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Failure to launch: Cross-national trends in the transition to economic independence

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Luxembourg Income Study Working Paper Series

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**Failure to Launch: Cross-National Trends
in the Transition to Economic Independence**

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**Failure to Launch:
Cross-National Trends in the Transition to Economic Independence**

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Failure to Launch: Cross-National Trends in the Transition to Economic Independence

Abstract

We analyze trends in the age of economic independence in six industrialized countries, Belgium, Canada, Germany, Italy, the United Kingdom, and the United States. The paper compares trends in the household living arrangements, employment rates, earnings levels, and net incomes as young adults rise in age from 18 to 34 years old. Our results show a picture of generally declining independent living and economic self-sufficiency ('failure to launch') among 18-34 year-old men and women in their early 20s from the mid-1980s to 1995-2000. The exceptions are women in their late 20s and early 30s, who have somewhat improved prospects for economic independence, although from a starting level that was well below that observed among men of the same age. North America (the United States and Canada) and to some extent the U.K. offer partial exceptions to this general pattern. Between the mid-1980s and 2000 employment rates improved among young Americans in their late 20s and early 30s, and earnings levels either remained stable or increased modestly. The stability of U.S. employment levels helped to offset an apparent reduction in male hourly wage rates for this group, giving 26-34 year-old American men either larger gains or smaller losses in economic self-sufficiency compared to those experienced by their counterparts in continental Europe. In addition, young women in the U.S. who were 26 and older saw bigger improvements in wage self-sufficiency than most of their counterparts in continental Europe. In the closing section we speculate on the possible causes for such changes.

Failure to Launch: Cross-National Trends in the Transition to Economic Independence

In contrast to retirement, which for many years occurred at progressively younger ages, the transition of young adults from parental dependence to economic self-sufficiency has taken place at ever older ages in industrialized countries. One reason for the delay, which we call ‘failure to launch,’ is that well-compensated jobs now require more schooling. This explanation is incomplete, at least in the United States, because schooling attainment among 25-34 year-olds has increased relatively little since the early 1980s (Haveman and Smeeding, 2006, figure 1, p 136) . Another reason for delayed economic independence may be labor market changes that have made well-paid employment harder for young people to obtain. If so the relative earnings of young workers may have declined in comparison with earnings at older ages or in relation to the income needed to support an independent household.

This paper presents an exploratory analysis of trends in the age of economic self-sufficiency in six industrialized countries--the United States, Belgium, Canada, Germany, Italy, and the United Kingdom. We compare the employment rates, earnings levels, and net incomes of cross-sections of young adults in the mid-1980s and cross-sections of adults in the same age group drawn in the period from 1995-2000. In Belgium our income data cover 1985 and 1997; in Canada, 1987 and 1997; in Germany, 1984 and 2000; in Italy, 1987 and 2000; in the United Kingdom, 1986 and 1995; and in the United States, 1986 and 2000. Although the data do not cover the same years or even the same number of years in all countries, in each nation the data cover a span of at least nine years. In order to make the data for Germany comparable in both periods, we confine our analysis of income data to young adults in the former West Germany. Our income and household composition data are primarily drawn from the Luxembourg Income Study, or LIS (see <http://www.lisproject.org/techdoc.htm> for a description and documentation). The LIS database contains comparable household income measures for a large number of nations, and it also contains consistent time series information on individual-level wages that is comparable enough so that we can analyze earnings, by age, at several points in time for the six nations we study here . We further supplement the LIS data with information on employment drawn from national labor market surveys.

After this introduction, we divide the paper into five main sections, a discussion of data issues, an overview of trends in household headship, an analysis of employment status, an examination of trends in young adults' earnings relative to median national income levels, and an assessment of income adequacy among young adults who live inside and outside of their parents' households. We define young adults as people between 18 and 34 years old, dividing the population in a given year into overlapping 5-year age groups. The youngest age group is 18-22 years old, and the oldest is 30-34 years old. By using these overlapping age groupings we reduce the sampling variability of our estimates. A longer discussion of many of the statistical issues we confront here is found in Smeeding and Ross Phillips (2002).

Our findings can be summarized briefly. Over the period covered by our analysis, young adults were increasingly less likely to form independent households in which they were the head of household or were married to the household head. The decline in headship was most striking among young adults age 22 and older, and it was more noticeable in continental Europe than in either the U.K. or North America (U. S. and Canada) . In comparison to the other countries in our sample, the U.S. experienced relatively small changes in headship patterns between 1986 and 2000. Our findings on employment changes and trends in wage and salary income provide one partial explanation for this broad pattern. Young adult men in continental Europe typically experienced larger employment losses and a bigger drop in wage income than did their counterparts in the U.K. or North America. This pattern most likely reflects continental Europe's persistent difficulty in generating strong employment growth, especially for workers with limited skill who are struggling to enter the labor force. Whatever the cause of the earnings losses, they have made it harder for young men to establish independent households. In all six countries women between age 25 and 34 experienced gains in employment, and in the U.K. and North America these gains were accompanied by notable improvements in wage income. Even though fewer women than men earn high enough wages to support a household on their own, the combination of female earnings gains and male earnings losses substantially reduced the gap between men's and women's income potential.

Our analysis of household income trends shows, not surprisingly, that income adequacy has declined among households containing 18-34 year-old adults. Further, the losses are larger in Europe than in North America. Between 1986 and 2000 there was very little systematic decline in income adequacy among U.S. households containing young adults. Since young Americans

had less adequate incomes than young Europeans in both the mid-1980s and 1995-2000, the income trends between those two periods tended to reduce the gap between the young people on the two continents.

We also find that losses in income adequacy were much larger among young adults who lived independently of their parents. Young adults who remained in their parents' households were therefore partially protected against the drop in living standards that might be expected to accompany a decline in job opportunities or a loss of wages, evidence consistent with the Newman chapter in this volume. Our evidence suggests a pervasive pattern of sizeable decline in young adults' income adequacy, especially in the youngest age groups, among those young adults living outside the households of their parents.

Taken as a whole, these results imply that reduced employment rates and wages among young adults imposed a sizeable penalty on living standards, but the penalty was biggest for young adults who were living independently of their parents. Interestingly, the decline in "independent" young adults' income adequacy was typically smaller in the U.S. than in the other countries. This may have been because male employment prospects declined less in the U.S. than in most other countries. Our evidence shows that they declined much less than those of young men in continental Europe.

