

Economic wellbeing and leaving home in Europe

Arnstein Aassve

4th SDT conference Budapest, 6th September



Bocconi

DONDENA

Centre for Research on Social Dynamics



Economic wellbeing and leaving home: Evidence from 13 European countries

Arnstein Aassve

4th SDT conference Budapest, 6th September



Motivation

- Dramatic change in European demographic patterns over the last decades
- 2nd demographic transition
- Changes in values, attitudes and norms as regard demographic behaviour
- More women attend university
- Increase in female labour market participation

Motivation

- Poverty and vulnerability a major issue in Europe
- What makes young individuals become “successful” adults?
- How should policies be designed to protect and support young individuals
- Education/ job training
- Youth labour market

Transition to adulthood, some key markers

- Childbearing
- Marriage and divorce
- Cohabitation
- Leaving home
- Out-of-wedlock childbearing
- Completion of education
- Entering the labour market

Economic wellbeing - poverty

- To what extent may demographic events influence poverty?
- Candidates:
 - Children
 - Single motherhood
 - Loosing one's foothold in the labour market
- To understand this we need to first understand what poverty is.

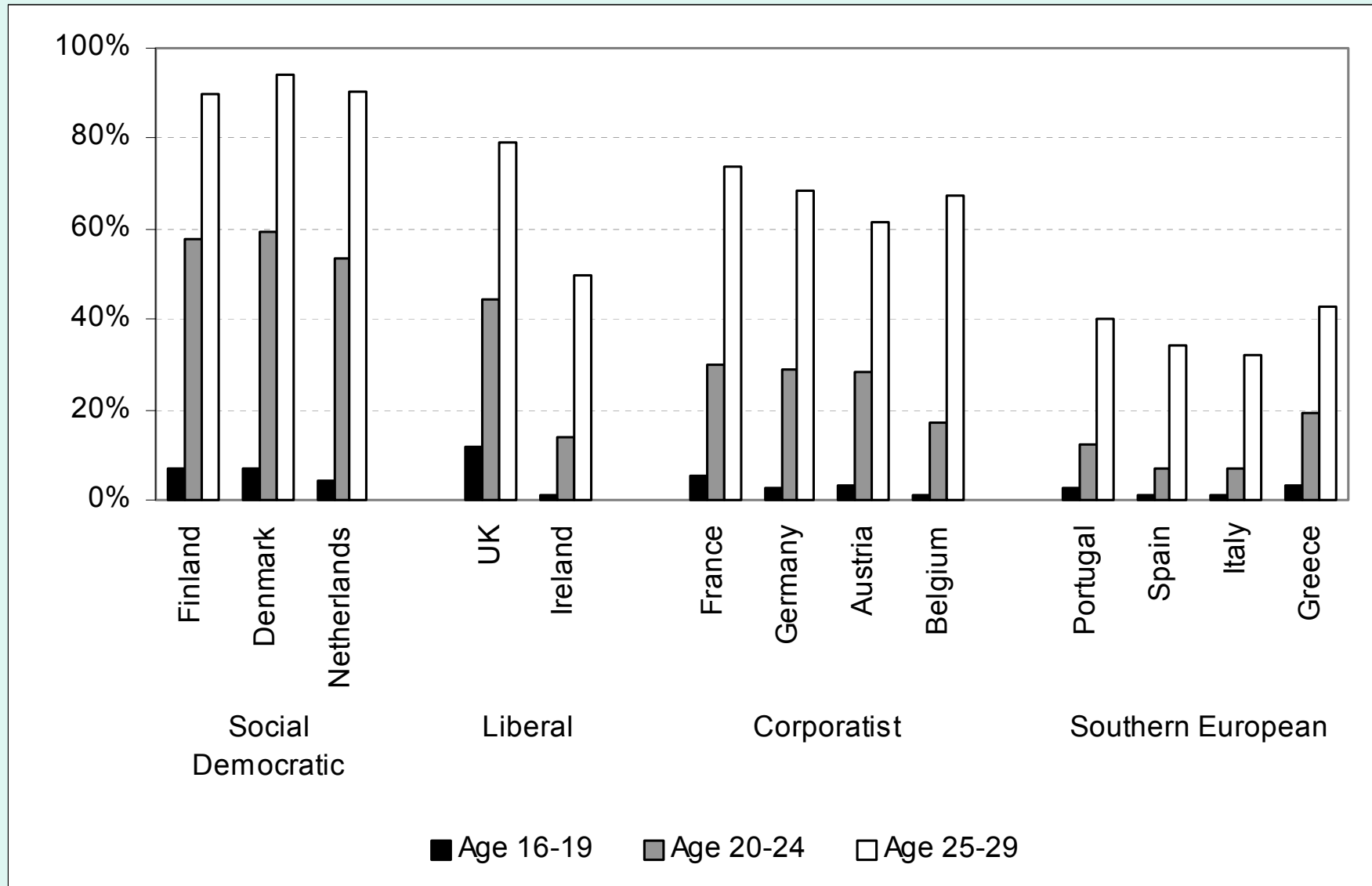
Defining poverty

- $HEI = \frac{\text{sum of all household members' incomes from all sources}^*}{\text{scaling factor reflecting no. and ages of household members}}$.
- Poverty threshold = 60 percent of net (and scaled) household income
- Person is poor if HEI is below poverty threshold
- Person is NOT poor if HEI is above poverty threshold

