

The Declining Economic Security of Young People Living at Home, 1974 to 2016

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Abstract

Using data from the 1974–2016 Current Population Survey, I find that the economic security of people 25–34 who lived in their parents’ home deteriorated over time as their ability to support themselves eroded. In 2016, 40% of young people at home lived in poverty, up from 29% in 1974. Endogenous treatment models to account for the unequal selection into the labor force, the income of young people at home, relative to the poverty threshold, declined at a rate that was 9 times faster per year since 2000 than in the 25 preceding years. The decline continued through the Great Recession, but did not worsen. Decomposition analysis further reveals that the sharp rise in poverty rates is a product of the increasingly detrimental effects of being unemployed or having less than a college degree. Consequently, coresidence has become a more important safety net as today’s generation of young people living home is worse off than prior generations.

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Today, more than 24 million people under the age of 35 live in their parents' home, leading to a furor among the media about the nearly 1 in 3 boomerang children who are failing to launch. Their struggle for economic independence is not necessarily overstated because when young people return home, they usually do so out of economic need (Kaplan 2012; Mykyta and Macartney 2012; Weimers 2014). The question in this study is whether that need has grown greater over time. Are young people living at home today less economically secure than their peers were a generation ago?

Using more than 40 years of data from the Current Population Survey's Annual Social and Economic Supplement, I look at historical changes in the economic security of 25 to 34 year olds living their parents' home. First, has the share of income that young people contributed to the family budget changed over time? Past studies have looked at similar trends to gauge how much young people rely on their parents' support (Kahn et al 2013), but contributions to the family budget are not a good measure of economic security. The rise of dual-earner households means that today's generation of coresident young adults might be living in higher income families, which would make their contributions look smaller in comparison. So in the second part of the study, I track poverty rates among young people at home by looking at whether their personal income was enough to live on (i.e., maintain a one-person household above the poverty line). Understanding the rise in poverty rates is tricky, however. For one, the composition of the population of young people has changed considerably. There are more never married, unemployed and minorities than in the 1970s—all of which are linked with living at home. At the same time, the effect of being out of work or having only a high school diploma may be worse today than it was for young people in the 1970s. To better understand these dynamics, the

last part of the study uses decomposition analysis to unpack the role of compositional and effect changes on the rising poverty rates of young people living at home.

The study focuses on the group of adult children 25 to 34 years old. We are not surprised when a 22 year old lives at home, working part time while finishing school. We are surprised when his 32 year old sibling does the same. Because we expect 25 to 34 year olds to be taking on the typical roles of adulthood, we assume that they are (or should be) contributing to the family budget if they are living home. Yet they are not contributing. In fact, the young adults living at home today rely on their parents more than ever for economic support, revealing the rising importance of coresidence as a safety net for the generation that is struggling to launch.

BACKGROUND

The rise of young adults living at home

The last several decades have witnessed a steady retreat from the milestones that traditionally defined adulthood. Young people are delaying marriage and parenthood as they take longer to complete their education and find stable, full time jobs that can support a family (Furstenberg et al 2004). The median age at marriage is now 29 for men and 27 for women, with over 60% of 25 to 29 year olds having never tied the knot (US Census Bureau 2015a). Young women are putting off motherhood until later in life. Only half of women have given birth by age 29 today, down from over two thirds in 1976 (US Census Bureau 2014). The result is that the milestones once commonplace by the mid-20s are now postponed until the 30s, as young adults follow a convoluted path to adulthood replete with fits and starts.

Independent living is one of the cornerstones of adulthood, but few young people are achieving it. In 1967 only 1 in 10 men and 1 in 20 women between the ages of 25 and 34 lived in

their parents' home. Today those proportions have roughly doubled to about 1 in 5 men and 1 in 8 women (US Census Bureau 2015b). For many young adults coresidence functions as a safety net. They return home when times are tough, weathering setbacks such as unemployment and income loss. For example, people who become unemployed are three times more likely to move in with other adults than the stably employed (Weimers 2014), consistent with research showing that job loss hampers residential independence (Mykyta and Macartney 2012). Declining earnings and low income also erode the ability of young people to live independently (Bell et al 2007; Card and Lemieux 2000; Kaplan 2009) and encourage them to return to the parental home (Smits et al 2010).