I. Data

Most of our analysis relies on LIS data files. The LIS data provide accurate information on household net income which can be disaggregated into identical components for households in each of the LIS-member countries.¹ The source of the LIS information for the U.S. is the Current Population Survey (CPS). This household survey provides high-quality and comprehensive data on household composition, income, and labor force status for all individual adults for at least a 25 year period. Although other countries provide LIS with equal or even superior information on household income, few countries provide data sets with such high quality records on respondents' recent work experience and labor force attachment. This shortcoming represents a challenge for analyzing the path to economic independence, and so the LIS data are supplemented with information on employment status that is drawn from official labor force surveys in these same nations. The labor force surveys include detailed employment

data, but the data available to us from those surveys include no information on family structure, living arrangements, wages, or other components of income.²

II. Household headship

One indicator of economic self-sufficiency is an individual's capacity to live outside the household of his or her parents. Many young people who have little independent income continue to live with their parents rather than to live alone. One reason is economies of scale in household living arrangements. Two people who live separately need more kitchens, bathrooms, furniture, and household appliances than two people who live together in the same dwelling. By continuing to live with their parents, young adults can enjoy a more comfortable standard of living with a small cash income, not only because of these scale economies but also because they may receive transfers from parents in the form of free food and housing. The household head is usually defined as the person most knowledgeable about "household matters," the person who owns the dwelling occupied by the household or in whose name the dwelling is rented, or the person with the highest income. Under any of these definitions, a young person who lives with his or her parents would rarely be classified as the household head. In the exceptional cases where young adults are classified as heads and their parents are identified as secondary household members, it is likely the child is supporting the parent rather than *vice versa*. In our cross-national analysis of the age pattern of household headship, we also classify the spouse of the LIS-identified head as a household head.

Figure 1 shows the percentages of young people at successive ages who were heads of households or the spouses of household heads between 1995 and 2000 for men (top panel) and for women (bottom panel).³ For both groups the chart shows a steady increase in the percentage of young people who are household heads with advances in age. At any given age, men are less likely to be a head of household (or the spouse of a head) than are women. This is because women typically marry at younger ages than men, and thus would be classified as household heads at a younger age. Young Italians have exceptionally low rates of household headship, a pattern that is apparent for both genders and in both periods. In 2000, for example, just 30 percent of 24-28 year-old Italian women were household heads or the spouse of a head (see Newman chapter). For women of the same age in the other countries, this percentage ranged from 65 percent in Belgium up to 85 percent in the U.K. Young people in the U.K. form their own households at somewhat younger ages than is the case in the other countries, perhaps

owing to the availability of subsidized council housing or low cost market rentals. In part, the very late formation of Italian households may be due to the relatively high cost of home owning and renting in Italy (Bucks and Pence 2005, Appendix; Giannelli and Monfardini 2000; Ruiz-Castillo and Martinez-Granado 2002). It may also be due to cultural factors (Giuliano 2006) or parental income gains which makes it possible for parents to live in houses large enough to hold space for their adult children (Manacorda and Morretti 2002).

How has headship changed for each group? In all six countries household headship rates declined between the two periods (see detail in Appendix Table A-1). The only notable exception to this pattern was among U.K. women, who were somewhat more likely to head households or to be married to a household head in the later period. There were only small changes in household headship in the youngest age groups, but the decline in headship was progressively larger among adults in their mid-20s. The falloff in headship was particularly large in Belgium and Italy, and among German women in their late 20s and early 30s. The decline in household headship was 10 percentage points or more among Belgian and Italian women in their 20s and among German women in their late 20s. Headship declined 20 percentage points among Italian men ages 26-34, and among Italian women between 22 and 26. The changes in household headship were smaller in the U.K., Canada, and the United States. As we shall see, this may be partly explained by the generally more favorable labor market conditions in those countries.

III. Employment patterns: Levels, trends, and the impacts of fertility and higher education

As noted earlier, the LIS variables that measure employment status are not ideal for determining employment patterns among people in the LIS samples, especially those who do not head households and the income surveys used in the LIS do not necessarily provide cross-nationally comparable data on respondents' labor force status. Official labor force surveys in the six countries offer a more dependable and consistent way to measure employment trends.⁴ We obtained annual estimates of the employment-to-population ratio for four young age groups using statistics compiled by Eurostat, Statistics Canada, and the U.S. BLS. Employment rates covering the period from 1985-2005 are displayed in Table 1.⁵ We have included the 2005 data because in several countries, including Belgium, Germany, the U.K., and the U.S., there was a sharp deterioration in young adults' employment rates after 2000.

As expected, in all six countries and in each year, male employment rates increase sharply with age while women's rates were more varied. In 1985 teenage employment rates were much lower in Belgium and Italy than in the other four countries, but male employment rates in all six countries converged at older ages. Employment rates among female teens and young women in their early twenties were lowest in Belgium and Italy, and considerably higher in the other four countries. By age 30-34, women were more likely to be employed in North America than in Europe. After age 20 young women's employment rates are notably lower than those of men the same age. In both the earlier and later periods, the male-female employment gap typically grows with age.

Employment and birthrates In 1985 there was a dip in the female employment rate after a peak rate that was attained at some age between 20 and 29; the pattern is visible to a greater or lesser degree in all six countries. The dip is probably caused by labor force withdrawal of mothers as a result of child-rearing responsibilities after the birth of a child. Further, the dip in women's employment rates after their 20s is apparent for all countries in 1985, but the dip disappears in all countries by 2005. One explanation for the disappearance of the dip may be the postponement of first births until after age 30. However, birth rates did not decline in all countries. Between 1985 and 2000 birth rates rose in Belgium and the United States and remained roughly unchanged in Germany and Canada (United Nations Economic Commission for Europe 2005). The more likely explanation is that European mothers have become less willing to withdraw from market work after the birth of a child. Even if they temporarily leave the labor force, the interruption in a new mother's career typically did not last as long in 2000 or 2005 as it did in earlier decades. While these patterns may differ across countries, due in part to variation in institutional factors such as child care and family leave (Gornick and Meyers, 2003), the basic pattern is robust in all nations (see for example Köppen 2006 on Germany and France).

Employment trends. The trends in employment after 1985 differed somewhat among the six countries. In all countries employment followed strikingly different paths for men and women past age 24. Men past 24 experienced a slump in employment in Continental Europe but saw little change in the U.K. and North America. In Belgium, Germany, and Italy the job-holding rate of men age 25-34 fell between 5 percentage points and 9 percentage points, a substantial drop for a population that is expected to be largely self-supporting. In contrast, women between 25 and 34 experienced rising employment rates in all six countries. The

increase in women's employment was smallest in the United States, where female job holding was already common in the mid-1980s. The rapid female employment gains in Belgium, Canada, and the U.K. have meant that job-holding rates among 25-43 year-old women are now higher in those countries than they are in the United States.

