly populated by young men with tertiary education. But it can also be due to the fact that these young men decide to stay longer in education, given the unfavorable conditions of the job market (and so they postpone the achievement of economic independence).

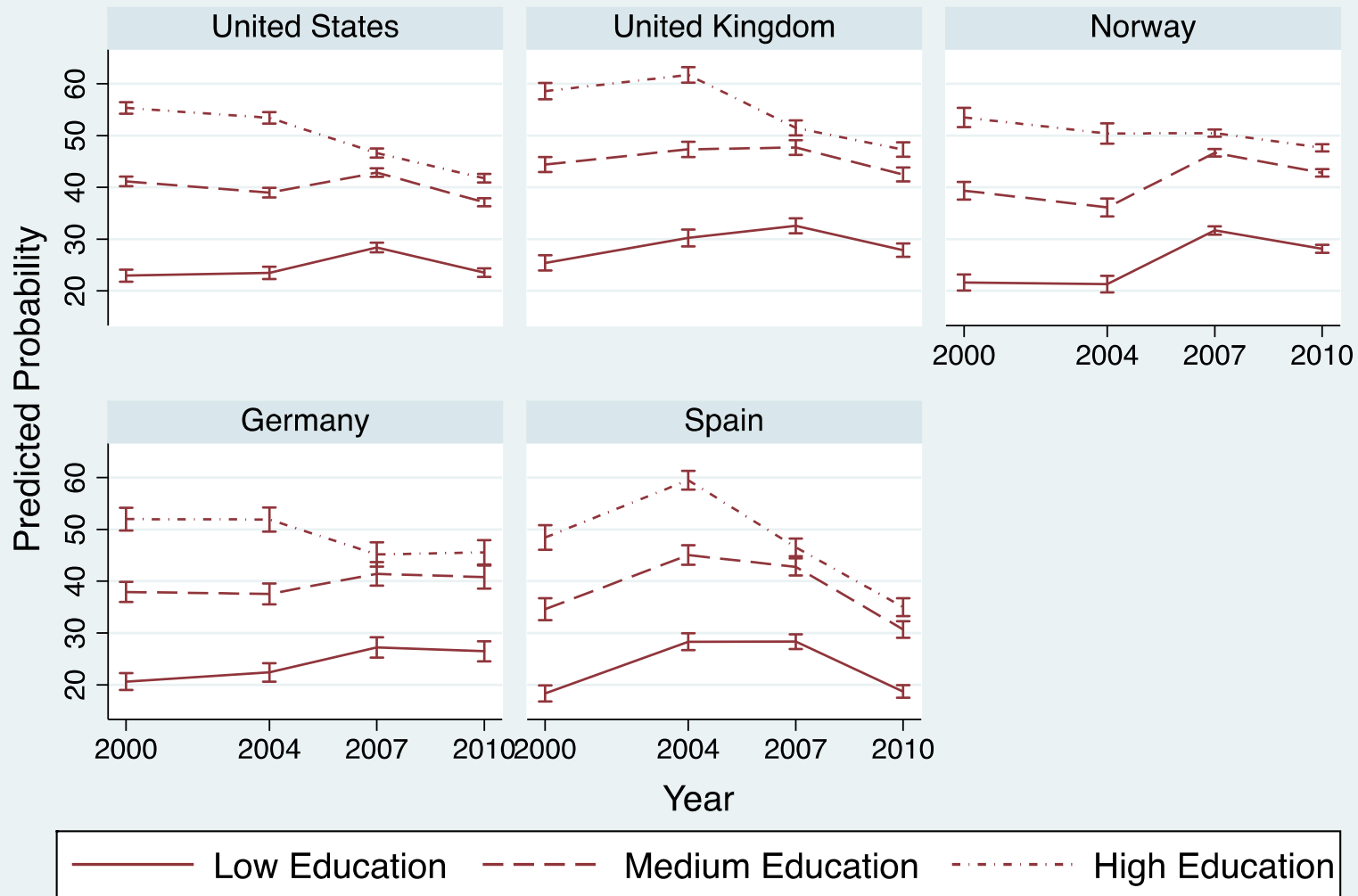
Figure 6 presents a picture for young women, which is not far from the one observed for men. One main difference: the probability of being independent doesn't decrease over time for women with a low educational attainment (except for Spain), which, means that the recession didn't have a great impact on this group.

**Figure 5. Predicted probability of Economic Independence – Men**



Graphs by country

**Figure 6. Predicted probability of Economic Independence – Women**



Graphs by country

## **5. Discussion**

To be continued

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APPENDIX

Table A1. Countries characteristics and typical patterns of transition to adulthood.

