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COMPACT

FAILURE TO LAUNCH

Economic crisis leads to demographic crisis for the young

Author:

ARNSTEIN AASSVE

Key messages:

- Young individuals suffer disproportionately from the crisis, especially in terms of high unemployment and economic uncertainty, which affect their ability to start an independent life.
- A delayed transition to adulthood has negative effects on economic and demographic outcomes later in life, including fertility levels.
- Youth exposed to the economic crisis need immediate support and relief in order to avoid becoming a “lost” generation.
- Policies need to support new initiatives such as the Youth Guarantee, and should promote youth mobility among and across countries.

BETTER TARGETING OF POLICIES DURING ECONOMIC CRISES

ADOPTING A DEMOGRAPHIC PERSPECTIVE is important to better target social policies in times of economic recession. Living alone or with relatives, having a child or parents to care for or parents who are able to provide support – all this might change the impact of the economic crisis substantially. Considering age, gender, life cycle, family context and/or living arrangements means adopting a demographic perspective to tackle the effects of the crisis.

Even though increasing unemployment rates affect all parts of society, individuals face age-specific challenges. For instance, middle-aged individuals often have children to care for and no parents who can support them. Young individuals can often rely on their parents' help, but the effect of unemployment may go beyond the immediate loss of income. In a life-course perspective, being unemployed at a young age is likely to affect other outcomes later in life.

BECOMING AN ADULT TAKES LONGER

IN DEMOGRAPHY, the definition of youth does not only refer to a specific age; instead it refers to the idea of *transition to adulthood*. This includes several steps: leaving the parental home, finding a job, oftentimes marrying, and becoming a parent. In the last few decades, these events occur in a more complex and protracted way, eventually exposing young adults to vulnerability and precariousness for a longer time. Today, "youth" starts around the age of 15 and may last until 35.

Gaining economic independence from parents is an important pre-requisite for leaving the parental home and becoming an adult is often connected with having stable employment. However, the effect of income and employment on the transition to adulthood depends significantly on the country where the young adults reside (Aassve et al., 2002).

DIFFERENCES ACROSS COUNTRIES

TIMING OF TRANSITION TO ADULTHOOD varies enormously across European countries. In 2010, only between 2% and 16% of youth aged 25-29 still lived with their parents in the Nordic countries. In Spain, Italy and Portugal the corresponding numbers vary between 50% and 59% (Table 1).

		2010		
Country		18-24	25-29	30-35
Continental Europe	Austria	74%	32%	12%
	Belgium	77%	20%	6%
	Germany	78%	21%	5%
	Luxembourg	86%	36%	11%
	Netherlands	64%	12%	2%
Social-Democratic Europe	Denmark	38%	2%	1%
	Finland	41%	4%	3%
	Iceland	61%	16%	5%
	Norway	39%	5%	2%
	Sweden	43%	5%	2%
	United Kingdom	74%	25%	11%
Southern Europe	France	62%	16%	5%
	Greece	74%	65%	32%
	Italy	89%	56%	27%
	Portugal	89%	59%	27%
	Spain	86%	50%	21%
Central and Eastern Europe	Czech Republic	86%	46%	19%
	Estonia	71%	25%	15%
	Hungary	87%	53%	24%
	Latvia	79%	42%	28%
	Lithuania	83%	32%	22%
	Poland	85%	50%	26%
	Slovakia	95%	66%	32%
	Slovenia	93%	60%	24%

Table 1 Percentage of young individuals living with their parents across Europe, by age (2010)
Source: Author's calculation based on EU-SILC

YOUTH SUFFER SEVERELY FROM THE ECONOMIC CRISIS

IN THE FIRST QUARTER OF 2013, EU unemployment reached a very high level of 10.9% among individuals aged 25-74, while the level among those under 25 was much higher at 23.5%. However, the situation is very different across countries and, in some countries, among regions. In Greece and Spain, more than half of youth were without work and rates in Portugal and Italy were also very high at around 38%. On the opposite end, Germany has actually experienced a slight decrease in youth unemployment within the last years (Figure 1).

