

Was the Great Recession unique?

Young adults living with parents during economic downturns, 1967–2013

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Abstract

Using the Current Population Survey (1967–2013), we describe historical changes in the population of 25–34 year olds who lived in the parental home against the seven recessions the United States has experienced since 1967. In addition to individual characteristics, we explore the role of structural factors such as unemployment rates, housing costs and growth in the size of Boomer and Millennial cohorts, owing that economic conditions and population pressures may explain historical trends. To this end we use decomposition analysis to calculate period differences in living in the parental home that are attributable to changing economic effects and to changing population pressures. The odds of living in the parental home were no different during the Great Recession than periods of economic expansion. Over the last 45 years, the rise in living in the parental home has been largely attributable to population growth and delays in marriage, *not* the changing size or effect of unemployment rates or rental housing costs. Indeed, population growth accelerated the rising in living with parents during the 1980s (as many Baby Boomers came of age), and acted as a break during the 2000s. In recent years delays in marriage are greatly accelerating the proportion of young adults living with their parents.

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The Great Recession, which lasted from 2007 to 2009, was the longest and deepest economic downturn in US history since the Great Depression. Over 8 million jobs were lost and persistently high unemployment and lengthy joblessness dominated the recession and its protracted recovery (Morgan et al. 2011; Theodossiou 2012). There is widespread belief that, in response to this economic downturn, young adults have been returning to their parents' home in record numbers, which has earned Millennials a reputation for being the boomerang generation that failed to launch (Kaplan 2009; Parker 2012). Since 2007 the number of 25 to 34 year olds who lived with parents has risen by more than a million, while the share has increased from about 12% to 14% (US Census Bureau 2014).

Was the Great Recession unique or did other recessions witness similar increases in young adults living with parents? We use the Current Population Survey's Annual Social and Economic Supplement (CPS ASEC) to track changes in the population of 25 to 34 year olds who lived with their parents between 1967 and 2013. Our goal is to assess whether the odds of living in the parental household were similar across all economic recessions since 1967, or whether the Great Recession was singularly worse in that regard. Moreover, we decompose recession periods to better understand the degree to which living with parents is a product of increased economic pressures during different recessions, relative to structural shifts in the size and composition of the young adult population.

It is important to study living in the parental home because it is intricately tied to the young adult life course: the order and timing in which young adults complete school, secure

stable employment, and form families (Goldscheider 2000). Living with parents also delays household formation, which has broader economic implications for the housing industry and national economy (Dunne 2012; Painter 2010). Although the Great Recession is forefront in our minds, the United States has experienced seven recessions since 1967. Comparing these economic downturns lets us assess the relative severity of the Great Recession, at least in terms of young adults living in the parental home.

Background

Returning to the parental home is often a safety net for young adults when they face constrained economic and housing opportunities (Allegretto and Lynch 2010; Dunne 2012; Shierholz and Edwards 2011; Theodossiou 2012). Indeed, a shortage of economic resources is a leading reason why young adults live in another person's household. Economic shocks, such as job loss, hamper residential independence (Mykyta and Macartney 2012; Elliott et al. 2011) and increase the likelihood of returning to the parental home or joining another household (Da Vanzo and Goldscheider 1990; Wiemers 2012). Thus we would expect the odds of living in the parental home to rise during recessions compared with periods of economic expansion.

Declining earnings and low income also erode the ability of young adults to live independently (Bell et al. 2007; Card and Lemieux 2000; Kaplan 2009) because maintaining their own residence is expensive (Haurin et al. 1993; Kent 1992). Coresidence with parents may help young adults reduce housing costs and adjust to changing economic circumstances (Ahrentzen 2003; Lee 1998; Kaplan 2009).

Research on the timing of leaving the parental home (Billari and Liefbroer 2007) has found that young adults who believed they would have trouble affording housing—regardless of

their individual economic circumstances—were less likely to leave the parental home. What is more, unemployment rates lower household formation independent of young adults' own employment status, even though employment was the most important predictor of leaving the parental home (Lee and Painter 2012). Because periods of recession and unemployment rates operate independently of employment status, recessions may signal future economic uncertainty, which deters leaving the parental home even after a recession has officially ended (Lee and Painter 2012). These findings point to the powerful and potentially lingering psychological effects that economic downturns have on living arrangements. It is not economic ability alone that shapes living arrangements, but fears about future economic opportunities. For this reason the Great Recession may have had a stronger effect on the odds of living in the parental home, because it has been the longest and deepest economic downturn since the Great Depression.