The contrasting employment trends of men and women produced a sizeable narrowing of the male-female employment gap between 1985 and 2005. Among 30-34 year-olds the gap shrank 21 percentage points in Belgium and Italy, 18 points in Germany, 16 points in the U.K., 13 points in Canada, and 6 points in the United States. It may be tempting to conclude that the job gains of young women were achieved partly at the expense of young men the same age. In the U.K. and North America, however, the employment-rate gains of 25-34 year-old women were not accompanied by any employment losses among men in the same age group.

Employment and education. Employment rates among younger men (under 25) and most women (under 20) fell in the two decades after 1985. The male employment loss was biggest in Germany and Italy, and it was negligible in Canada. Virtually all of the decline in the United States took place after 2000, the last year of a long economic boom. Although the long-term employment decline at the youngest ages is undoubtedly connected to rising school attendance and increased educational attainment, this explanation does not account for the recent drops in teenage employment in the United States. Job-holding has declined among teenagers and adults in their early twenties among those who are out of school as well as among school enrollees. Among men past age 20, the drop in employment has been much larger in Continental Europe than in either Great Britain or North America, widening the employment-rate gap between these countries. In the U.K. and North America the job-holding rate of 20-24 year-old males ranged between 70 percent and 74 percent in 2005. In Belgium, Germany, and Italy it ranged between 49 percent and 60 percent.

Statistics on educational attainment do not provide a simple explanation for the employment gap between the different regions. Table 2 presents Organization of Economic Cooperation and Development (OECD) estimates of the number of years of formal schooling in the population aged 25-34 in 2002. On average, men and women in this age group have more years of schooling in North America than they do in Belgium, Germany, and Italy. Assuming that few young people work when they are full-time students, this evidence suggests that on average careers should begin later in Canada and the United States than they do in Belgium and

Italy. Instead, paid employment begins at a considerably younger age in North America than it does in Belgium or Italy.

Summary. The employment statistics we review above reveal many consistent trends across the six countries. Employment rates have generally fallen among teenagers, both male and female. Women's employment rates after age 25 have increased, with particularly large gains in countries which had low female employment rates in the mid-1980s. In contrast, employment rates among men 25 and older have remained unchanged or have declined (see also Ghidoni 2002). The combination of these two trends has meant that the working careers of men and women under age 35 are now much more similar than was the case in 1985, but major differences among the countries still remain. Employment begins earlier in the three English-speaking countries than it does in the three Continental European countries, especially in Belgium and Italy. The cross-national employment gap largely disappears among men by the time they reach their early 30s. And even amongst 25-34 year-old women there remain important cross-national differences. Moreover, explanations for the different levels and trends in employment are varied, with no single dominant explanation for either men or women

IV. Earnings and self-sufficiency

Holding a job, even a full-time, year-round job, does not assure workers of an income that is high enough to live independently or to support a family in the United States (see Duncan et al. 1996 for an analysis of U.S. data). To examine income self-sufficiency we develop two kinds of measures of earnings adequacy among young adults.

Our first indicator measures young adults' average earnings compared with the median adjusted disposable (net) household income in their country. If every person lived in a single-person household, this concept would be easy to measure as the median after-tax and after-transfer income in the country. But household sizes differ, and household spending needs will vary as a result. One way to deal with differences in the number of household members is to estimate the change in income required to hold living standards constant when a household gets larger or smaller. In principle, such an adjustment allows us to calculate "equivalent" incomes for households of different sizes. A common adjustment, which we use here, is to assume that a household's income requirements increase in proportion to the square root of the number of household members. Formally, adjusted disposable income (ADPI) is equal to unadjusted

household income (DPI) divided by household size (S) raised to an exponential value (e), that is, $ADPI = DPI/S^e$. Our assumption implies the value of e is $1/2$.⁶ For each country and time period included in our analysis, we computed the national median ADPI. Table 3 contains estimates of the average earnings of young adults measured in relation to the national ADPI.

Another approach to measuring economic self-sufficiency is to calculate the percentage of young adults who can afford to live independently. We calculate this percentage by measuring whether young people have enough wage and salary income to attain the national poverty line or higher income in a given year assuming that they live alone. We define the poverty threshold as equal to one-half the national median ADPI. If a worker earns or has access to enough independent income to exceed this threshold, he or she is classified as self-sufficient.

Average earnings. Table 3 shows average annual earnings, by age group, among the young adults who earn wage and salary incomes. The exclusion of self-employment income can lead to some understatement of young adults' capacity to be self-sufficient. We address this issue by examining young peoples' total net incomes in a later section.⁷ In this section we are mainly interested in determining whether adults can support themselves comfortably with the wages they can earn in the labor market. Even though the calculations exclude self-employment income, and thus understate some people's total earnings, the trend in wage and salary income offers a clear indicator of the main income source that young adults must depend on to support themselves.

The six countries in our sample are not uniform in the way they report person-level earnings in the LIS data files. Belgium and Italy report after-tax wages, while Germany, the U.K., Canada, and the U.S. report pre-tax wages. Most workers pay taxes on their earnings, including both payroll taxes and income taxes. These taxes are already subtracted for Belgian and Italian workers, but they are included in the earnings estimates for the other four countries. Ignoring tax payments will actually *understate* the net earned incomes of many low- and moderate income Americans who have child dependents, since it ignores a refundable earned income credit (EIC) that the U.S. pays to low-income families. For low-wage earners the EIC can easily exceed the worker's other payroll and income tax liabilities. The credit was significantly liberalized between 1986 and 2000, boosting the after-tax incomes of low-income wage earners much faster than is indicated by the change in their pre-tax wages. Because of the difference between the earnings measures for Belgium and Italy, on the one hand, and Germany,

Britain, Canada, and the U.S., on the other, readers should interpret the results showing average earnings levels with caution.