But coresidence with parents is about more than income. A lack of social capital and marketable skills, measured by education, play a role as well. Young people with a high school diploma or some college are more likely to live with their parents than their college educated peers (Swartz et al 2011). As college attendance has climbed in recent decades and as young people take longer to finish their education (Furstenberg et al 2004), they may rely on parents more for housing support. Indeed, parents are more likely to support adult children when they are working toward a goal, like finishing school (Swartz et al 2011). And as young people take longer to establish themselves, they also put off marrying and childbirth, both of which are strongly linked to living independently (Hughes 2003; Swartz et al 2011). Falling marriage rates may coincide with the rise in poverty among those living at home, because young adults who marry tend to be in the best economic standing while their never married counterparts have lower income or education (Oppenheimer 2003).

At same time that economic shocks push young people to live at home, parental resources may pull them home. Parents with more resources are in a better position to help their children

by giving them financial aid, although they provide less aid as their children get older (Schoeni and Ross 2005). What is more, married parents give more support to their adult children (Aquilino 2005) and are more likely to support them by sharing housing (Smits et al 2010). The role of married parents is especially important because of the rise of women's labor force participation. Young people who live at home may be increasingly likely to live in households where both parents are working, households that in turn are in a stronger economic position to support them.

Growing up is getting harder: The eroding economic security of young adults

Although economic shocks affect both young men and women, job loss and low levels of education increase the chances of coresidence more for young men (Kaplan 2012). One reason is that young men's economic standing has deteriorated over recent decades (Danziger and Ratner 2010; Sironi and Furstenberg 2012). The young men who returned from the second world war witnessed an unprecedented economic expansion that propelled many families into the middle class, even in single-earner households (Ruggles 2015). The confluence of ideal conditions lasted only a generation. By the 1970s and 1980s, deindustrialization and globalization were chipping away at young people's economic standing as stagnant wages eroded economic footholds into the middle class (Danziger and Ratner 2010; Duncan, Boiskoly, and Smeeding 1996; Katz and Autor 1999). Changes in the labor market initially hurt young men more than women (Danziger and Ratner 2010), as high-paying blue collar work gave way to low-wage service sector jobs (Farber 2007). The proportion of men with a full time job in their late 20s fell from almost 90 percent in 1973 to just 65 percent by 2007 (Sironi and Furstenberg 2012). They struggle to

support even themselves, let alone a family. Only half of young men earn enough to live above the poverty line today, down from about two thirds in 1973 (Sironi and Furstenberg 2012).

As a result, young people take longer to establish themselves while those with fewer skills struggle the most, a trend that the Great Recession only exacerbated. The Great Recession of 2007–2009 was the longest and deepest since the Great Depression ended almost 75 years ago. Over 8 million jobs were lost and the unemployment rate doubled to over 10% within the first two years of the recession (Morgan, Cumberworth, and Wimer 2011). Young adults were especially hard hit, with unemployment rates higher than the national average (Allegretto and Lynch 2010). The recession disproportionately hurt men, blacks and Hispanics (Allegretto and Lynch 2010; Hout et al 2011) while unemployment rates for the least educated climbed to 20% by 2010.

Delays in economic independence ripple through the life course, postponing other milestones such as marriage, parenthood—and living independently. Compared with prior generations of young people who lived at home, today's generation may be poorer, leaning more on parents as their ability to support themselves eroded. In the 1960s, the needs of impoverished elderly parents drove coresidence with adult children (Kahn et al 2013). As Social Security buoyed their economic resources, the elderly grew more independent while their adult children, sons in particular, grew more financially dependent on their parents (Kahn et al 2013; McGarry and Schoeni 2000). Kahn et al (2013) looked at contributions to the family budget as an indicator of dependency among households where a 25 to 64 year old lived with an elderly parent, and where a parent 45 or older lived with an adult child. The large age range (25–64) makes it difficult to parcel out the economic security of young people who are navigating adult roles for the first time (Furstenberg et al 2004). Relying on contributions to the family budget also

obfuscates the economic security of young people, particularly among the sample of parents 45 or older, who are not yet retired. As more women entered the labor force and dual-earner households became prevalent, the total parental income would rise over time, driving down the *relative* contribution of their adult children to the family budget.

The current study tackles the question of economic security by fixing young adults' income to the poverty threshold rather than parental resources. Could coresident young adults support themselves, based on their own earnings, if they lived on their own? More importantly, this study addresses the question of why coresident young people have grown poorer over time. Is it because of changes in the population, such as more unemployed or college drop outs among the group of young people living at home? Or is it because the effect of being unemployed is more detrimental for the economic security of today's generation of young people?