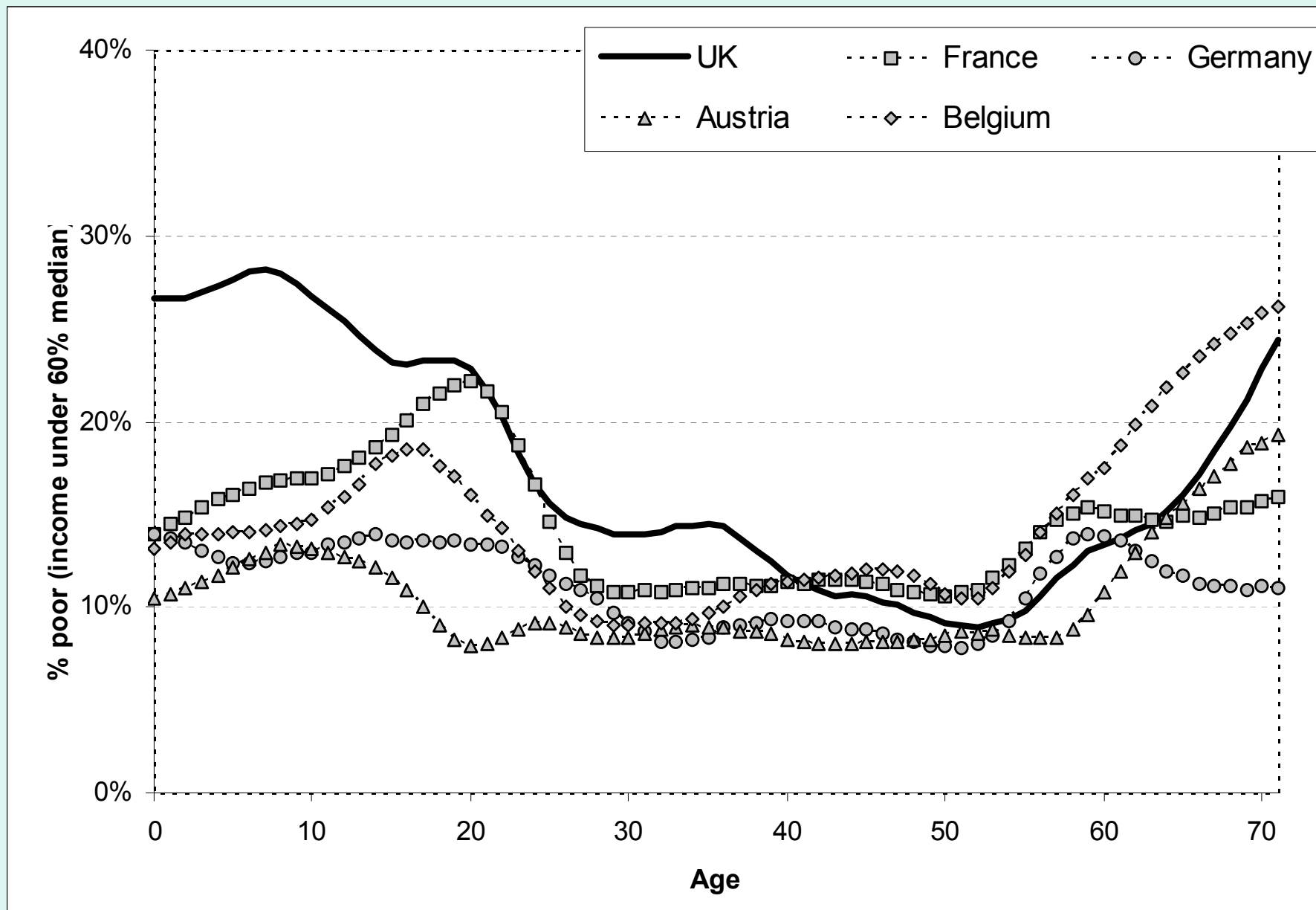
– So what makes a person poor?

- Young people MAY live with parent/s (or not);
- MAY live with a partner, or children, or house-mates (or not);
- MAY go out to work (or be unemployed, or studying, or caring for family);
- MAY have sufficient earnings incomes (or not).