The top panel in Table 3 shows earnings levels in the earlier time period, while the second panel shows earnings levels in the later period. The age profile of wage and salary earnings is more steeply sloped for men than it is for women, and this is true in both the earlier and later survey years. One reason may be that earnings progression is slower among women than it is among men who remain steadily employed. The more important reason, however, is that the table shows the mean earnings of all persons, regardless of whether they have any wage earnings. Since the employment gap between men and women rises with age, this procedure will produce a larger rise in measured earnings gains among men than among women. The table shows sizeable differences among the six countries both with respect to the average level of young people's earnings and the gains in average earnings that accompany increases in age. Among men, the earnings growth that is associated with age is highest in Germany where a steep male age-earnings profile produced the highest wage levels in the mid-1980s. German men between 25 and 34 earned the highest relative wages recorded in the table. However, the drop in Germany's young male employment rates depressed earnings levels among men in all age groups between 1984 and 2000. By the mid- to late 1990s, 26-34 year-old men in the U.K., Canada, and the U.S. earned relative wages that rivaled or exceeded those earned by German men. Among women in their late 20s and early 30s, average wages are higher in the U.S. than they are in the other countries with which the U.S. can be validly compared. (Because Belgian and Italian wages are measured on a post-tax basis, we cannot reliably compare earnings levels in those two countries with earnings levels in the other four.)

Earnings differences and trends. The more interesting statistics in Table 3 are presented in the bottom two panels. The third panel shows the proportional changes in average wages between the first and second LIS surveys. These results show a sizeable reduction of average earnings among most groups of men and younger women. The losses are typically much bigger in Europe than they are in the United States. Women who were in their mid-20s or older saw their earnings rise in Britain, Canada, and the United States. Women of the same age in the other three countries experienced smaller earnings losses than younger women, and they experienced much smaller losses than the ones suffered by men in the same age group.

The bottom panel in Table 3 shows the proportional change between the first and second surveys in average wages received by the men or women who have positive wages.⁸ The pattern of average earnings change displayed in the bottom panel is striking. It shows declines in the average wages of employed men in all countries and in virtually all age groups. The declines are smaller in the U.S. than they are in other countries, and among men past age 25 they are notably smaller in the U.K., Canada, and the U.S. than they are in the three countries in continental Europe. Average earnings changes experienced by employed women show a somewhat more hopeful pattern, especially among women who are past age 22. Women in these groups experienced relative earnings improvement, at least in the English-speaking countries, and women in those groups that experienced earnings reductions saw their earnings decline by a smaller proportional amount than men in the same age group. The combined results for men and women suggest that, in comparison with women, men in these countries saw a much steeper decline in their ability to maintain independent households. Women in their mid-20s or older saw some real improvement in their private earnings capacity to support a family in several of the countries, notably the U.K., Canada, and the U.S. (Gornick and Meyers 2003; Neyer 2003)

Individuals who can achieve a poverty-line income. Table 4 shows the percentage of young adults who can support themselves in a one-person household using the incomes they derive solely from their own wage and salary earnings. Self-sufficiency is achieved if a person earns at least one-half the national median ADPI. As noted earlier, this calculation is based on reported *after-tax* earnings in Belgium and Italy and *pre-tax* earnings in western Germany, Canada, the U.K., and the U.S. The calculations may therefore overstate the percentage of Germans, Britons, and Americans who are self-sufficient based on their *net* wage income.⁹

The fraction of young men who can support themselves with wage and salary income is modest at ages 18-22 but climbs with age. By age 30-34 large majorities of men in all countries earn enough wages to surpass the poverty line. The results in the bottom panel of Table 4 show that the percentage of young men who can support themselves solely with their own wage income has declined for some or all age groups in every country. There was an improvement in only one group of males, U.S. men 26 years old and older. Earnings self-sufficiency rates fell for all male age groups in the other five countries. The losses were negligible for younger Italian men, who had an exceptionally low rate of self-sufficiency in the mid-1980s. The drop in earnings self-sufficiency was also more modest among men 30 years old and older. In some of

the younger age groups, the fraction of men who could support themselves with their own wage earnings fell 10 percentage points or more between the mid-1980s and 1995-2000.

Not surprisingly, women have lower rates of earnings self-sufficiency than do men in all countries and in both time periods. The gender gap is small in the youngest group, but it rises with age up through ages 30-34. Between the mid-1980s and 1995-2000 women were more likely than men to see an improvement in their earnings self-sufficiency, however. The improvement was much more pronounced among women who were at least 26 years old (see the bottom panel in Table 4). Women in the youngest age groups saw a drop in earnings self-sufficiency in all five countries, with sizeable declines occurring in every country except Italy and the U.S.

Summary. The results in Table 4 reinforce the findings in Tables 1 and 3. Changes in employment and earned income have typically favored young women over young men, reducing the gender gap in self-sufficiency, especially at older ages. Proportional losses in employment and earnings have been larger among people in the youngest age groups relative to those experienced by adults age 30-34. Finally, wage gains among 26-34 year-old women have been larger and wage losses among 26-34 year-old men have been smaller in the U.K., Canada, and the U.S. than in Belgium, Germany, and Italy. The losses in self-sufficiency among the youngest men and women, primarily as a result of lower employment rates and wages, certainly contribute to the result that some young people postpone establishing an independent household. Past age 26, however, the gains in employment and self-sufficiency among women have acted as partial offsets to the employment and earnings losses of men the same age. Although fewer men age 26-34 are able to support themselves with their own earnings in the later period, more women in that age group earn enough wages to support themselves above the national poverty line in the later vs. the earlier period.

V. Household income adequacy

The results we have presented so far provide an incomplete picture of the transition to self-sufficiency. They focus on trends in household headship, employment, and wage income, but they ignore the potential contributions of other sources of income available to young adults who establish independent households. The previous calculations do not include income from self-employment, savings, and property, for example. Nor do they account for the public

transfers that might be available to an independent household that receives little private income. Finally, the calculations ignore the potential income contribution of a spouse, housemate, or unmarried partner. Even though earnings self-sufficiency has fallen among men age 26 to 34, it has risen among women the same age. Men may have less capacity to support themselves independently, but when their earnings are combined with those of a working spouse or partner, the independent household's combined resources may be enough to support the couple in relative comfort.