Recessions do not affect all workers the same, however. For example unemployment rates were higher for women than men following the recession in the early 1970s, and remained elevated until the 1980 recession (Şahin, Song and Hobijn 2010). During the most recent recession job loss disproportionately affected men (Şahin et al. 2010), who were more likely to double up in another person's household or to live with parents (Mykyta and Macartney 2012; Mykyta 2012).

Apart from economic forces, population pressures may drive the historical changes we see in young adults living in the parental home. Cohort size affects competition in the labor and housing markets so that people born into smaller cohorts experience lower competition by virtue of having to compete with fewer people in their age group for jobs and houses (Easterlin 1978, 1987). Smaller cohorts therefore benefit from relatively greater purchasing power, which translates into a cumulative advantage across the life course. In contrast people born into high

fertility time periods experience the opposite, with a more competitive labor and housing market, where their labor attracts relatively lower wages because the pool of workers is larger. The experience of being born into smaller or larger cohorts are crucial for financial gains across the life course. But they also shape a cohort's aspirations and expectations for the future, including various demographic behaviors such as fertility, marriage and divorce – behaviors that are tied to household formation and young adult living arrangements (Mulder and Wagner 1998; Mulder 2006).

Analytic plan

This paper uses the 1967 to 2013 Current Population Survey's Annual Social and Economic Supplement (CPS ASEC). The CPS ASEC is an annual, cross-sectional survey of American households that collects information on demographics, labor force participation and living arrangements. It captures a snapshot of the living arrangements of Americans between February and April of each calendar year. The sample includes all young adults between 1967 and 2013 who were 25 to 34 years old at the time of interview. We use this age range to provide a consistent portrait of young adult living arrangements over the last 45 years. The age range has a practical purpose, as well, in that it minimizes the number of college students living in dormitories. In the CPS respondents are instructed to count these students as though they were living in the parental home, so including 18–24 year olds would inflate the actual number of young adults living at home.

Living in the parental home. Using the household roster, we identify 25–34 year olds who reported that they are the child of the householder, that is they are living in the housing unit of a parent. These young adults, regardless of their marital status, are coded as living in the parental

home. (The proportion of young adults living at home who are married has stayed relatively small over time: 11% in 1967 compared with 9% in 2013.)

Recessions. To measure time we constructed an 8-category dichotomous variable that included one category for all years of economic expansion (i.e., years that were not recessions) and one category for each of the seven recessions since 1967. We use the dates set by the National Bureau of Economic Research (NBER) to determine periods of recession.¹ Since 1967 the United States has experienced seven recessions: (1) 1969 to 1970; (2) 1973 to 1975; (3) 1980; (4) 1981 to 1982; (5) 1990 to 1991; (6) 2001; and (7) 2007 to 2009. Although the official date of the Great Recession is 2007–2009, we included its protracted recovery, from 2010 to 2013, as part of that recession. For every other recession, we included the year following the recession as part of the economic downturn, to better account for the lagged effect that they may have on young adult living arrangements. For example, in our models the recession from 1969 to 1970 is represented as the period 1969 to 1971, and the so-called double dip recession of the early 1980s lasted from 1980 to 1983. Because we are interested in whether the odds of living in the parental home were any different during earlier recessions, the models used the Great Recession as the reference category.

Individual characteristics. We include several dichotomous variables measuring respondent characteristics. For labor force participation, we measure whether respondents were unemployed or out of the labor force (reference is employed). Demographic variables include whether respondents are male (reference is female), 30 to 34 years old (reference is 25 to 29 years old), or identify as black, Hispanic or another race group (reference is non-Hispanic white). Education is measured by having a college degree (reference is less than a college degree) and

¹ See <http://www.nber.org/cycles.html> for dates of recessions in the United States.

enrollment in school (reference is not enrolled). Last, we control whether respondents live in a metropolitan statistical area because cities have more expensive housing markets, which might influence the decision to live with parents.