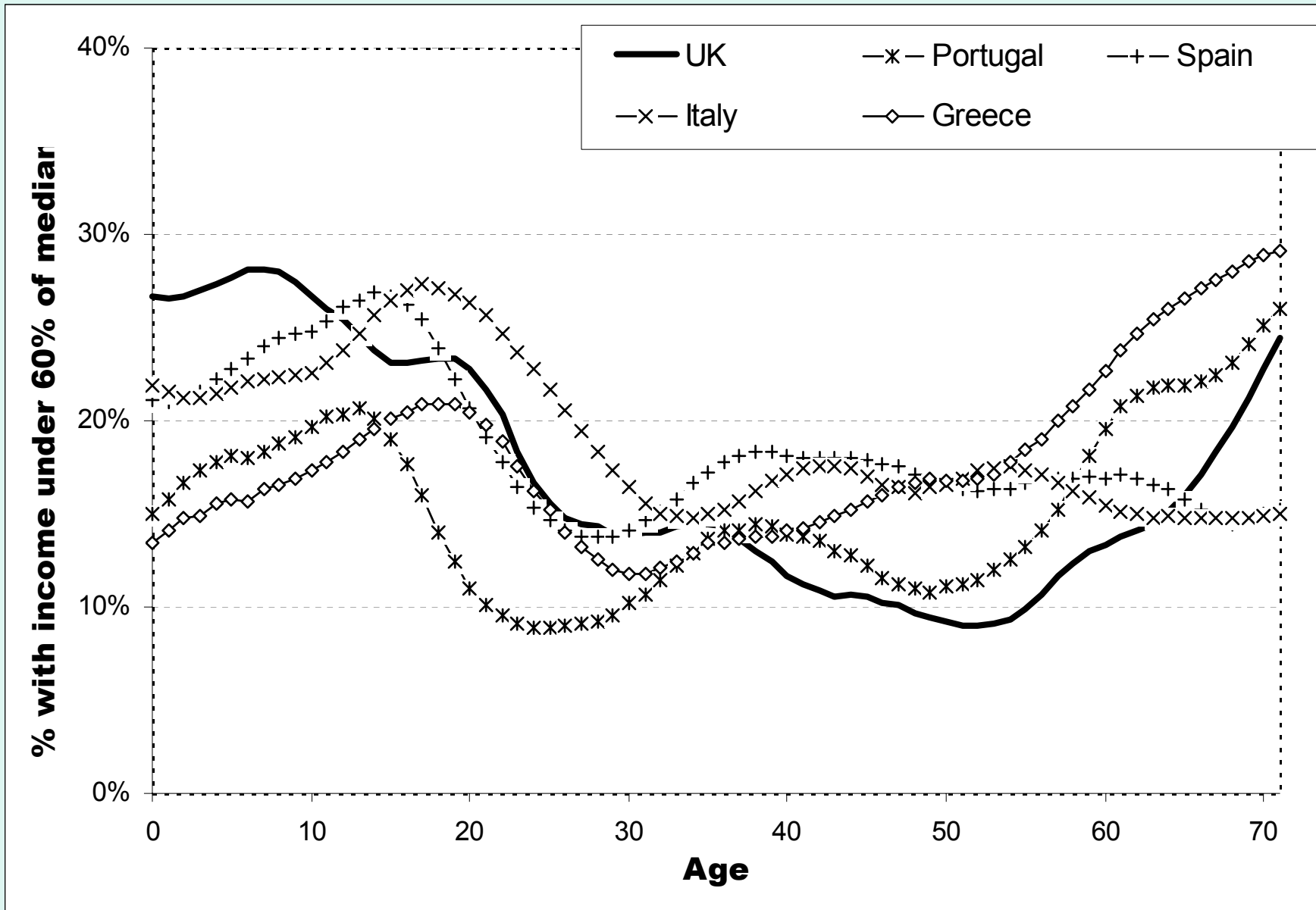
% who have left their parents' home for three age groups



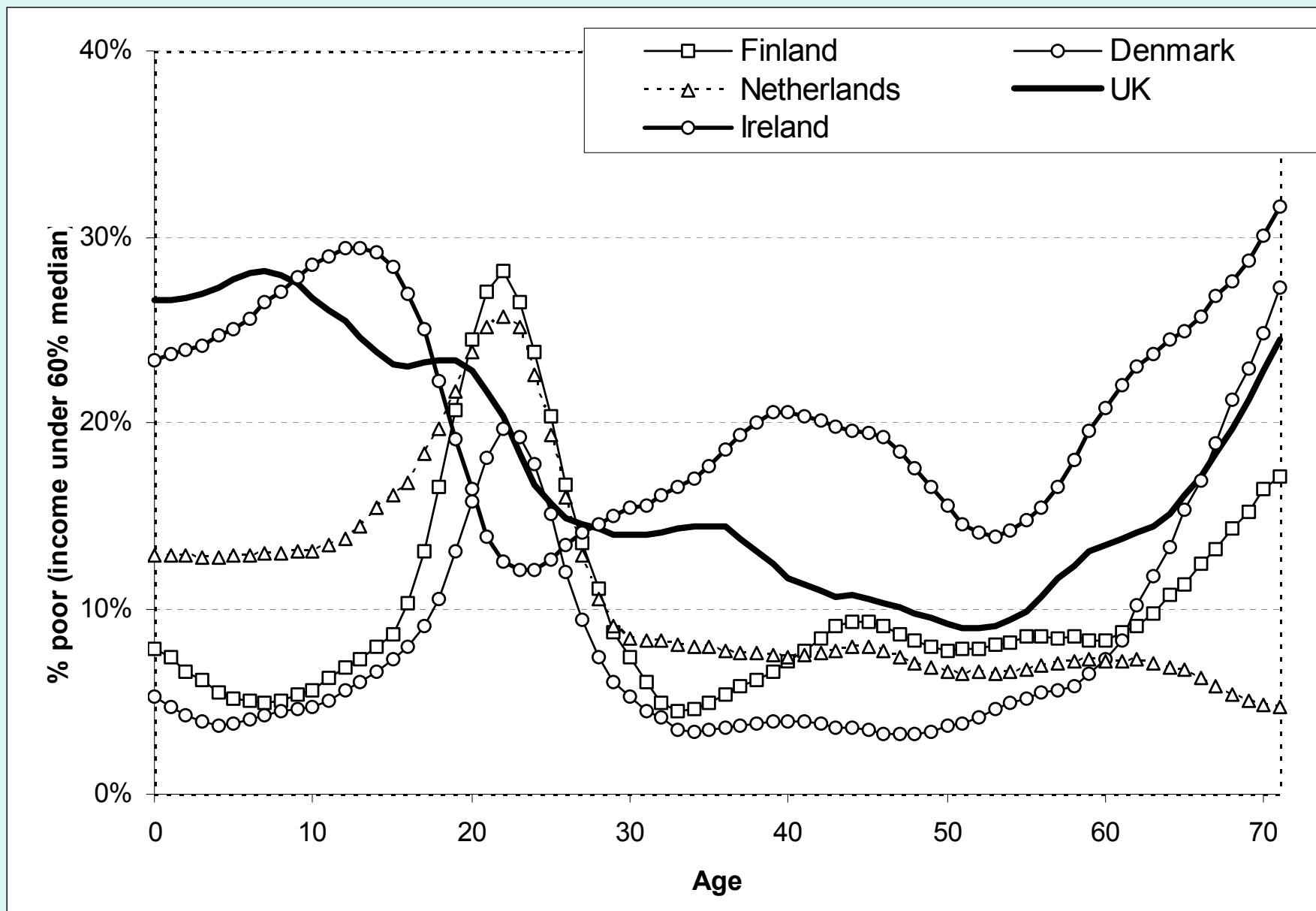
% below 60% median income: UK, Corporatist countries