In order to determine whether a dependent young adult can obtain enough income to support himself or herself as an independent head of household, it is necessary to predict how much net income would be received by the household and how many members the household would contain. It is obviously difficult to calculate the resources and needs of a hypothetical household. LIS provides information on the incomes of actual households, but except in the case of wages and a few other income items, the LIS data files do not always identify the person within the household who receives the income until the later period.¹⁰

Rather than make the difficult predictions just described, we have performed a simpler exercise to measure trends in income adequacy among two kinds of young adults. We first divided 18-34 year-old adults into two groups, labeled "parental dependents" and "independents," on the basis of their household living arrangements and headship status. People who are dependents in a household headed by their parent or step-parent are classified as "parental dependents." Young adults classified as "independents" include household heads and those who are neither dependents in their parents' households nor household heads. As before, we define "household heads" to include both the person identified in the LIS file as a head and the spouse of that person.¹¹ For young adults in each of the two groups we then calculate the ADPI of the adult's household. This calculation takes into account all net income received by the household, regardless of whether it is earned by the young adult. The tabulations do not show how much income would have been obtained by parental dependents if they had formed households of their own. Instead, they allow us to compare trends in the income adequacy of young people depending on whether they live with their parents or live more independently.

Dependents' self sufficiency Table 5 displays estimates of the income adequacy of young adults who remain members of a household headed by their parent. We classify a household as having adequate income if its ADPI is at least 50 percent of the national median ADPI

(income).¹² Using this threshold, the percentage of households deemed to have an adequate income is very high except in Italy and the U.S. This result is consistent with the finding that relative poverty rates in Italy and the U.S. are higher than found elsewhere in the OECD (Smeeding 2006, p. 74). In some age groups the number of young adults included in a cell is very small. Recall that the percentage of all adults who remain “parental dependents” declines as a cohort ages (see Figure 1). Thus, the sample sizes used to estimate income adequacy in some of the older age groups may be too small to yield precise estimates. The top panel in Table 5 shows income adequacy rates in the first LIS survey; the middle panel shows identical statistics based on data from the second LIS survey; and the bottom panel shows the percentage-point change in income adequacy rates between the two surveys.

The striking result in Table 5 is the very small change in income adequacy for “parental dependents” in the LIS samples. This result is shown in the bottom panel of the Table. Income adequacy rates typically declined between the mid-1980s and 1995-2000, but the decline was proportionately much smaller than the fall in young adults’ employment rates or wage income might suggest. The reasons that “parental dependents” fared so well probably differ across countries. Some countries may have strengthened public income protection, partly or fully offsetting the decline in young adults’ earnings. In other countries, the earnings or property income of older adults in the households may have risen, compensating the household for part of the loss in young adults’ wages. Young adults with poor employment prospects may have been more tempted to remain in a parent’s household when the parents were relatively well off. If a child with meager earnings remains in the parental household it will reduce the household’s size-adjusted income, but it will not necessarily reduce the average income of households containing a dependent adult child. On the contrary, if adult children are disproportionately likely to remain in the households of affluent parents, the average income of households containing adult children might actually rise over time even as the earnings prospects of young adults deteriorate.

Non-dependents self sufficiency. Table 6 shows an identical set of tabulations for all young adults who were *not* dependents in a parent’s household. These households typically have lower rates of income adequacy than households containing a dependent adult child, though the difference between the two kinds of households is considerably smaller in the older age groups compared with the youngest group. An interesting exception to this pattern is Italy, where income adequacy among “independent” young adults is higher or only slightly worse than it is

among “parental dependents.” Of course, living with a parent is much more common in Italy than it is in the other five countries, and it remains common until later in life (Giuliano 2006). Neither Italy nor the U.S. stand out as having exceptionally low rates of income adequacy among “independent” men. Among “independent” women, however, the U.S. has a consistently below-average rate of income adequacy. Many “independent” young women head single-parent families in the U.S., and these families have exceptionally high relative poverty rates, both in comparison with other American families and in comparison with similar households in other OECD countries (Smeeding 2006, p. 74). Fewer than 10 percent of Italian children live in single parent units (Giuliano 2006).

In contrast to the bottom panel of Table 5, the bottom panel in Table 6 shows a pervasive pattern of sizeable decline in young adults’ income adequacy, especially in the youngest age groups. These results imply that reduced employment rates and wages among young adults imposed a sizeable penalty on living standards, but the penalty was biggest for young adults who have already decided to live outside their parents’ households. Interestingly, the decline in “independent” young adults’ income adequacy was typically smaller in the U.S. than in the other countries. Among “independent” women between age 26 and 34, income adequacy may have improved slightly in the U.S. As in the other countries, income adequacy fell most among “independent” U.S. adults in the youngest age category.

Income adequacy among young adults, irrespective of dependency status . We combine the results from Tables 5 and 6 in Table 7 to show levels and changes in income adequacy for the entire population of young adults, regardless of their living arrangements. Of course, the results reflect the weighted average of the results in the previous two tables. The weights reflect the relative proportion of adults in each cell who live with their parents and who live independently of their parents. Taken broadly, the results in Table 7 show that income adequacy among young adults is lower in the U.S. than it is in Europe, but the U.S.-European gap declined between the mid-1980s and 1995-2000. U.S. income adequacy comes closest to matching that in other countries for men in their late 20s and early 30s. The gap between the U.S. and Europe is larger for younger men and for women. This suggests that between 1986 and 2000 there was little deterioration in the labor market position of young American adults, at least in comparison to the deterioration experienced by young men and 18-26 year-old women in continental Europe. The results in the bottom panel of Table 7 show there was also little deterioration in the income

adequacy of households containing young U.S. adults. In contrast, young adults in all the European countries experienced a decline in income adequacy. In Belgium, Germany, and the U.K., the deterioration occurred for both genders and in every age group. Young adults in Canada experienced declines in income adequacy that are roughly in between those that occurred in the U.S. and Europe.

Summary. These calculations reveal losses in income adequacy across most of the age groups in nearly all of the countries in our sample. It is worth repeating, however, that the losses were much bigger among young adults who lived independently of their parents. Young adults who remained in their parents' households were partially protected against the drop in living standards that might be expected to accompany a decline in job opportunities or a loss of wages. In results not shown, we found that the declines in income adequacy were typically much bigger among "independent" adults who lived in single-person households. Young adults who lived as heads or spouses in households containing two or more people saw larger drops in income adequacy than adults who remained in their parents' households, but the drop in income adequacy was typically smaller than the drop experienced by "independent" young adults living alone. The proportion of young adults who live in one-person households is so small, however, that we cannot be confident of this result in most countries. We are much more confident of the finding that the young adults who lived more independently of their parents sustained bigger losses in income adequacy than the adults who continued to live with their parents.