Group of Countries	Welfare State	School-to-Work Transition	Culture & Family Ties	Transition Patterns to Adulthood	Expected Impact of the Crisis
<b>Scandinavian Countries</b>	Welfare rights and benefits granted as individual entitlements; Unemployment benefits available for young people.	High completion rates of tertiary education and widespread vocational training promote easier labor market access	Weak family ties that imply individual's priority over the family.	High importance of young people's autonomy, very early home leaving and union formation (mostly cohabitation).	Minimum impact of the recession on economic independence, due to generous welfare transfers. Living arrangements not influenced by the achievement of economic independence.
<b>Liberal Countries</b>	Strong market orientation, loosely regulated labor market; Means-tested benefits oriented to individuals.	Weak regulation of the labor market supports an early completion of schooling and easy access to the labor market; However labor markets are characterized by high instability.	Weak family ties, strong focus on self-reliance and autonomy	Early home leaving, early school completion and entry into the labor market. This facilitates early family formation.	Deterioration in employment and ability to achieve economic independence. Living arrangements affected for those who cannot achieve financial self-sufficiency.

**Table A1. Continued.**

<b>Group of Countries</b>	<b>Welfare State</b>	<b>School-to-Work Transition</b>	<b>Culture &amp; Family Ties</b>	<b>Transition Patterns to Adulthood</b>	<b>Expected Changes over Time</b>
<b>Continental Europe</b>	Welfare transfers oriented to families.	Strong vocational education system; Easy access to the labor market even if at later ages.	Stronger family ties than in Liberal and Scandinavian countries, that are reinforced by family-oriented welfare transfers.	Later age at school completion and entrance into the labor market; Later age at home leaving and achievement of economic independence, but with more stability to form a family in a short time.	Limited impact of the recession due to the strong vocational educational system and later age of school completion. Living arrangements influenced by economic stability.
<b>Southern Europe</b>	Weak welfare state transfers, mainly family-oriented.	Late age at school completion and no vocational training hinder an easy access to stable jobs; Strong senior worker protection.	Strong family ties; Family is the locus of support for young people.	Very late age at home leaving; Having a stable job and economic self-sufficiency are important conditions to form a family, so also age at union formation and parenthood are higher than in other countries.	Increased instability of labor market causes a strong delay in the entrance into the labor market and in the achievement of independence; Consequent strong delay in home leaving and family formation.

**Table A2. Logistic Regressions on Economic Independence**

Y = Being a Low-paid Worker

	(1)	(2)	(3)	(4)	(5)
<b>Age (Ref: 22)</b>					
23	1.404*** 1.353,1.456	1.404*** 1.353,1.457	1.404*** 1.353,1.457	1.386*** 1.335,1.440	1.387*** 1.336,1.441
24	1.823*** 1.757,1.890	1.823*** 1.758,1.890	1.823*** 1.757,1.890	1.782*** 1.716,1.850	1.786*** 1.720,1.854
25	2.348*** 2.264,2.434	2.349*** 2.265,2.435	2.350*** 2.267,2.437	2.291*** 2.207,2.379	2.299*** 2.215,2.387
26	2.750*** 2.653,2.852	2.751*** 2.653,2.852	2.755*** 2.657,2.856	2.667*** 2.569,2.769	2.679*** 2.580,2.781
27	3.242*** 3.128,3.361	3.243*** 3.128,3.362	3.245*** 3.130,3.364	3.133*** 3.018,3.253	3.151*** 3.035,3.272
28	3.477*** 3.355,3.605	3.478*** 3.355,3.605	3.482*** 3.359,3.610	3.378*** 3.254,3.508	3.396*** 3.271,3.526
29	3.795*** 3.661,3.934	3.796*** 3.662,3.935	3.801*** 3.666,3.940	3.654*** 3.520,3.794	3.674*** 3.539,3.815
30	3.877*** 3.741,4.018	3.878*** 3.743,4.019	3.881*** 3.745,4.022	3.724*** 3.588,3.865	3.744*** 3.607,3.886
Female	0.477*** 0.469,0.484	0.433*** 0.415,0.452	0.433*** 0.414,0.451	0.409*** 0.392,0.427	0.391*** 0.374,0.409
<b>Year (Ref: 1999/2000)</b>					
2004	0.971 0.942,1.000	0.938** 0.897,0.980	0.882*** 0.838,0.928	0.889*** 0.844,0.936	0.985 0.899,1.078
2007	0.957** 0.932,0.984	0.903*** 0.869,0.938	0.855*** 0.815,0.897	0.849*** 0.808,0.891	1.141** 1.054,1.234
2010	0.787*** 0.766,0.809	0.733*** 0.705,0.761	0.669*** 0.638,0.702	0.649*** 0.618,0.681	0.858*** 0.792,0.928
<b>Country (Ref: United States)</b>					
United Kingdom	1.176*** 1.141,1.212	1.176*** 1.141,1.212	0.991 0.934,1.052	1.104** 1.039,1.174	1.149*** 1.080,1.222
Norway	1.018 0.998,1.039	1.019 0.998,1.040	0.96 0.894,1.032	0.935 0.869,1.006	0.925* 0.859,0.996
Germany	0.865*** 0.826,0.904	0.864*** 0.826,0.904	0.780*** 0.718,0.848	0.833*** 0.765,0.907	0.868** 0.796,0.947
Spain	0.756*** 0.728,0.785	0.755*** 0.727,0.784	0.642*** 0.586,0.703	0.712*** 0.648,0.782	0.748*** 0.679,0.823
2004*Female		1.066* 1.004,1.132	1.067* 1.005,1.133	1.048 0.985,1.114	1.048 0.984,1.116