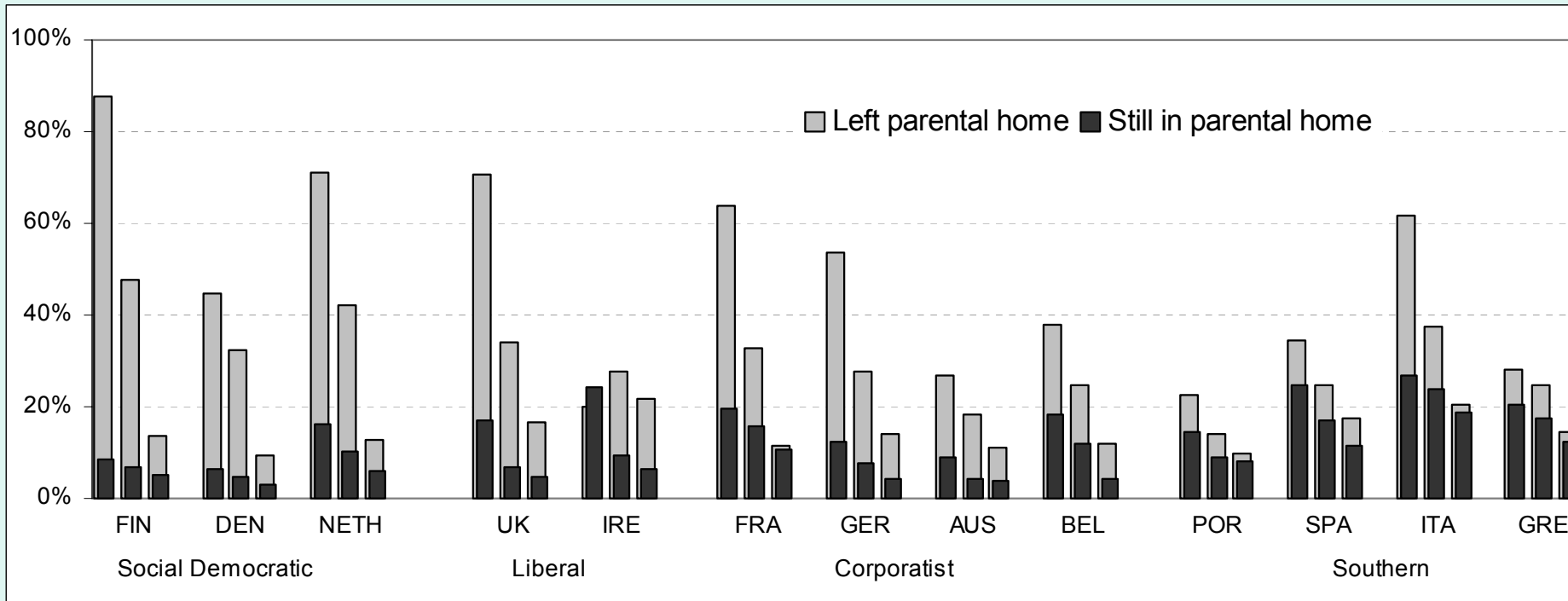
% below 60% median income: UK, Southern countries