DATA AND METHOD

Are the young adults who live at home poorer today than in the past? To answer this question, I use data from the 1974–2016 Current Population Survey, Annual Social and Economic Supplement (CPS ASEC). The CPS ASEC is an annual, cross-sectional survey of American households that collects detailed demographic and economic information on household residents. In each survey year I take the segment of the population that was 25 to 34 and look at whether they were the child of the householder (i.e., living in the parental home) or were living independently (all other arrangements). After pooling the 42 years of data there were 1,069,074 young adults 25 to 34 years old, of whom 103,081 lived at home.

Contributions to the family budget and economic security. Among the young adults living at home, I look at their contribution to the family budget by comparing their personal income as a share of the total household income. Their contribution can range from 0–100%

(where the young adult reports no income at all to where his personal income is the only income for the entire household).¹ This measure is sensitive to whether both parents work, however. As dual-earner households became more common, the relative contribution of a young adult to the family budget would fall, even if his own income remained the same. To better gauge economic security, I look at whether young adults could support themselves if they lived on their own income. To this end I calculated an income to poverty ratio using only the young adult's income and the poverty threshold for a one-person household. Thus a ratio of 2.0 means the young adult has an income that is twice the poverty threshold for a one-person household.

Young adult characteristics. I adjust the young adult's personal income (as well as the household income) for inflation using the Consumer Price Index Research Series (CPI-U-RS). I also include variables for education (college degree or higher, some college, high school diploma only, no high school diploma) and school enrollment. Because income depends heavily on earnings, I control for labor force participation. I look at whether the young adult is employed (full time is coded as working at least 35 hours), unemployed or not in the labor force. If the young adult is unemployed, I include a variable for the length of unemployment (in weeks). The CPS ASEC asks the primary reason why respondents were not in the labor force, with one reason being taking care of home and family. I include this variable to control for young adults who may be out of the labor force because they are caring for other family members.

For demographic characteristics I include age, sex and marital history. Race is self-reported and coded as non-Hispanic white (reference), non-Hispanic black, any other non-

¹ In a few rare cases, neither the young adult nor anyone else in the household reported any income. I dropped these cases from the analysis because it is unclear what economic contribution the young adult could make to the parental household.

Hispanic race group (hereafter white, black and other) and Hispanic. Parents of young children may move home for childcare and support. I define young adults as parents if they are living with a child under 10 (the CPS ASEC does not ask about fertility history, so it is impossible to identify children who live apart from parents).

Parent characteristics. Married parents may provide more resources for a coresident young adult, while the rise in dual earner households would convey further advantages. Using data on the parent's marital status and relationship to householder, I identify whether the young adult lives with one parent or two married parents. A single parent household means the parent used to be married or was never married, while all two-parent households are married couples. I measure the age of the householder and whether any parent has a college degree. If only one parent is in the labor force, I code the household as single earner. If both parents are in the labor force, the household is dual earner. Of course every dual earner household is a two parent household as well, but there is not a perfect overlap because many married couples have only one spouse in the labor force.

Analytic strategy. The analysis is broken down into three parts. First, I look at compositional changes in the population of young adults living at home. How have their economic and demographic characteristics shifted over time? Is the group of parents with coresident adult children different as well? To answer these questions I compared the composition of two cohorts of young adults: the population of 25 to 34 year olds in 1974–1979 and in 2011–2016 (see tables 1 and 2).

Second, I use ordinary least squares (OLS) regression to model changes in young adults' income to poverty ratio, using endogenous treatment effects for labor force participation (see table 3). The decision to participate in the labor force is tied to the decision to live at home as

well as the young adult's income, yet these factors are unobservable in the model. As a result, labor force participation is endogenous and without adjusting for the unequal selection of young adults into the labor force, a model predicting income would be biased. A treatment effects model adjusts for this bias by first modeling the probability of participating in the labor force (called the treatment model), conditional on the young adult's race, sex, education, marital status (which serves as the instrumental variable) and the survey year. Then the residuals from the treatment model are included in the second step, predicting changes in the poverty ratio. Results in the regression analysis therefore represent the average change in the income to poverty ratio, adjusting for the unequal selection of young adults into the labor force.