Structural characteristics. Because young adults make decisions about leaving the parental home based on their perceptions of future economic uncertainty (Billari and Liefbroer 2007; Ermisch and Di Salvo 1997), we control for unemployment rates. We construct year- and state-specific unemployment rates based on the residence of the young adult at the time of interview. In supplemental analyses we also tested year- and state-specific unemployment rates *for this age group of young adults*, because unemployment tends to be higher among the young. We found that model fit was better without the age-specific unemployment rates, so we omitted them from the final models.

High housing costs also discourage leaving the parental home (Haurin et al. 1993), so the models include the median monthly rent for an apartment, adjusted to 2013 dollars.² National-level rents are a crude proxy for the housing markets, which vary locally in cost and composition. Following Easterlin's hypothesis, population pressures due to cohort size may be related to both housing demand and employment, and thus associated with young adult living arrangements. Cohort size is calculated as the percent of the total population made up by 25–34 year olds. We also control for the size of the never married young adult population, calculated as a percentage of all young adults. This variable broadly captures cultural norms for living arrangements. In the United States the preference and expectation is for married couples to establish their own household, independent of other family members (Coolen and Hoekstra

² Data on rental costs come from the Department of Housing and Urban Development (HUD). Housing costs vary considerably across the country, but historical data at the regional or state level were not available, so we had to rely on national level estimates.

2001; Dowling 1998; Mulder and Wagner 1998).³ Each of the structural variables was logged to correct for skew. Last, the models include state of residence to control for geographic differences in labor and housing markets.

Trends in young adults living in the parental home, 1967 to 2013

Over the last 45 years the number of young adults, 25 to 34 years old, who live with their parents has more than tripled, from 1.7 million in 1967 to 5.8 million people in 2014 (figure 1). The increase represents a rising share of all young adults who live with their parents, from about 8% to 14%, over the same period. The increase has not, however, been uniform. There was a surge in young adults living in the parental home during the 1980s and 1990s, followed by a decade-long lull before it began rising again around 2005—notably before the Great Recession. Nor has the increase always followed on the heels of recession. The peaks and troughs do coincide with population shifts, such as the aging of the Baby Boom cohort and Millennials into young adults: the former entered young adulthood beginning in the 1970s, while Millennials began doing so around 2005. Both mark periods of historic increases in young adults living in the parental home.

[figure 1]

Over time an educational gradient has emerged so that a much smaller proportion of college educated young adults live in the parental home (figure 2a). Until the late 1970s there was a difference of only about one percentage point separating the share of college and noncollege educated young adults who lived at home. By 2013 that gap had grown to five

³ Data on the size of the young adult population come from the US Census Bureau: <http://www.census.gov/hhes/families/data/historical.html>. And data on the size of the never married young adult population were generated from the sample used in these analyses.

percentage points. The gap between age groups has grown as well, with a faster rate of growth among the 25 to 29 year old group (figure 2b). Between 1967 and 2013 the percentage of 25 to 29 year olds living in the parental home doubled from about 9% to 19%, while the percentage among 30–34 year olds grew only from about 6% to 9% (figure 2b).

Patterns for the structural characteristics are more opaque. A spike in unemployment rates during the double-dip recession of the early 1980s and the Great Recession coincided with increases in living at home (figure 2c). Yet unemployment rates largely fell throughout the 1990s (with the exception of the 1991 recession), even as the share of young adults living in their parents' home swelled. On the other hand the increase of living at home during the 1980s and 1990s, followed by a decline in the 2000s, mirrors the rise and fall in the size of the young adult population around those periods. Yet while the size of the young adult population has leveled off since the 2000s, there has been an increase in living in the parental home since the Great Recession.

[figure 2]

The odds of living at home during recessions

To test whether the odds of living in the parental home increased during recessions, we estimated a series of logistic regressions. Controlling for structural and individual characteristics, Surprisingly, the odds of living at home during the Great Recession were no different than during periods of economic expansion, once we controlled for structural and individual characteristics (table 1, model 3). The elevated odds for the Great Recession, present in model 1, can be explained by the structural characteristics. What is intriguing is that although the odds were significantly higher for the 1970 – 1971 and 1991 – 1992 recessions, most other recessions

witnessed lower odds of living in the parental home than during periods of economic expansion. (table 1, model 3).