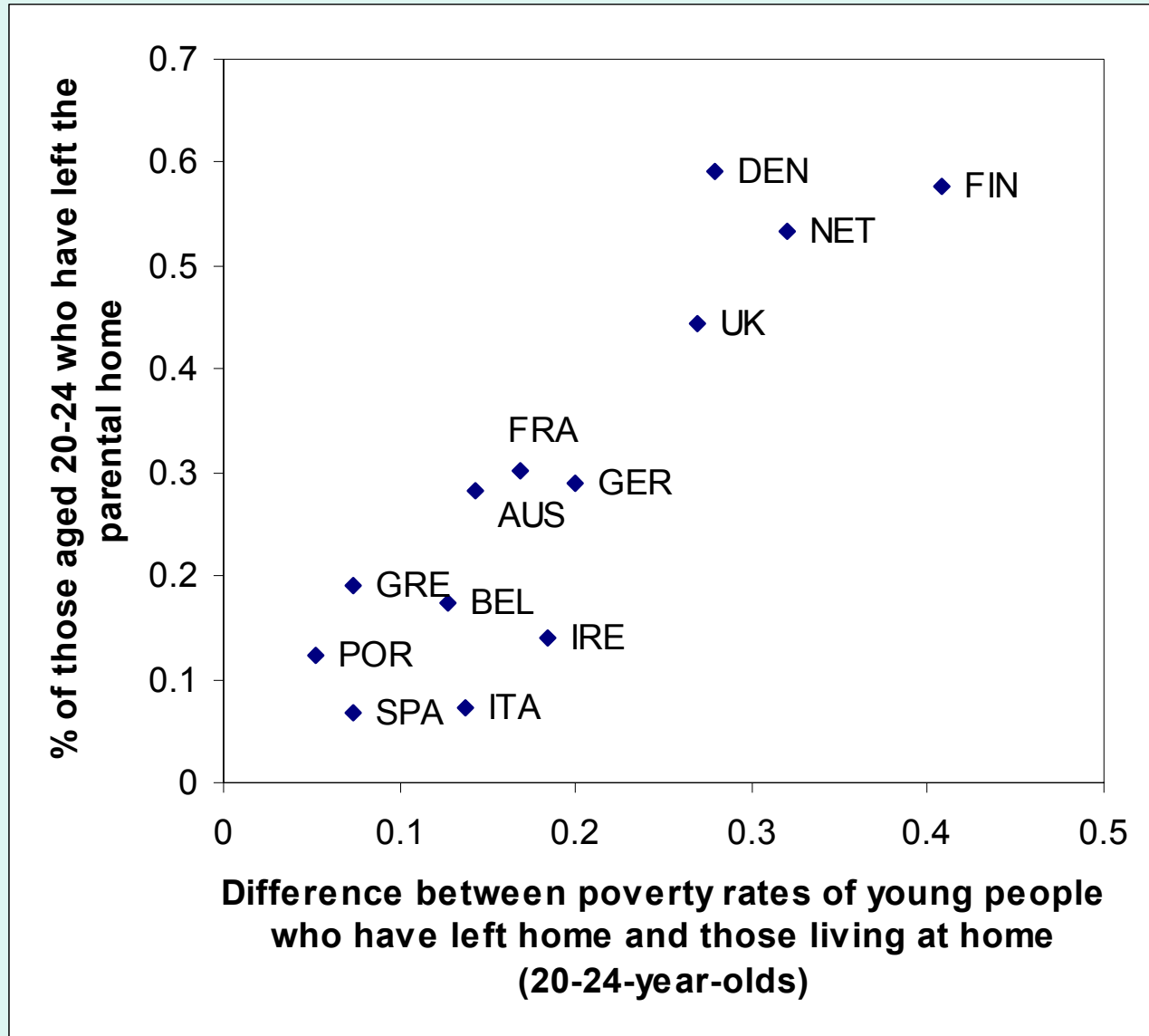
% below 60% median income: UK, Ireland, Soc-Dem



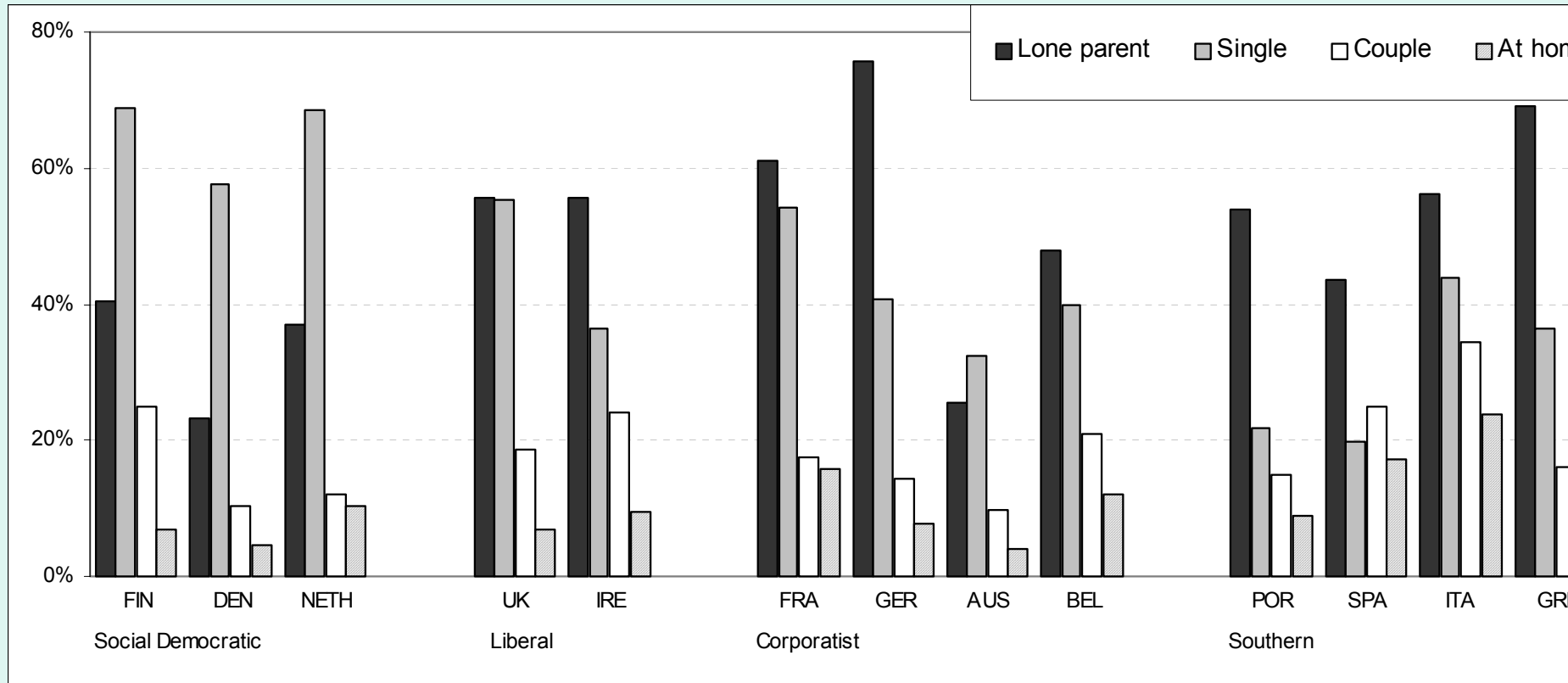
Poverty rates (60% median) by residential status