Model 1 predicts changes in the poverty ratio for all young adults living at home, using a spline function to test for differences in the slope across three time periods: 1974 to 1999, 2000 to 2007, and 2008 to 2016 (the latter period captures the Great Recession and its protracted recovery). A spline function essentially adds an "elbow" to the slope, allowing the model to adjust the gradient at specific intervals. These three intervals correspond to historical changes in young adults' poverty ratio, which I discuss below (see figures 1 and 2). Models 2 and 3 separate the regression analysis for men and women. The rise in women working and the erosion of men's economic standing in recent decades make it important to consider changes in income separately for young men and women. All of the models include state-level fixed effects to control for geographic variability in labor markets.

Until now we have been looking at how the group of young adults living at home has changed over time. We have not directly tested whether these changes contributed to their declining economic security. The third part of the study uses decomposition analysis to explain why poverty rates are higher among today's generation of young people living at home (see table

4). Decomposition is a statistical analytic technique that identifies the degree to which the mean difference between two groups is attributable to either compositional differences between those groups or to differences in the effects of covariates (Blinder 1973; Oaxaca 1973). For this part of the analysis I look at the poverty rate (the proportion of young adults whose income was at or below the poverty level for a one-person household). I then decompose the mean difference in the poverty rate for young adults living at home in 1974–1979 and in 2011–2016 to identify what role compositional changes played in the rise in poverty relative to the changing effect of variables. In other words, are young adults at home poorer today because more of them are unemployed (a compositional change in the population)? Or because being unemployed has a greater effect on poverty today compared with 1970s (a change in effect)?

RESULTS

Young adults living at home tend to be more economically disadvantaged today

Since the 1970s the share of young adults living at home has doubled. In the 2011–2016 cohort, some 14.4% of 25 to 34 year olds lived in the parental home, up from 7.7% in the 1974–1979 cohort (table 1). It is not just that more young adults are living with their parents, but a different kind of young person lives home today than in the 1970s. He's more likely to be college educated or have some college. He is also poorer, less likely to be in the labor force and, when he is working, less likely to have a full time job (table 1). What is more, the young adults at home today look less like the broader population of young people. For example, young adults living on their own earned about \$6,000 more per year than their peers at home in the 1970s. Today, that gap has more than doubled to about \$14,000. The gap in time spent unemployed has grown as well, as has the gap in educational attainment and full-time employment (table 1). Nearly a quarter of young people at home today are not working or looking for work, while the proportion

caring for home and family has fallen compared to the 1970s. The picture that emerges is one where many young people at home are grappling with reaching stable adult roles, as they remain still enrolled in school or disengaged from the labor force.

[Table 1]

Given their growing economic insecurity, it is no surprise that young adults living at home today are contributing less to the family budget than at any time in the last 40 years. In 2016, they contributed 19% of the household income on average, down from 32% in 1974 (figure 1). Their contribution fell until the mid-1980s, then remained relatively flat at about 25% for two decades. The share began rising again in the 2000s, but the respite was brief. By the mid-2000s, young adults' contribution to the family budget was falling once again. Poverty rates among young adults show a similar trend (figure 2). In the mid-1970s young adults living in the parental home were about as likely to be poor as those living on their own. Today the poverty rate is almost twice as high among those living at home (figure 2). Some 40% of young people at home lived in poverty in 2016, down from a high of 46% in 2014, but still far above the 29% in the mid-1970s.

[Figure 1 and 2]

Young adults living at home today have parents who are economically better off

Just as the kind of young adult who lives at home has changed over time, so too has the type of parent who takes in adult children. For one, the parents are better off economically. Almost two thirds of coresident young adults live in a two-parent household, down only slightly from 1974–1979 (table 2). The parents are better educated, have higher incomes and are more likely to be in the labor force than the parents of the 1970s cohort. The share of households where both parents are college educated has quadrupled, from 2.4% to 10.4%, while the share

with at least one college educated parent more than doubled, from 7.8% to 20.0%. What is more, the rise in dual earner households across cohorts comes almost entirely at the expense of households where no parent worked. Considering that the young adults in the 1970s who were living at home had higher incomes and lower poverty rates (table 1), it is quite possible that they were living at home to help their parents. In contrast the current cohort of young adults living at home is in greater need of their parents' support.

[Table 2]

Growing poorer faster

The historical trends show a picture of declining economic security and rising poverty among young people living in the parental home. The regression analysis, which accounts for young people's labor force participation, race, marital history and their parents' traits, supports this conclusion. The regression reveals two striking trends in the decline of economic security among young people living at home. First, their economic security has eroded far more quickly since 2000 than in the 25 years leading up to that point. Second, the decline in economic security *preceded* the Great Recession.