[table 1]

Structural characteristics are strongly associated with an individual's likelihood of living in the parental home (table 1, model 2). As unemployment and the cost of rental housing rise, so too do the odds of living in the parental home. Using national housing costs are at best conservative estimates of their effects; they do not reflect the stock of or competition for local housing markets. Population growth appears to have a large effect as well. For each logged unit increase in the share of the total population that young adults make up, the odds of living in the parental home are 1.70 times greater. As young adults delay marriage and the size of the never married population increases, the odds of living at home increase as well. Indeed the odds that a young adult will live with a parent are about 2.3 times greater for each one-unit increase in the logged size of the never married population. At the individual level, living in the parental home is more likely among young adults with certain characteristics, including being unemployed, male, enrolled in school or a racial minority (table 1, model 3).

[figure 3]

One conclusion we can draw from these results is that the Great Recession was not unique in terms of young adults living in the parental home. Indeed the probability that a young adult would live in the parental home during the Great Recession, although higher than the 1974–1976 and 1980–1981 recessions, were actually *lower* than the probability during periods of economic expansion (figure 3). The greatest probability was during the 1991–1992 recession, when the typical 25–34 year old had a 10.6% chance of living with their parents. (We calculated

predicted probabilities that a young adult would live in the parental home based on results from model 3, holding all other covariates in that model at their means).

What explains the increase of young adults living at home during the Great Recession?

We used estimates from logistic regression in a decomposition technique to quantify changes in the proportion of young adults living in the parental home across time periods. Decomposition analysis traditionally used estimates from OLS regression (Blinder, 1973; Oaxaca, 1973), but has been adopted by Fairlie (1999) for dichotomous outcomes. Decomposition identifies the degree to which the mean difference between two groups is attributable to either compositional differences in the population, or to differences in the effects of covariates. Rather than substituting the means of independent variables, Fairlie (1999) replaces the coefficients for the predictors of the first group with the coefficients of the second group. In this way the decomposition simulates a kind of counterfactual and identifies what the outcome would have been if one group had the same characteristics as the other. Decomposition can be sensitive to which group's coefficients serve as the reference. To alleviate the issue we used coefficients from a pooled model combining both groups, while including an additional indicator for the group as a control variable (Jann 2008).

We decomposed estimates by time period, comparing 2000–2013 with 1978–1999. These two periods represent the historical increases in young adults living with parents. So our goal was to estimate what the trends of the 1980s to 1990s would have looked like, if young adults then had had the same characteristics of young adults in the 2000s, and the effects of the covariates had been the same.

Decomposition analysis shows that the historic increase in living with parents is primarily attributable to changes in the composition of the young adult population, not to changes in the unemployment rates or housing costs (table 2). The share of young adults living with parents would have been *no* different during the 1980s and 1990s had unemployment rates or rental housing costs been the same as during the 2000s; neither coefficient is significant for unemployment rate or rental housing (table 2, panel a). In fact the effect of rental housing was *smaller* during the 2000s, suggesting that the effect of expensive housing on living with parents was more strongly felt during prior decades (table 2, panel b).

[table 2]

Had the 1980s and 1990s experienced the same growth in the young adult population as during the 2000s, then the mean share of young adults living with parents would have been 1.79 percentage points *lower* in prior decades (table 2, panel a). In other words, a slower rate of growth during the 2000s has acted as a break on young adults living with parents in the past decade. This is not altogether surprising: the young adult population grew by an average of 1.1 million people each year during the 1970s and 1980s, compared with a growth rate of 288,000 per year since 2005.

The primary factor underlying the rise of living with parents during the 2000s was a continued delay in marriage and the increasing prevalence of being never married among the young adult population. Had the same proportion of young adults been never married during the 1980s and 1990s, then the share living with parents would have been about 4.45 percentage points *higher* in those earlier decades (table 2, panel a). Thus the relatively earlier ages at marriage during the 1980s acted as a brake, slowing the number of young adults who lived with parents during that period, and counteracted the faster population growth as Baby Boomers

swelled the ranks of the young adult population. Later ages at marriage in the 2000s, however, accelerated the number of young adults living in the parental home.