Poverty rates (60% median) and % having left home (20-24)



Poverty rates by residential/family status (age 20-24)



The role of residential independence on entering poverty

- Somewhat surprising that leaving home has the strongest impact in Scandinavian countries and the weakest in Mediterranean countries
- Question is, why do young people leave home if that implies higher poverty?
- Do young people in Mediterranean countries leave home later because they have higher poverty risk?
- Or do they stay at home because they like to live with parents?
- We apply statistical matching techniques to find the effect of leaving home on poverty

Matching

- Simple tabulation of poverty rates shows higher poverty rates among those who left
- But the difference may be due to other factors than living arrangement
- Ideally compare poverty for a person when living at home with when having left home (the counterfactual)
- Counterfactual situation is not observed
- Matching: construct an approximation to the counterfactual situation
- Matching means that we pair individuals who are similar in all characteristics bar living arrangement

Matching

- In this case:
- Treatment: Leaving home
- Control group: Those staying in the parental home

“Statistics”

- Average treatment effect on the treated (ATT):
 - **For those leaving home: The effect on entering poverty from leaving home.**
- Average treatment effect on the control (ATC):
 - **For those staying at home: The effect on entering poverty if they did leave home instead of staying behind.**

“Average Treatment Effect on Treated” is defined as:

$$ATT = E(Y_{1i} | D_i=1) - E(Y_{0i} | D_i=1) \quad (2)$$

In (2) Y_1 is the potential outcome (entering poverty in our case) in the case the individual i receive treatment (here leaving home) and Y_0 is the potential outcome in the case the individual i does not receive the treatment (stay in the parental home). Thus $E(Y_{1i} | D_i=1)$ is observable whereas $E(Y_{0i} | D_i=1)$ is not, but an approximation is created through the matching.

A naïve estimator of (2) would be:

$$ATT = E(Y_{1i} | D_i=1) - E(Y_{0i} | D_i=0)$$

But this assumes no selection bias. In order to remove the selection bias we implement the matching procedure. This is based on the critical assumption (Conditional Independence Assumption) that

Y_0 independent of $D | X$

States that treatment status is random conditional on some set of X

If CIA holds then bias depends only on observed variables. Under this assumption,

$E_X(Y_{0i}|X_i, D_i=0) = E_X(Y_{0i}|X_i, D_i=1)$, thus the ATT can be unbiasedly estimated by:

$$ATT = E_X(Y_{1i} - Y_{0i}|X_i, D_i=1) = E_X(Y_{1i}|X_i, D_i=1) - E_X(Y_{0i}|X_i, D_i=0).$$

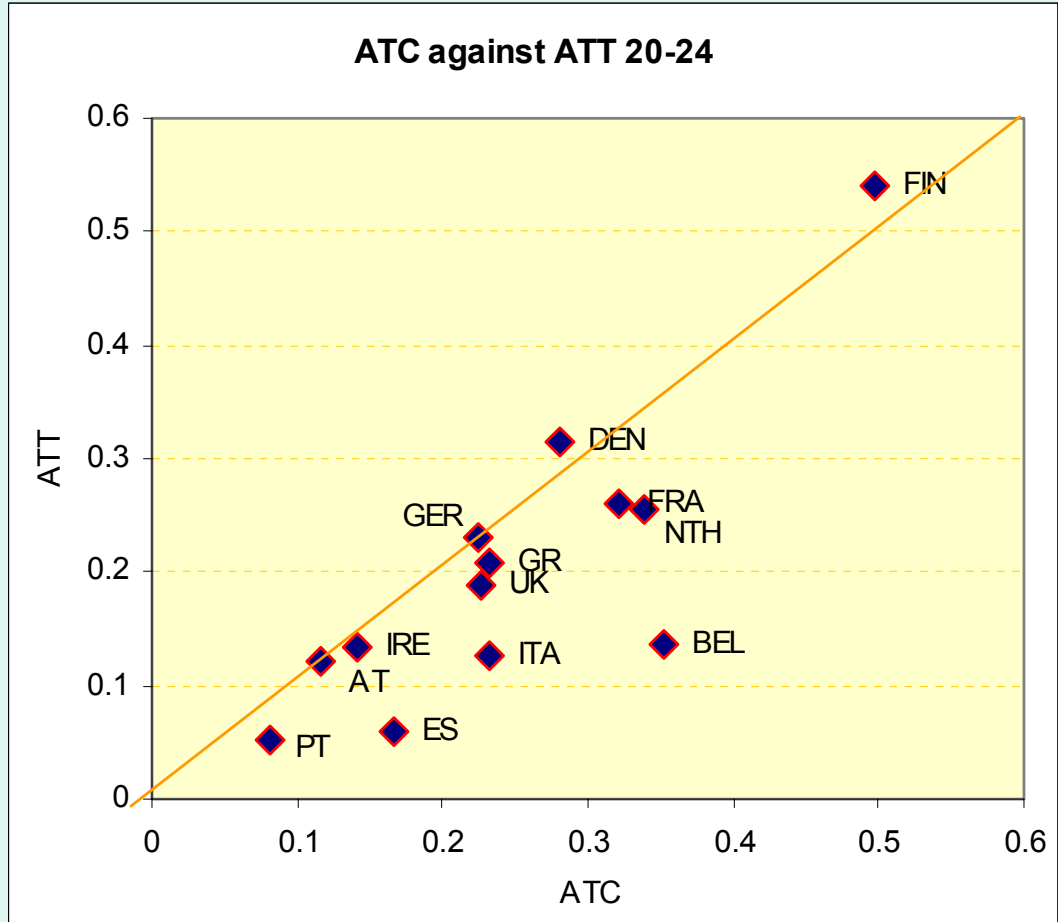
“Average Treatment Effect on Controls” (ATC) defined as

$$ATC = E(Y_{1i}|D_i=0) - E(Y_{0i}|D_i=0) \quad (3)$$

In (3) we observe $E(Y_{0i}|D_i=0)$ but not $E(Y_{1i}|D_i=0)$, which has to be approximated via matching.