Young adults making the transition from education to work face huge challenges since they lack experience or have difficulties in finding a job that corresponds with their level of education (Eurofound, 2012a). It is well-known that young people have a much higher probability of being overly qualified than adults. The high proportion of youth holding a precarious job is another reason for their vulnerability. In 2013, 32% of young employees (aged 15-29) were working on a temporary contract in the EU and 23% were working part-time (Eurostat).

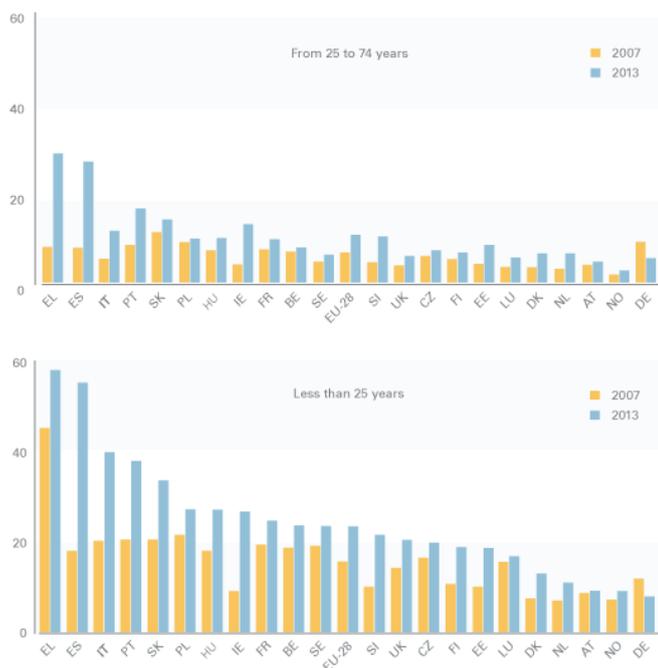


Figure 1 Unemployment rates by age group in selected European countries (2014)
Source: Author's calculation based on EU-SILC

YOUTH POVERTY ACROSS EUROPE REFLECTS DIFFERENT LIVING ARRANGEMENTS

PATTERNS OF YOUTH POVERTY are very different among European countries and often not in the way we would expect. In general, young people are more at risk of being poor than the rest of the population based on the standard definition of relative poverty. However, there are substantial cross-national variations: In Nordic countries, where poverty rates are very low, youth (aged 18-24) appear to be at a much higher risk of poverty in comparison with other age groups. In Southern countries, differences are much less pronounced (Figure 2). These differences are associated with the different living arrangements of youth. Since poverty rates are computed on the basis of total household income, youth poverty is low in those countries where young people leave home later – whereas it is much higher where they leave home at a young age. In the face of the economic crisis, the economic well-being of young people cannot be looked upon independently from patterns of co-residence with parents.

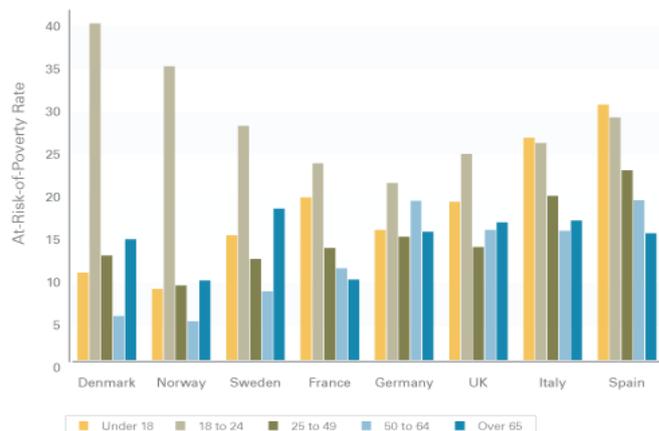


Figure 2 Risk of poverty by age group (2012)
Source: Author's calculation based on Eurostat

YOUNG ADULTS LIVE LONGER WITH PARENTS IN TIMES OF ECONOMIC CRISIS

IN TIMES OF HIGH UNEMPLOYMENT AND ECONOMIC UNCERTAINTY, living with parents might become a strategy to save money, even in countries usually characterised by early transition to adulthood. As the economy struggles and unemployment rates increase, youth find it more difficult to gain residential independence. Researchers have referred to this as the “failure to launch”, which results in a delayed transition to adulthood. Co-residing with parents increased in many countries since the beginning of the crisis. For instance, in Hungary it increased by 8.1% between 2007 and 2010, in France by 5%, and in Sweden and the UK by 3.6% and 2.4% respectively (Aassve, 2013). Even if residing longer with parents can be a strategy to face economic uncertainty, in the long run the effect of delaying the beginning of an independent life is not beneficial (Billari and Tabellini, 2010).