Conclusion

Using data from the Current Population Survey (CPS), this paper compared the odds of young adults, 25–34 years old, living in the parental home across every recession the United States has experienced since 1967. To better understand period differences in the prevalence of living in the parental home, the paper used decomposition analysis to identify the role played by changing economic conditions relative to changing population composition.

Our results suggest that the Great Recession was not unique, at least in terms of young adults living in the parental home. The chances of doing so were actually lower compared with the 1970–1971 and 1991–1992 recessions. What is more, the chances were lower compared with periods of economic expansion. This finding seems counterintuitive until we consider the broader trends (figure 1). The population of young adults living at home swelled during the 1980s and 1990s, even though the US economy witnessed only two recessions during that time. Thus when comparing the long-term historical trends, it appears recessions played a relatively small role in young adults living in the parental home.

Instead, the rise in living at home stems from long-reaching population changes. During the 1970s and 1980s upward pressure from population growth, as Baby Boomers aged into young adulthood, fueled a sharp rise in living with parents; during the 2000s growth in the never married population further spurred increases in living with parents. Our results further suggest that population growth and delays in marriage sometimes counteracted one another, sometimes acting as a brake while other times accelerating the number of young adults who lived in the

parental home. A notable finding from this study is that the size and effect of unemployment rates did *not* act any differently during the Great Recession than they did during prior economic downturns. In other words young adults who moved in with parents were responding to proximate economic constraints the same way during the Great Recession as they did during other economic downturn since 1967. Concerns about future economic constraints and prospects may be captured by delays in marriage, since marital behavior is strongly linked with economic resources. Thus we should not conclude that changing economic conditions played no role in young adults living at home, but rather that delays in marriage may reflect young adult responses to economic constraints and so shape their decision to live in the parental home.

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Figure 1. Young adults, 25 to 34 years old, living in the parental home (CPS ASEC 1967–2013)