VI. Discussion and Conclusion

The results in our paper suggest there has been a decline in the ability of young adults to form independent households over the 15 year period leading up to 2000. At the same time, there has been an actual postponement in establishing independent households, indicating a 'failure to launch.' What evidence supports this conclusion? Our calculations offer a generally consistent picture of declining economic self-sufficiency among young men and very young women in the countries in our sample. In contrast, women in their late 20s or early 30s have improved prospects for economic independence, although from a starting level that was well below that observed among men of the same age. North America and to some extent the U.K. offer partial exceptions to this general pattern. Between the mid-1980s and 2000 employment rates improved among young Americans in their late 20s and early 30s, and earnings levels either remained

stable or increased modestly. The stability of U.S. employment levels helped to offset an apparent reduction in male hourly wage rates, giving 26-34 year-old American men larger gains or smaller losses in economic self-sufficiency than experienced by their counterparts in continental Europe. In addition, young women in the U.S. who were 26 and older saw bigger improvements in wage self-sufficiency than most of their counterparts in continental Europe.

A striking finding of this study is that while income adequacy among young adults typically declined over the analysis period, the declines were biggest among those adults who resided outside the households of their parents. These losses were especially large among the youngest adults in independent households. Young adults who lived with their parents suffered smaller losses in relative incomes, possibly because their loss of potential wage earnings represented a small percentage of net household income or was offset by income gains by their parents. These findings suggest that the extended family as well as the state is a source of income protection that buffers young adults against the full effects of an economic reverse (for Italian evidence on this issue, see Manacordia and Moretti 2002). Delayed departure from a parent's household is a plausible response to deterioration in a child's economic prospects.

Several issues are beyond the scope of our paper but which should be considered when interpreting our findings. The cross-national pattern of employment, earnings, and income gains and losses is almost certainly affected by the entry of immigrants as well as young adults into the workforce. The highest immigrant countries we study are the United States and Canada, followed by the U.K., Germany and then Italy and Belgium. There are not enough immigrant youth in some of these countries to separately analyze them in this chapter. However, we know that the United States has had much more low-skill than high-skill immigration compared with Canada and the U.K., where a larger percentage of immigrants bring average or above-average skills upon entry into the country. We suspect that high rates of unskilled immigration into the United States have had a modestly depressing effect on wages for low-skill native U.S. workers, including many of the young adults we study here (Borjas and Katz 2005). The cross-national effects of immigration on the transition to independence must be the topic of separate analysis, however (for more on recent issue related to EU immigration, see Parsons and Smeeding 2006).

An optimistic interpretation of our findings is that young adults have postponed the formation of independent households because they are accumulating more education than earlier generations. By spending more time in school they are delaying financial independence and

temporarily giving up labor income, but they are improving their capacity to earn good wages in the future. Figure 2 shows the OECD's latest statistics on school completion rates in the six countries in our survey. The top panel shows the percentages of successive age groups that have completed upper secondary education; the bottom panel shows percentages completing tertiary education. The information displayed in the chart compares schooling attainment rates among 25-34 year-olds with attainment rates among 35-44 year-olds in each nation. If young adults are accumulating more schooling than earlier cohorts, we would expect to see higher educational attainment rates in the younger age group compared with the older group for both secondary and tertiary education. This expectation is confirmed in all countries except Germany and the U.S., where schooling attainment of the younger cohort is the same as or lower than that in the older cohort.¹³

The Canadian and U.S. attainment statistics are affected by the high rates of immigration into those countries mentioned earlier. The impact of immigration on average schooling is probably greater in the U.S. than in Canada, because a large fraction of U.S. immigrants arrives with very little schooling and has difficulty speaking or writing English. In contrast, Canadian policy strongly favors immigrants who are well educated and fluent in either English or French. In spite of these caveats, we see little evidence in Figure 2 that young adults in either Germany, or the U.S. are experiencing employment or earnings losses because they are devoting more effort to completing a high school or college education (in Italy as well). An education-based interpretation of the trends in employment, earnings, and the age of financial independence may be valid for the countries in our sample where attainment levels are rising – Belgium, Canada, Italy, and the U.K. But rising school attainment does not appear to explain the delay in economic self-sufficiency--the 'failure to launch'--among young adults in Germany, Italy or the U.S.

NOTES

¹ The database does not always include information on each household member's labor earnings, employment status, or usual paid hours of work, however. This is one reason our analysis focuses on just 6 out of the 30 LIS countries. To be included in our sample of countries, a nation's LIS survey information had to meet minimum requirements. First, information from an identical or very similar survey instrument was needed for two points in time, one around the middle of 1980s and a second after the mid-1990s. Second, the LIS database had to contain information about the individual labor earnings of adults who head households as well as those adult household members who are not heads. For instance, the LIS labor force data do not necessarily cover a consistent reference period across all of the countries in our sample.

² In the six countries examined here, we measure a person's capacity for economic independence by his or her labor income. The early LIS data on labor earnings are subject to a important limitation, however. The LIS datasets from the mid-1980s contain information on individuals' wage and salary earnings, but data on self-employment income are only available at the household level. In the later LIS datasets, self-employment income, as well as wage and salary earnings, is available for individuals. In order to create comparable measures of labor earnings for both periods, we confined our analysis to wage and salary income. We also present information showing how this limitation may affect our findings. While it would be desirable to find or create data sets that include reliable information on *both* income *and* work hours, we were unable to identify comparable data files that cover a broad cross-section of countries. Thus, at this point, the LIS surveys are the best microscope available for examining these differences in cross national perspective.

³ In Italy, spouses cannot be distinguished from partners of the household head in one of the two surveys. Therefore, our classification of Italian spouses should be understood to include both spouses and partners of the household head.

⁴ The survey used in the four EU member countries is Eurostat's quarterly Labour Force Survey; in Canada, it is the monthly Labour Force Survey; and in the United States, it is the monthly Current Population Survey. Eurostat, Statistics Canada, and the U.S. Bureau of Labor Statistics define the employment-population ratio in very similar but not identical ways. All employment statistics were obtained from the internet sites of the Eurostat, Statistics Canada, and U.S. BLS.

⁵ Unfortunately, Eurostat has not published employment data by age group for western Germany since the early 1990s. Therefore, the German data in Table 2 refer to West Germany in 1985 and to unified Germany in 1995-2005. We show employment rates for a single year, 1985, in the mid-1980s but for three separate years between 1995 and 2005. For some countries the 1995 data will cover a reference period that is close to the second LIS survey we analyze. For other countries, the 2000 data will be more comparable

⁶ We chose $1/2$, a common value used in research on household income, because it represents the halfway point between two extreme assumptions about the economies of scale that individuals achieve when they live in larger households.