As noted earlier, young adults' income is endogenous to decisions about participating in the labor force, a decision that may be made in conjunction with moving home. Without first accounting for changes in labor force participation, a model predicting income could be biased. I use a regression analysis that first models the probability of being in the labor force (i.e., the treatment condition) and then adjusts for that probability in the full model which predicts income, by including the residuals from the treatment model. The coefficients that are reported in table 3 therefore represent the average change in the logged ratio of income to poverty, adjusting for the unequal selection of young adults into the labor force.

Between 1974 and 1999, young adults living at home witnessed a modest decline in their income, relative to the poverty threshold, by about .001 logged units per year (meaning that their income fell closer to the poverty level with each additional year) (see model 1 in table 3). But between 2000 and 2007, the rate of decline was nine times larger per year. Surprisingly, even though the decline continued through the Great Recession and its protracted recovery (from 2008 to 2016), the *rate* of decline was no different than during the 2000–2007 period, once we take into account young adults' labor force participation, race, marital history and education.

[Table 3]

The trends are similar for young men and women, with one notable exception. For young women living at home, their income to poverty ratio increased, on average, between 1974 and 1999 at a modest rate of .002 logged units per year (see model 3, table 3). In other words, the young women who were living at home were *more* economically secure over time, on average, while the condition of young men living at home deteriorated. Young men may have been falling back on the parental home as a safety net during the 1980s and 1990s, but young women did not start doing the same until the 2000s.

The rest of the results are not surprising. On average, young adults living at home tend to be poorer if they have young children or lower levels of education. Racial and ethnic minorities living at home also tend to be poorer than their white peers (with the exception of black women, see model 3 in table 3). There is some evidence that parents with a stronger economic standing provide more help to their adult children. Young adults who live at home with two college educated parents tend to be poorer than young adults living in a household where no parent has a college degree.

The average treatment effect (ATE) represents the expected gain in income for a randomly assigned young person to receive the “treatment” (i.e., he is assigned to participate in the labor force). Although the ATE is significant in every model, it is smaller in the model that includes both young men and women. On average, a randomly treated young adult would expect his income to poverty ratio to rise by .52 logged units (model 1). In the models run separately for young men and women, the ATE increases to 1.43 (for men) and 1.06 for women. Participating in the labor force has a more important effect on coresident young adults’ economic security when we consider the trajectory of income to poverty ratio separately for men and women.

The *rho* statistic reflects this finding as well. *Rho* shows the estimated correlation between the treatment-assignment errors and the errors for the outcome. In other words, do the unobservables that raise a young adult’s income to poverty ratio tend to occur in conjunction with unobservables that affect the rate of labor force participation? A *rho* coefficient of .06 in the first model is low, meaning little of the variation in young adults’ income can be attributed to the treatment for labor force participation. When separating the models by sex, the *rho* coefficient increases substantially, indicating that it is important to adjust for labor force participation when looking at income trends separately for young men and women.

Rising poverty rates and the role of changing composition versus changing effects

To better understand why the economic security of young people living at home has deteriorated over time, I decompose the mean difference in poverty rates for the 1974–1979 and 2011–2016 cohorts (table 4). Coefficients in table 4 represent the magnitude of change in the poverty rate for the 1974–1979 cohort, if that cohort had had the same demographic and economic composition and if the variables had had the same effect as the 2011–2016 cohort. In other words, are young adults at home poorer today because more of them are unemployed (a

compositional change in the population)? Or, are they poorer because being unemployed has a greater impact on poverty than it did in the 1970s (a change in effect)?

[Table 4]

Just under one third (30.6%) of young people at home were living in poverty in 1974–1979. By 2011–2016, the poverty rate had risen 11.5 percentage points to a total of 42.1%. Almost all of the difference in poverty rates between the two cohorts—some 10.1 percentage points or about 88% of the difference—is attributable to the changing effect of variables over time. Only 12% of the difference (or a mere 1.4 percentage points) is the result of compositional shifts in the population of young adults living at home. In other words, the changing impact of variables over time has led to higher poverty rates among young people living at home today.

What underlies the sharp rise in poverty rates? Surprisingly race, marital history and parental traits play no discernible role, either in terms of their changing impact or the changing demographic makeup of the population of young people living at home. That they play no significant role is surprising because of the substantial growth of minorities in the population, who are often disproportionately poor. The retreat from marriage and the rise of living in single parent households (see table 2) are also associated with economic disadvantage. So we might expect that these compositional shifts contributed to higher poverty rates. They have not.