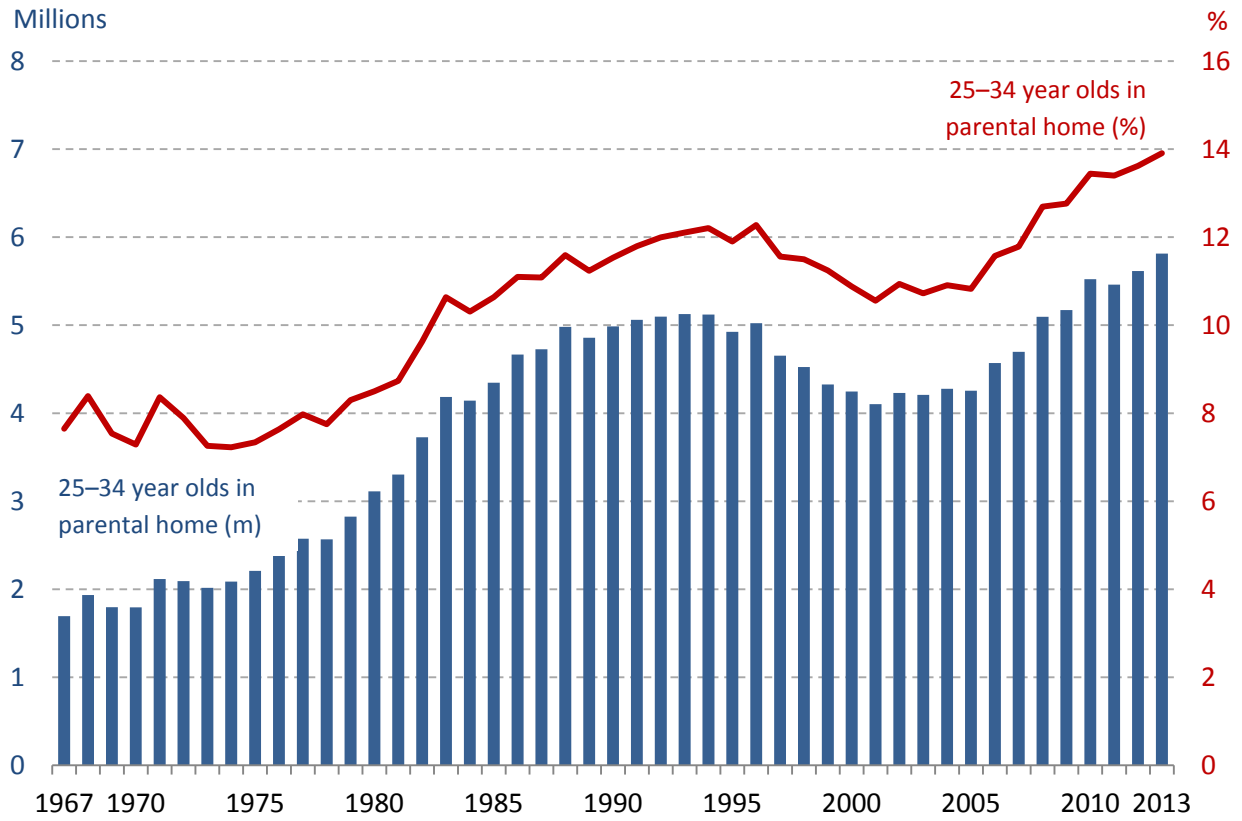


Figure 2. Trends in young adults living in the parental home (CPS ASEC 1967–2013)