DELAYED TRANSITION TO ADULTHOOD IS EXPENSIVE

LIVING LONGER WITH PARENTS is associated with lower productivity and income when individuals reach their mid-thirties. At aggregate levels, countries where leaving home occurs later on average are characterised by lower productivity and higher unemployment rates (Billari and Tabellini, 2010). It also has negative consequences for the already low fertility levels. Although the picture is not uniform across European countries, fertility rates have generally decreased since the beginning of the economic crisis. This is in large part attributable to the increase in unemployment (Goldstein et al., 2012), which affects youth’s ability to start an independent life and thereby delays the transition to adulthood.

POLICY RECOMMENDATION: IMPROVE EMPLOYMENT OPPORTUNITIES

GOVERNMENTS SHOULD SUPPORT young adults by promoting employment opportunities, e.g. by investing in education and training measures, by providing subsidies for employers who hire young people and by improving state advocacy, e.g. by increasing the means for job centres to advise young people.

In April 2013, EU ministers committed to establishing a national *Youth Guarantee* that will assure that youth have the right to receive a job, education or training offer within four months from when they become unemployed or leave formal education. Even though it is an expensive measure – the total estimated cost of establishing *Youth Guarantee* schemes in the Eurozone is €21bn a year (0.22% of GDP) –, the costs of inaction would be much higher. Young people who are not in education, not employed or in training are estimated to cost the EU €153bn a year (1.21% of GDP) in benefits and foregone earnings and taxes (Eurofound, 2012a).

Youth Guarantees have shown to have positive effects thus far, but there is still much to be done. For example, the measure appears to be more effective for young people who are entering the labour market, while it fails to reach those suffering long-term unemployment. Moreover, it is only a short-term solution and it does not solve structural problems (Eurofound, 2012b). In particular, a greater degree of cooperation among key actors at the local level is needed in order to maximise the impact of youth guarantees.

LEARNING FROM THE NORDIC COUNTRIES: PROMOTE YOUTH INDEPENDENCE AND MOBILITY

THOSE COUNTRIES where youth are able to make the transition to adulthood earlier are also those with sound and appropriate institutional support. They should be taken as a yardstick for those countries where the transition to adulthood is late. In Denmark for instance, every student enrolled in a higher education programme is entitled to a number of monthly grants corresponding to the prescribed duration of their study, plus an additional twelve months through the *Statens Uddannelsesstøtte* (The Danish students' Grants and Loans Scheme). Students are also offered supplementary state loans with convenient repayment conditions. Sweden has a similar financial aid system for students in higher education programmes, which is universal and provided directly to the students.

Because many young people decide to stay with or move back in with their parents to cope with economic uncertainty, a large number of jobs remain unfilled across Europe – even during the economic recession. As a countermeasure, young Danes

and Swedes are encouraged to spend time abroad to study and look for a job with consistent financial aid.

The increase in youth unemployment around Europe is a well-known pattern, but the consequences are often not properly considered. High unemployment and uncertainty may prevent young adults from leaving the parental home, reducing the possibility to move where jobs are available and delaying their entry into parenthood. Promoting education and employment opportunities, as well as mobility is crucial to allow youth to start an independent life.

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Print: Druckpunkt Druckerei und Repro GmbH, Schmalenbachstraße 15, 12057 Berlin
Contact: Population Europe Secretariat, Markgrafenstraße 37, 10117 Berlin, Germany
Phone: +49 (0)30 2061 383 30, Fax: +49 (0)30 2061 383 50
Email: office@population-europe.eu
Web: www.population-europe.eu

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