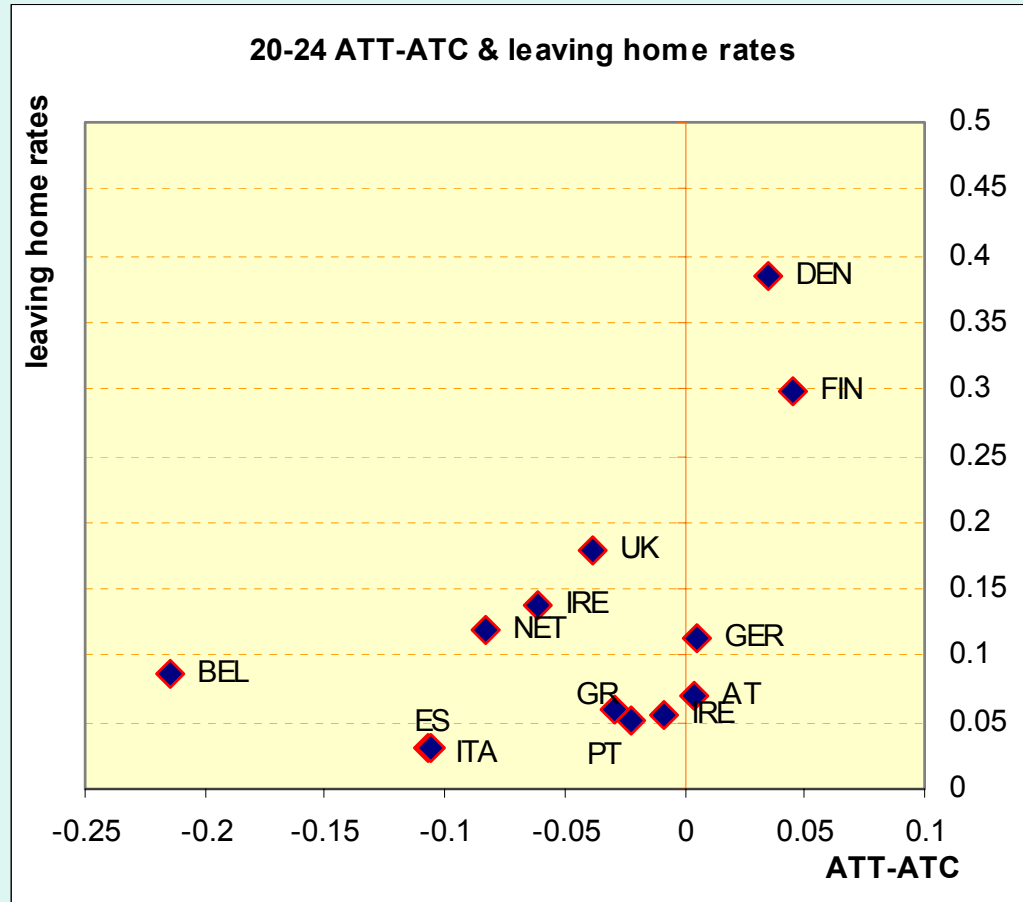
Under the assumption of homogeneous treatment effect ATT and ATC should give the same results. But they are rarely homogenous. In our setting, for instance, we can hypothesise that young adults staying at home do so because they are aware of being highly at risk of entering poverty in the case they leave.