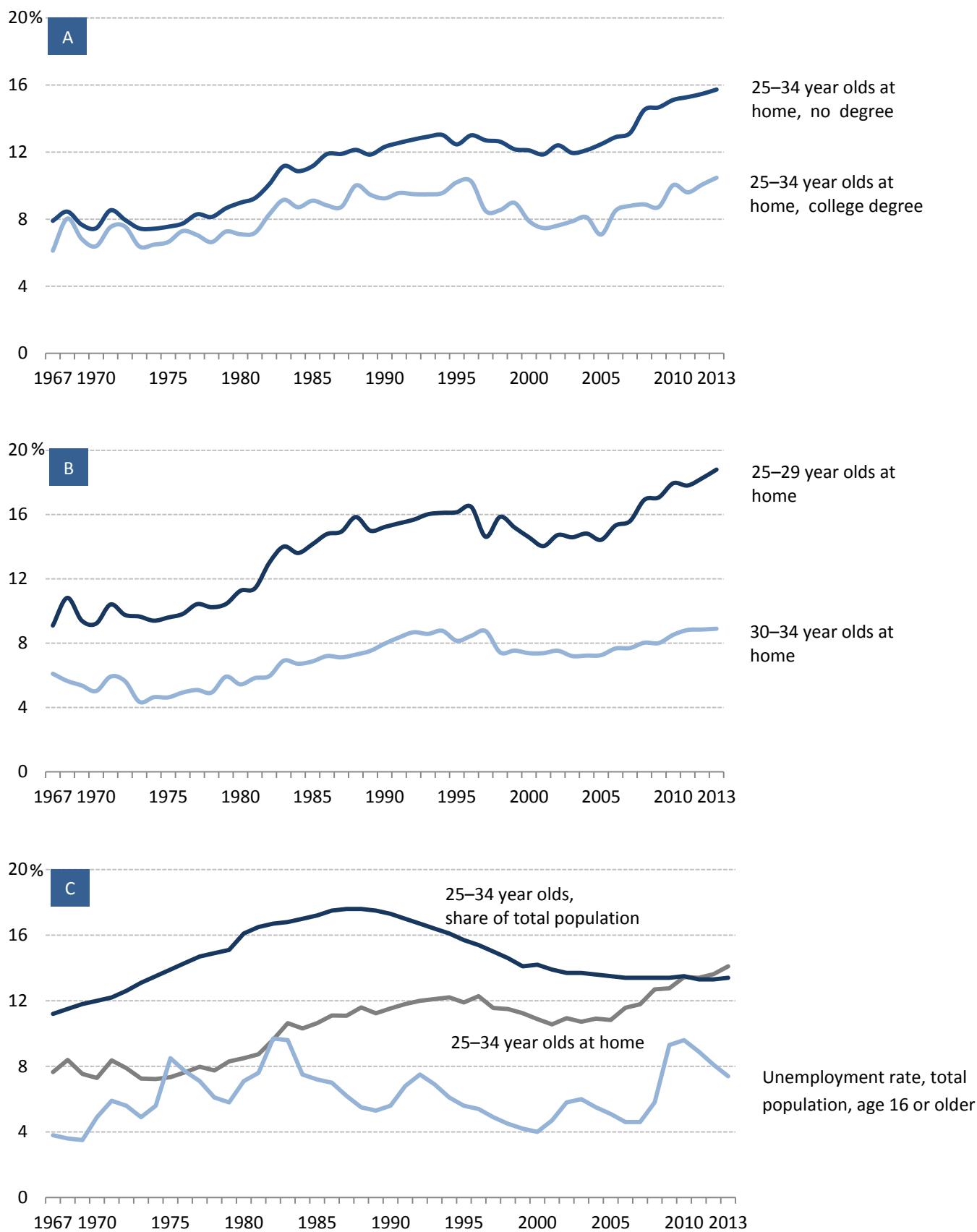
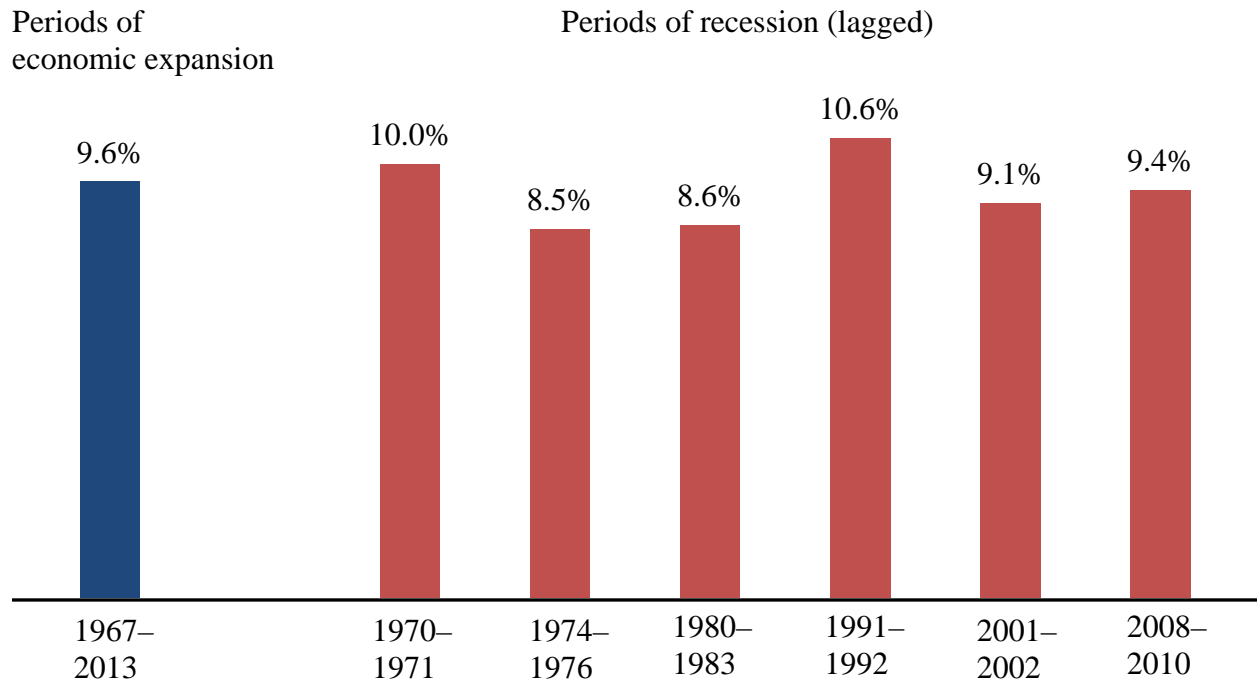


Figure 3. Predicted probabilities of living in the parental home (CPS ASEC 1967–2013)



Note: Predicted probabilities were estimated from model 3 (table 1), holding all other covariates at their means.