⁷ Although it would be preferable to measure each worker's total labor income, including self-employment as well as wage and salary earnings, self-employment income is not separately

recorded in the LIS data files in the mid-1980s. Because the calculations do not include self-employment income, they understate young adults' total labor income in all the countries. The exclusion of self-employment earnings is more important in Italy than it is in other countries, because a relatively large percentage of young Italians is self-employed and the income they derive from such employment is significant. To calculate the potential importance of self-employment earnings, we tabulated labor earnings in 2000 using two definitions, one that included and a second that excluded a person's self-employment income. We performed the calculations for Germany, Italy, and the U.S. Self-employment income did not contribute materially to the earned incomes of very young people in any of the countries nor to the incomes of U.S. men and German and U.S. women, regardless of their age. However, including self-employment income in the earnings definition boosts earnings of 26-34 year-old German men by about 10 percent. The effect on earnings of Italian men and women is much greater. Between ages 30 and 34 the measure of net earnings that includes net self-employment income is about 40 percent larger than a definition that includes only net wage and salary income. For this reason any analysis that excludes self-employment earnings will seriously understate the relative incomes of Italians who are age 25 or older.

⁸ Because employment rates changed between the two surveys, this calculation does not compare the earnings levels of two identically selected populations. If the employment rate fell between the first and second surveys, the population included in the calculation for the second year may differ in many ways from the population included in the first-year sample. For example, if the percentage of young adults at work declined because of higher enrollments in post-secondary education, the sample of wage earners in the later year may exclude some of the most able adults who would have held jobs in the absence of an enrollment rise. A fall in average wage levels in the bottom panel of Table 3 cannot be interpreted as unambiguous evidence that wages available to young people have declined. Instead it may partly reflect the change in the composition of the employed population.

⁹ The tabulations are biased against Italy for another reason as well. Self-employment income is more important for young people in that country than it is in the other four. Since data limitations prevent us from including self-employment earnings in the calculations, the results seriously underestimate the labor incomes of Italians.

¹⁰ For this reason, we have only fragmentary information on how much income would follow a dependent adult if he or she established an independent household. Even if this income amount were known, we would still need to ascertain how much taxes would be paid and how much public transfers would be received by the new household. The calculation is even more formidable if we also wanted to account for the potential earnings and other income of a hypothetical spouse or partner.

¹¹ Although the living arrangements of adults who are neither heads nor parental dependents vary widely, we assume that on balance the people in this group are more independent of their parents than young adults who live in their parents' homes.

¹² Note that since our calculations are based on households' after-tax and after-transfer incomes, the results are comparable across all six countries, including both Belgium and Italy.

We also performed the calculations using a higher income threshold to measure income adequacy, but the pattern of results was similar to that displayed in Tables 6 - 8.

¹³ The German findings are undoubtedly affected by German unification. Our income and earnings analysis has focused on residents of western Germany, but the education statistics show attainment levels for all of Germany. It is conceivable that young west Germans have accumulated more schooling than older cohorts even though the national-level statistics do not reflect these gains.

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Table 1. Employment-Population Ratio by Gender and Age in Six Countries, 1985-2005

Percent								
Year	Males				Females			
	15-19	20-24	25-29	30-34	15-19	20-24	25-29	30-34
<i>Belgium</i>								
1985	11	59	88	91	9	48	62	58
1995	6	49	85	89	3	43	70	69
2000	10	55	85	91	6	44	76	74
2005	9	50	83	87	5	43	75	75
1985-2005	-2	-9	-5	-4	-4	-4	13	17
<i>Germany a/</i>								
1985	41	70	82	90	35	65	59	54
1995	32	68	80	89	26	64	67	66
2000	33	67	81	89	26	63	70	71
2005	28	60	74	85	22	58	65	67
1985-2005	-13	-11	-7	-5	-13	-7	6	13
<i>Italy</i>								
1985	21	59	83	94	14	38	47	49
1995	15	45	71	86	8	31	47	50
2000	13	46	69	86	8	34	49	55
2005	11	49	73	86	5	35	54	62
1985-2005	-11	-10	-10	-8	-9	-3	7	13
<i>United Kingdom</i>								
1985	46	74	84	87	45	61	54	53
1995	39	70	83	86	39	62	67	65
2000	43	75	88	89	43	66	72	71
2005	38	74	87	89	40	65	73	73
1985-2005	-8	-1	3	3	-5	4	19	19
<i>Canada</i>								
1985	44	71	82	85	44	66	65	62
1995	41	68	80	83	41	65	69	69
2000	43	71	84	87	44	68	75	75
2005	43	70	84	88	47	70	76	77
1985-2005	-1	-1	2	2	3	4	11	15
<i>United States b/</i>								
1985	46	75	87	90	43	64	66	65
1995	45	75	87	89	44	64	70	71
2000	45	77	89	91	45	68	73	73
2005	35	71	86	89	38	65	69	70
1985-2005	-11	-4	-1	-1	-5	0	4	5

a/ Data are for western Germany in 1985 and for unified Germany in 1995-2005.

b/ Youngest age group in the United States is 16-19 years old.

Sources: For EU member countries, Eurostat Labour Force Survey; for Canada, Statistics Canada; for the United States, U.S. BLS.

Table 2. Educational Attainment Expressed in Average Number of Years in Formal Education, Persons Age 25-34 in 2002-03

Country	Males	Females
Belgium	12.4	12.7
Germany	13.5	13.4
Italy	11.2	11.6
United Kingdom	13.1	13.0
Canada	13.6	14.1
United States	13.7	14.0

Source: OECD. See www.oecd.org/edu/eag2005.