Instead the increase in poverty rates is largely the product of school and work. If labor force participation had had the same effect in the earlier cohort as it does today, then the poverty rate of young people at home would have been 2.2 percentage points higher in the earlier cohort. The bulk of this change, about 1.4 percentage points (not shown in the table), is the effect of being out of the labor force. The effect of unemployment is small, about 0.6 percentage points (not shown in the table). Clearly, working is much more central to young people's economic

security today than it was in the 1970s. There is also evidence that compositional changes in the young adult population living at home are responsible for higher poverty rates. Poverty rates are 3 percentage points higher today because of shifts in labor force participation. Specifically, there are more unemployed young people at home, which has increased poverty rates by 1.1 percentage points (not shown in the table). Thus a combination of factors have contributed to rising poverty rates: being out of the labor force hurts economic security more today, but there are also more young people living at home who are not working.

The story for education is similar. The changing effect of educational attainment is responsible for poverty rates being 3.6 percentage points higher today compared with the earlier cohort. Again, the bulk of this effect is the product of just one variable. Poverty rates among young people living at home are 2.4 percentage points higher today because of the effect of having only a high school diploma—a clear sign of the eroding economic power of a primary school education. Compositional changes in educational attainment affected poverty rates as well. More young people have a college degree today, which acts as a brake on poverty rates among those living at home. If there were as many college educated young people at home in 1974–1979 as there are today, poverty rates would have been 1.4 percentage points *lower* for the earlier cohort. Interestingly, the higher poverty rates of today’s cohort have little to do with young people still being enrolled in school (the coefficient was nearly 0 in the detailed analysis, not shown in the table).

CONCLUSION

Young people living at home today are poorer than in prior generations. They make a third less than their peers who lived home in the 1970s and nearly 40% live in poverty, up from 29% in

1974. Part-time workers, the long-term unemployed and the idle, who are completely disengaged from the labor force, makeup the current generation living at home. They are the economically disadvantaged, more so than their peers were in the 1970s. As their ability to support themselves declined, young people retreated to households that could offer more support: dual-earner families with higher incomes and two college educated parents. In other words, it is the children of well-off parents who are living at home today.

The most important finding to emerge from this study is about timing. For the 25 years between 1974 and 1999, the economic security of young people living at home declined slowly, and even then was limited to young men—the group of young women living at home actually saw their incomes rise, on average. This finding suggests that young men, but not women, were relying on coresidence more as a safety net during the 1980s and 1990s. Conditions changed dramatically by 2000. The income of young people living at home declined about 9 times faster per year compared to the rate between 1974 and 1999. Even more surprising is that the rate of decline continued unchanged through the Great Recession—it did not worsen. This is not to say that the Great Recession had little impact. Rather, the trend of poorer, economically disadvantaged young people living at home predates the recession by several years and was already apparent by the early 2000s.

Alongside this finding is the conclusion that coresidence with parents has become a more important safety net for today's generation of young adults who, compared with their peers in the 1970s, are far less economically secure. Without longitudinal data, we cannot be sure how long young people in this study sheltered with their parents. Some may not have ever left their childhood home. Longitudinal data would let us gauge the breadth, and not just the depth, to which coresident young adults rely on their parents for support. Another missing piece to this

study is debt. Today's young adults carry more debt than prior generations (Houle 2014), which erodes their chances of achieving economic independence (Atkinson 2010; Dwyer, McCloud, and Hodson 2012).

Why has the economic security of coresident young adults declined over time? It is tempting to suspect the culpability of demographic shifts in the composition of the population: there are just more minorities or young mothers living at home, who tend to be disproportionately poorer. The culprits, however, are work and school. Being unemployed, out of the labor force and having only a high school diploma explain almost all of the increase in poverty rates among young people living at home, which climbed from 31% to 42% between the end of the 1970s and today. In other words, an unstable work history and having only a high school education impose greater economic hardship on the current generation. It is not surprising then that coresidence with parents has become a more important safety net for today's young adults as they struggle to achieve economic independence.