Table 1. Likelihood of living in the parental home among 25–34 years old (odds ratios reported) (CPS ASEC 1967–2013)

	Model 1 OR	Model 2 OR	Model 3 OR
<i>Time period</i>			
Periods of economic expansion (ref)	---	---	---
Recession of 1970–1971	0.70 ***	1.06 **	1.06 **
Recession of 1974–1976	0.66 ***	0.89 ***	0.88 ***
Recession of 1980–1983	0.85 ***	0.90 ***	0.89 ***
Recession of 1991–1992	1.11 ***	1.10 ***	1.12 ***
Recession of 2001–2002	0.99	0.94 **	0.95 **
Recession of 2008–2010	1.24 ***	1.01	0.98
<i>Structural level factors (logged)</i>			
State- and year-specific unemployment rates		1.21 ***	1.19 ***
Rental costs (median, in 2013 dollars)		1.42 ***	1.34 ***
Size of young adult population		1.70 ***	1.78 ***
Size of never married young adult population		2.32 ***	2.68 ***
<i>Individual characteristics</i>			
Unemployed (ref = employed)			1.92 ***
Not in labor force (ref = employed)			1.57 ***
Male			2.08 ***
30-34 years old (ref = 25-29 years old)			0.46 ***
Living in metro area			1.13 *
College graduate			0.69 ***
Enrolled in school			2.37 ***
Black (ref = white)			1.81 ***
Hispanic (ref = white)			0.96
Other race (ref = white)			1.28 **
Controls for state of residence	Yes	Yes	Yes
Pseudo R ²	0.03	0.21	0.24

* $p < .05$; ** $p < .05$; *** $p < .001$

Table 2. Decomposition of 25–34 year olds living in the parental home, by recession period (CPS ASEC 1967 – 2013)

Great Recession and recovery, 2007–2013	13.31	***		
All other recessions, 1967–2001	9.91	***	% of total	
Difference	3.40	***	difference	% of group
Panel A. Composition (endowments)	3.08	***	90.76	100.00
<i>Structural characteristics</i>				
Size of young adult population	–1.79	***	–52.81	–58.19
Size of never married population	4.45	***	130.99	144.32
State- and year-specific unemployment rate	–0.11		–3.14	–3.46
Cost of rental housing (in 2013 dollars)	0.24		6.92	7.63
<i>Individual characteristics</i>				
Living in metro area	0.14	***	4.12	4.54
Age 30–34 (ref = 25–29)	0.06	***	1.66	1.83
Unemployed	0.09	***	2.69	2.96
Not in labor force	–0.05	***	–1.52	–1.67
Male	0.04	***	1.18	1.30
College graduate	–0.23	***	–6.80	–7.49
Enrolled in college	0.02	*	0.70	0.77
Black (ref = white)	0.05	***	1.61	1.78
Hispanic (ref = white)	0.02		0.54	0.59
Other (ref = white)	0.09	***	2.57	2.83
Panel B. Coefficients	0.31		9.26	100.00
<i>Structural characteristics</i>				
Size of young adult population	14.01		412.42	4,452.57
Size of never married population	4.35		127.98	1,381.67
State- and year-specific unemployment rates	–0.56		–16.62	–179.44
Cost of rental housing (in 2013 dollars)	–12.05	*	–354.72	–3,829.65
<i>Individual characteristics</i>				
Living in metro area	–0.11		–3.32	–35.87
Age 30–34 (ref = 25–29)	–0.55	*	–16.23	–175.17
Unemployed	–0.01		–0.34	–3.65
Not in labor force	0.61	**	18.01	194.42
Male	–0.54	***	–15.82	–170.75
College graduate	–0.26	*	–7.65	–82.55
Enrolled in college	–0.09	**	–2.53	–27.32
Black (ref = white)	–0.11	*	–3.36	–36.23
Hispanic (ref = white)	0.20	**	5.99	64.63
Other (ref = white)	0.09	*	2.52	27.24
Constant	–4.65		–136.79	–1,476.81

* $p < .05$; ** $p < .05$; *** $p < .001$