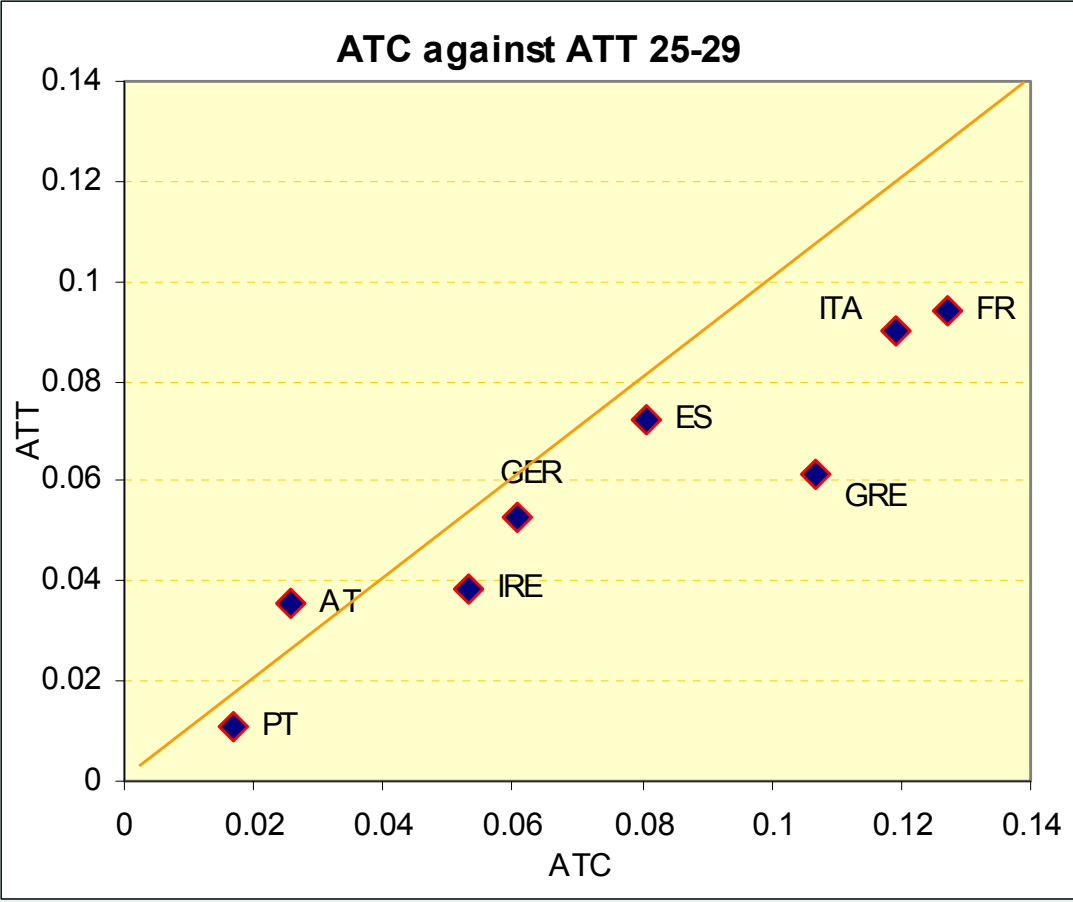
ATT: Average treatment effect on the “treated”
ATC: Average treatment effect on the “control group”

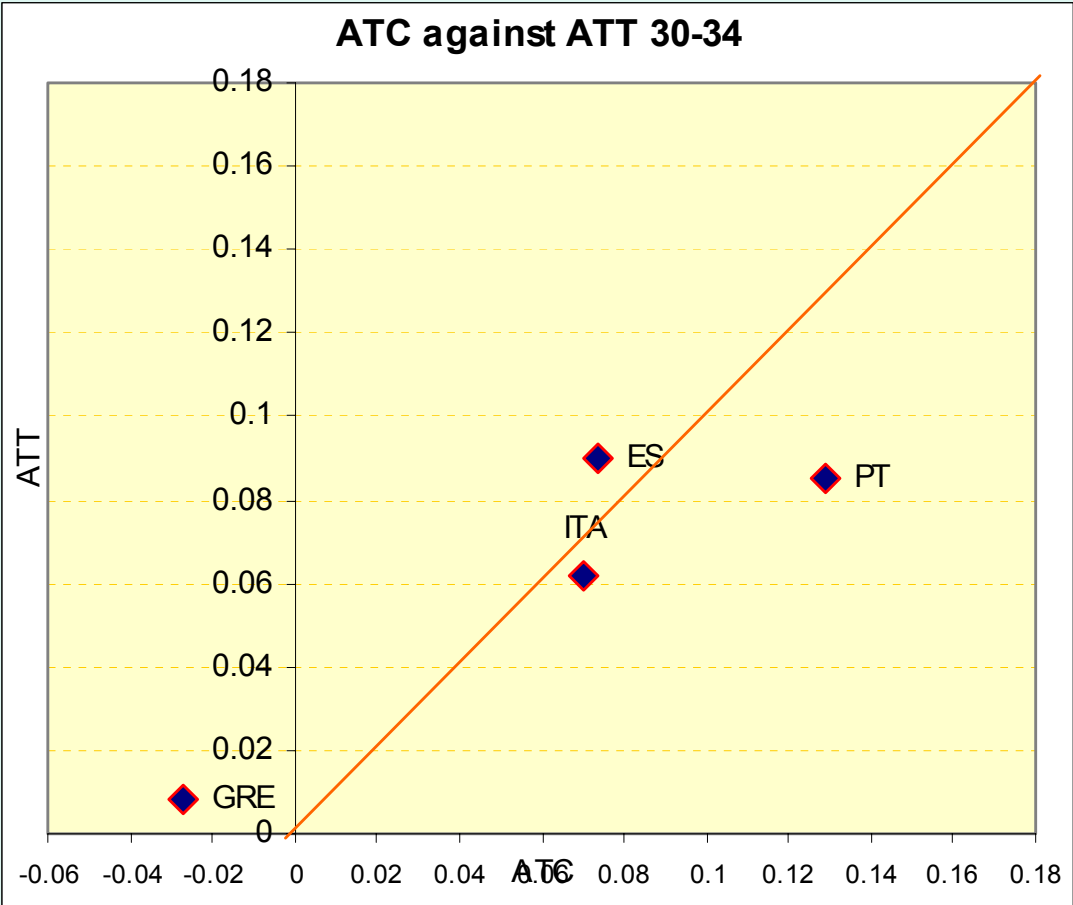


ATT: Average treatment effect on the “treated”

ATC: Average treatment effect on the “control group”







Summary

- Most often we ask the question:
 - why do young people leave home so late in Southern Europe?
- But, perhaps the more relevant or interesting question is:
 - Why do young people in Scandinavia leave home so early?

Some concluding remarks

- What are the drivers behind these differences?
- Destination when leaving home
- Are the results an artifact of the way poverty is defined?
 - i.e. do we get different results if we use different measures of economic wellbeing?
- Is poverty bad for you?
 - Poverty persistence

% below 60% median income: UK, Ireland, Soc-Dem