2007*Female	1.115*** 1.060,1.174	1.117*** 1.061,1.175	1.094*** 1.038,1.153	1.177*** 1.116,1.242
2010*Female	1.145*** 1.088,1.204	1.146*** 1.089,1.206	1.130*** 1.072,1.190	1.207*** 1.144,1.273
2004*United Kingdom		1.264*** 1.162,1.375	1.266*** 1.161,1.380	1.243*** 1.139,1.357
2004*Norway		0.934 0.842,1.036	0.939 0.844,1.044	0.952 0.855,1.060
2004*Germany		1.036 0.919,1.169	1.069 0.944,1.210	1.08 0.952,1.225
2004*Spain		1.352*** 1.207,1.515	1.804*** 1.602,2.032	1.734*** 1.534,1.960
2007*United Kingdom		1.250*** 1.147,1.362	1.116* 1.023,1.219	1.068 0.978,1.166
2007*Norway		1.052 0.972,1.139	1.259*** 1.161,1.365	1.271*** 1.172,1.379
2007*Germany		1.114 0.981,1.266	1.157* 1.014,1.319	1.084 0.949,1.237
2007*Spain		1.312*** 1.169,1.473	1.429*** 1.269,1.608	1.333*** 1.182,1.503
2010*United Kingdom		1.263*** 1.160,1.375	1.154** 1.058,1.258	1.100* 1.008,1.200
2010*Norway		1.126** 1.040,1.218	1.375*** 1.268,1.490	1.385*** 1.277,1.503
2010*Germany		1.353*** 1.193,1.536	1.435*** 1.259,1.636	1.353*** 1.186,1.543
2010*Spain		0.968 0.858,1.093	1.057 0.934,1.196	0.991 0.875,1.124
<b>Education (Ref: Low Level)</b>				
Medium Education			2.011*** 1.963,2.061	2.423*** 2.269,2.588
High Education			2.731*** 2.662,2.803	4.408*** 4.098,4.742
2004*Medium Education				0.882** 0.804,0.967
2004*High Education				0.894* 0.807,0.989
2007*Medium Education				0.800***

2007*High Education					0.741,0.864 0.516*** 0.474,0.561
2010*Medium Education					0.809*** 0.749,0.874
2010*High Education					0.545*** 0.501,0.593

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N	248677	248677	248677	234673	234673
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Note: \* p<0.05, \*\* p<0.01, \*\*\* p<0.001; Odds Ratios

**Table A3. Logistic Regressions on Economic Independence (Controlling for “In school”, without Norway)**

Y = Being a Low-paid Worker	
	(6)
<b>Age (Ref: 22)</b>	
23	1.261***
	1.194,1.332
24	1.261***
	1.459,1.625
25	1.657***
	1.571,1.748
26	1.800***
	1.707,1.899
27	2.024***
	1.919,2.134
28	2.040***
	1.935,2.152
29	2.150***
	2.039,2.267
30	2.166***
	2.056,2.283
Female	0.368***
	0.350,0.386
<b>Year (Ref: 1999/2000)</b>	
2004	0.99
	0.902,1.087
2007	0.879**
	0.799,0.968
2010	0.627***
	0.567,0.693
<b>Country (Ref: United States)</b>	
United Kingdom	1.355***
	1.272,1.444
Germany	1.187***
	1.085,1.299
Spain	0.942
	0.854,1.039
2004*Female	1.094**
	1.023,1.170
2007*Female	1.207***
	1.128,1.291



2010*Female	1.342*** 1.254,1.436
2004*United Kingdom	1.193*** 1.091,1.304
2004*Germany	1.161* 1.019,1.324
2004*Spain	1.521*** 1.343,1.723
2007*United Kingdom	0.955 0.872,1.045
2007*Germany	1.179* 1.026,1.354
2007*Spain	1.512*** 1.335,1.712
2010*United Kingdom	1.024 0.936,1.120
2010*Germany	1.543*** 1.344,1.773
2010*Spain	1.189** 1.044,1.355
<b>Education (Ref: Low Level)</b>	
Medium Education	2.743*** 2.562,2.936
High Education	5.612*** 5.198,6.058
2004*Medium Education	0.858** 0.780,0.944
2004*High Education	0.860** 0.773,0.955
2007*Medium Education	0.883* 0.800,0.975
2007*High Education	0.914 0.820,1.020
2010*Medium Education	0.865** 0.780,0.959
2010*High Education	0.988 0.884,1.106

**In school**

**0.193\*\*\*  
0.184,0.203**

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Note: \* p<0.05, \*\* p<0.01, \*\*\* p<0.001; Odds Ratios