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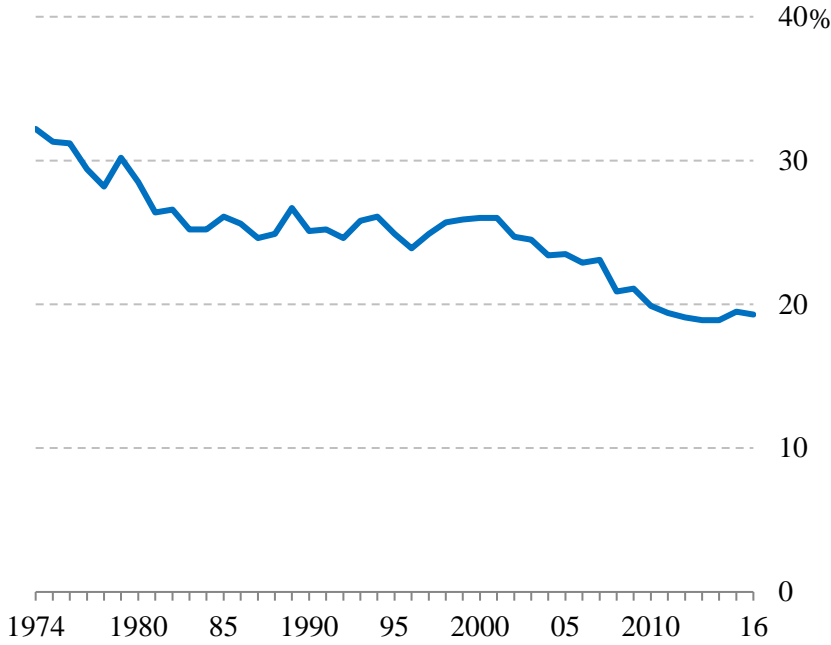
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Contributing less

Figure 1. Amount of household income contributed by young adults 25 to 34 living in their parents' home (percent)



Poorer still

Figure 2. Poverty rates of young adults 25 to 34

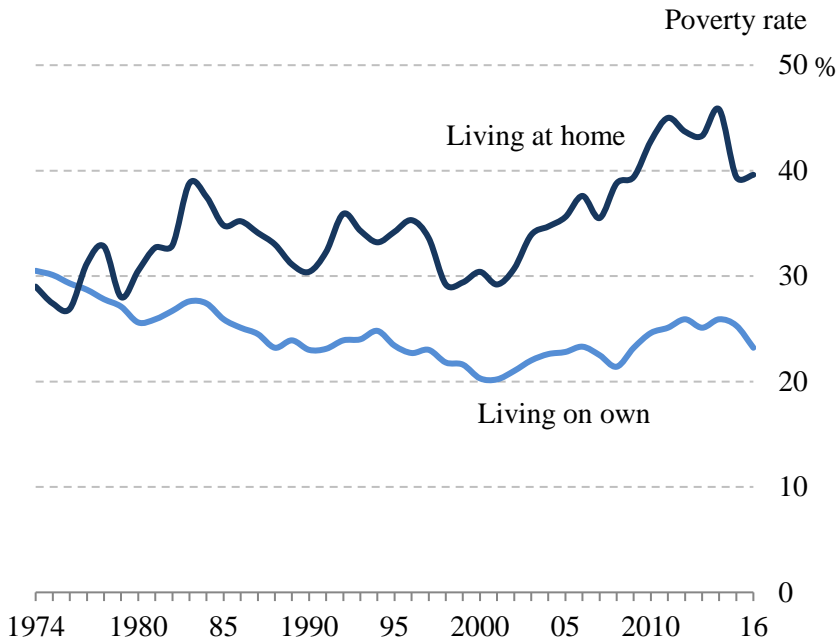


Table 1. Characteristics of young adults, 25 to 34 (weighted percent) (CPS ASEC)

	1974 – 1979		2011 – 2016	
	Living on own	Living at home	Living on own	Living at home
Unweighted N	121,522	8,970	128,801	18,196
Weighted %	92.3	7.7	85.6	14.4
<i>Economic characteristics</i>				
Contribution to family budget (%)	---	31.6	---	23.6
Personal income (median)	\$28,543	\$22,707	\$29,318	\$15,245
Poverty ratio (median)	2.6	2.0	2.4	1.2
<i>Education and work</i>				
Education				
College degree or higher	24.3	21.6	36.8	25.1
Some college	21.7	19.8	28.4	30.7
High school diploma	28.5	38.7	24.9	33.3
No high school diploma	15.5	19.9	9.9	10.9
Enrolled in school	2.0	6.2	6.5	10.5
Labor force participation				
Employed	70.3	70.8	75.7	64.6
Full-time	61.4	62.3	64.2	46.9
Unemployed	4.5	9.7	5.4	10.5
Time unemployed (weeks)	24.2	27.6	28.8	35.0
Not in labor force	25.2	19.5	18.9	24.8
Caring for family	20.9	5.5	8.4	3.3
<i>Demographic characteristics</i>				
Male	47.9	63.1	47.9	61.1
Marital history				
Married	78.5	4.8	49.6	4.7
Formerly married	10.6	20.9	9.2	10.1
Never married	10.9	74.3	41.2	85.2
Has a child under 10	65.8	18.7	48.9	21.4
Race and ethnicity				
White	82.6	76.1	59.9	50.7
Black	9.9	16.8	11.8	17.6
Hispanic	5.5	4.8	20.2	22.5
Other	2.1	2.4	8.1	9.2

Table 2. Characteristics of parents among households with coresidence young adults 25 to 34 (CPS ASEC)

	1974 – 1979	2011 – 2016
Single parent household	32.8	37.4
Two parent household (married)	67.2	62.6
Age of the householder (years)	59	57
Parents are college educated		
Both parents	2.4	10.4
One parent	7.8	20.0
No parent	89.8	69.6
Household income (median)	\$59,646	\$63,160
Parents' labor force participation		
Dual earner	20.2	29.0
Single earner	49.0	48.4
No parent in labor force	30.8	22.6

Table 3. OLS regression of young adults' income to poverty ratio (logged), with endogenous treatment effects for labor force participation (CPS ASEC)

	Model 1		Model 2		Model 3	
	All coresident young adults		Coresident young men		Coresident young women	
<i>Change in the income to poverty ratio</i>						
1974 to 1999	-.001	*	-.003	**	.002	***
2000 to 2007	<u>-.009</u>	***	<u>-.007</u>	***	<u>-.009</u>	***
2008 to 2016	-.004	***	-.003	*	-.003	*
<i>Young adult characteristics</i>						
Age	.010	***	.008	***	.011	***
Male (ref = female)	.085	***	---	---	---	---
Has a child	-.009	*	.003		-.032	***
Education (ref = college)						
Some college	-.152	***	-.093	***	-.117	***
High school	-.214	***	-.115	***	-.124	***
Less than high school	-.376	***	-.113	***	-.051	**
Enrolled in school	-.172	***	-.219	***	-.118	***
Race and ethnicity (ref = white)						
Black	-.091	***	-.130		.028	***
Hispanic	-.040	***	-.060	***	-.043	***
Other race	-.030	***	.001		.004	
Weeks unemployed (logged)	-.011	***	-.012	***	-.006	**
<i>Parental characteristics</i>						
Two parent household (ref = one parent)	.008	*	.011	*	-.002	
Age of householder	-.001	***	-.001	***	-.001	
Education (ref = no parent with college)						
Both parents with college degree	-.049	***	-.046	***	-.031	***
One parent with college degree	.001		.015	*	-.003	
Labor force participation (ref = single earner)						
Dual earner household	.004		.005		.006	
No parent in labor force	.040	***	.040	***	.043	***
State level fixed effects	Yes		Yes		Yes	
Average treatment effect (ATE) of labor force participation	.52	***	1.43	***	1.06	***
Rho	-.06		-.82		-.62	
Sigma	.48		.65		.57	
Lambda	-.03		-.54		-.47	
Wald test of independent equations Chi2 (rho = 0)	45.87	***	721.42	***	530.73	
<i>N</i>	103,081		58,652		44,429	

* $p < .05$; ** $p < .01$; *** $p < .001$; underlined coefficients are significantly different the 2008–2016 period

Table 4. Decomposition of poverty rates among young adults
25 to 34 living at home (CPS ASEC)

	Poverty rate	
<i>Poverty rate</i>		
Young adults in 2011 – 2016	42.1	***
Young adults in 1974 – 1979	30.6	***
Total difference	11.5	***
Difference due to compositional change	1.4	***
Difference due to change in effects	10.1	***
<i>Change in poverty rate due to compositional changes</i>		
Age	-0.2	***
Male	0.1	***
Labor force participation	3.0	**
Education & enrollment	-1.4	***
Race and ethnicity	0.0	
Marital status & parenthood	0.0	
Parental characteristics	0.0	
<i>Change in poverty rate due to effects</i>		
Age	-8.7	
Male	0.0	
Labor force participation	2.2	***
Education & enrollment	3.6	***
Race and ethnicity	-0.4	
Marital status & parenthood	-0.2	
Parental characteristics	-11.3	

* $p < .05$; ** $p < .01$; *** $p < .001$