Table 3. Mean Wage and Salary Earnings of Young Adults in Six Countries, 1984-2000

Percent of median national ADPI *a/*

Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier Period</i>									
Belgium <i>b/</i>	1985	28	67	103	117	20	50	57	58
W.Germany	1984	47	92	147	191	34	68	71	67
Italy <i>b/</i>	1987	18	51	83	91	17	32	39	45
UK	1986	67	113	132	149	51	66	51	51
Canada	1987	43	83	108	132	31	60	65	64
USA	1986	40	87	124	144	28	56	69	69
<i>Later period</i>									
Belgium <i>b/</i>	1997	13	50	71	84	9	40	55	54
W.Germany	2000	32	70	108	148	26	54	69	72
Italy <i>b/</i>	2000	17	39	49	69	11	30	40	41
UK	1995	47	88	123	146	39	65	72	71
Canada	1997	34	74	101	121	24	52	69	72
USA	2000	35	81	122	146	28	59	80	83
<i>Percent change between earlier and later period <i>c/</i></i>									
Belgium <i>b/</i>	1985-1997	-52	-26	-31	-28	-54	-20	-3	-7
W.Germany	1984-2000	-33	-24	-26	-22	-22	-21	-2	7
Italy <i>b/</i>	1987-2000	-6	-23	-40	-24	-38	-7	2	-9
UK	1986-1995	-30	-22	-7	-2	-23	-2	41	39
Canada	1987-1997	-21	-10	-6	-8	-22	-14	7	12
USA	1986-2000	-13	-7	-2	1	-2	6	16	19
<i>Memo: Percent change in average earnings of young adults who have wage and salary earnings.</i>									
<i>Percent change between earlier and later period <i>c/</i></i>									
Belgium <i>b/</i>	1985-1997	-25	-14	-18	-22	-23	-11	-15	-17
W.Germany	1984-2000	-33	-30	-26	-24	-24	-18	-10	-11
Italy <i>b/</i>	1987-2000	-20	-28	-26	-18	-29	-19	-22	-16
UK	1986-1995	-19	-14	1	-1	-15	-7	4	11
Canada	1987-1997	-11	-6	-2	-3	-13	-11	5	9
USA	1986-2000	-8	-5	-2	-2	2	4	10	9

a/ ADPI is adjusted personal disposable income.

b/ Wage and salary income is measured net of income and payroll tax payments.

c/ Change in earnings between earlier and later period divided by the level of earnings in the earlier period.

Source: Authors tabulations of LIS files.

Table 4. Fraction of Adults with Wage and Salary Earnings above 50 Percent of the National Median ADPI in Six Countries, 1984-2000

Percent

Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier period</i>									
Belgium <u>b/</u>	1985	29	64	86	88	23	53	57	55
W.Germany	1984	30	67	79	84	25	57	51	48
Italy <u>b/</u>	1987	16	41	61	64	16	27	32	37
UK	1986	56	70	71	69	50	52	35	33
Canada	1987	34	63	74	78	23	52	51	49
USA	1986	29	66	77	79	22	46	53	52
<i>Later period</i>									
Belgium <u>b/</u>	1997	16	55	73	81	11	46	62	57
W.Germany	2000	21	50	70	80	19	44	48	49
Italy <u>b/</u>	2000	16	40	47	59	12	33	42	38
UK	1995	42	62	65	69	38	50	48	43
Canada	1997	22	55	69	73	15	41	54	54
USA	2000	27	63	79	81	20	49	59	58
<i>Percentage-point change</i>									
Belgium	1985-1997	-13	-9	-13	-8	-12	-6	5	2
W.Germany	1984-2000	-9	-17	-10	-4	-6	-13	-3	1
Italy	1987-2000	0	-1	-15	-5	-4	6	9	1
UK	1986-1995	-14	-8	-6	-1	-13	-2	13	10
Canada	1987-1997	-12	-8	-5	-6	-9	-11	3	4
USA	1986-2000	-2	-4	1	2	-2	3	6	5

a/ ADPI is adjusted personal disposable income.

b/ Wage and salary income is measured net of income and payroll tax payments.

Source: Authors' tabulations of LIS files.

Table 5. Percent of Parental Dependents Who Have Adjusted Disposable Incomes above 50 Percent of the National Median ADPI, 1984-2000 ^{a/}

Percent									
Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier Period</i>									
Belgium	1985	99	97	98	100	97	98	97	94
W. Germany	1984	96	99	99	100	96	97	91	85
Italy	1987	86	87	90	81	87	89	92	88
UK	1986	98	96	95	98	95	98	94	88
Canada	1987	94	96	95	95	92	94	94	99
USA	1986	87	90	88	83	85	91	88	84
<i>Later Period</i>									
Belgium	1997	95	95	97	97	94	96	99	87
W. Germany	2000	96	99	90	98	97	96	92	97
Italy	2000	87	93	90	92	87	89	92	87
UK	1995	92	95	96	92	94	97	96	100
Canada	1997	90	93	95	97	91	95	94	96
USA	2000	88	91	90	89	88	91	90	87
<i>Percentage-point change</i>									
Belgium	1985-1997	-4	-2	-2	-3	-3	-2	2	-7
W. Germany	1984-2000	0	0	-9	-2	1	-1	1	12
Italy	1987-2000	1	6	0	11	0	-1	-1	-1
UK	1986-1995	-5	-1	1	-5	-1	-1	2	12
Canada	1987-1997	-4	-2	0	1	-1	1	0	-4
USA	1986-2000	1	1	2	6	3	-1	2	2

^{a/} “Parental dependents” are young adults who live in a household headed by their parent or step-parent. ADPI is adjusted personal disposable income.

Source: Authors' tabulations of LIS files.

Table 6. Percent of Household Heads, Spouses, and Other Independent Young Adults Who Have Adjusted Disposable Incomes above 50 Percent of the National Median ADPI, 1984-2000 ^{a/}

Percent									
Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier Period</i>									
Belgium	1985	82	92	96	97	86	93	96	96
W. Germany	1984	84	86	90	96	67	82	92	93
Italy	1987	84	85	91	89	91	86	88	91
UK	1986	84	90	90	91	83	86	87	89
Canada	1987	79	85	89	93	72	83	85	89
USA	1986	71	85	87	88	68	76	80	81
<i>Later Period</i>									
Belgium	1997	80	77	86	93	78	87	90	90
W. Germany	2000	71	70	87	91	55	71	85	90
Italy	2000	77	81	83	88	80	71	84	87
UK	1995	76	84	88	88	72	78	82	84
Canada	1997	66	87	85	89	61	78	85	87
USA	2000	71	80	87	87	67	75	80	82
<i>Percentage-point change</i>									
Belgium	1985-1997	-1	-16	-10	-4	-9	-6	-6	-5
W. Germany	1984-2000	-13	-16	-3	-4	-12	-11	-7	-3
Italy	1987-2000	-7	-4	-8	-1	-11	-15	-4	-4
UK	1986-1995	-8	-6	-2	-3	-11	-8	-6	-4
Canada	1987-1997	-13	2	-4	-4	-11	-5	0	-2
USA	1986-2000	0	-5	-1	-1	-1	0	0	1

^{a/} “Household heads, spouses, and other independents” are young adults who do not live in a household headed by their parent or step-parent. ADPI is adjusted personal disposable income.

Source: Authors' tabulations of LIS files.

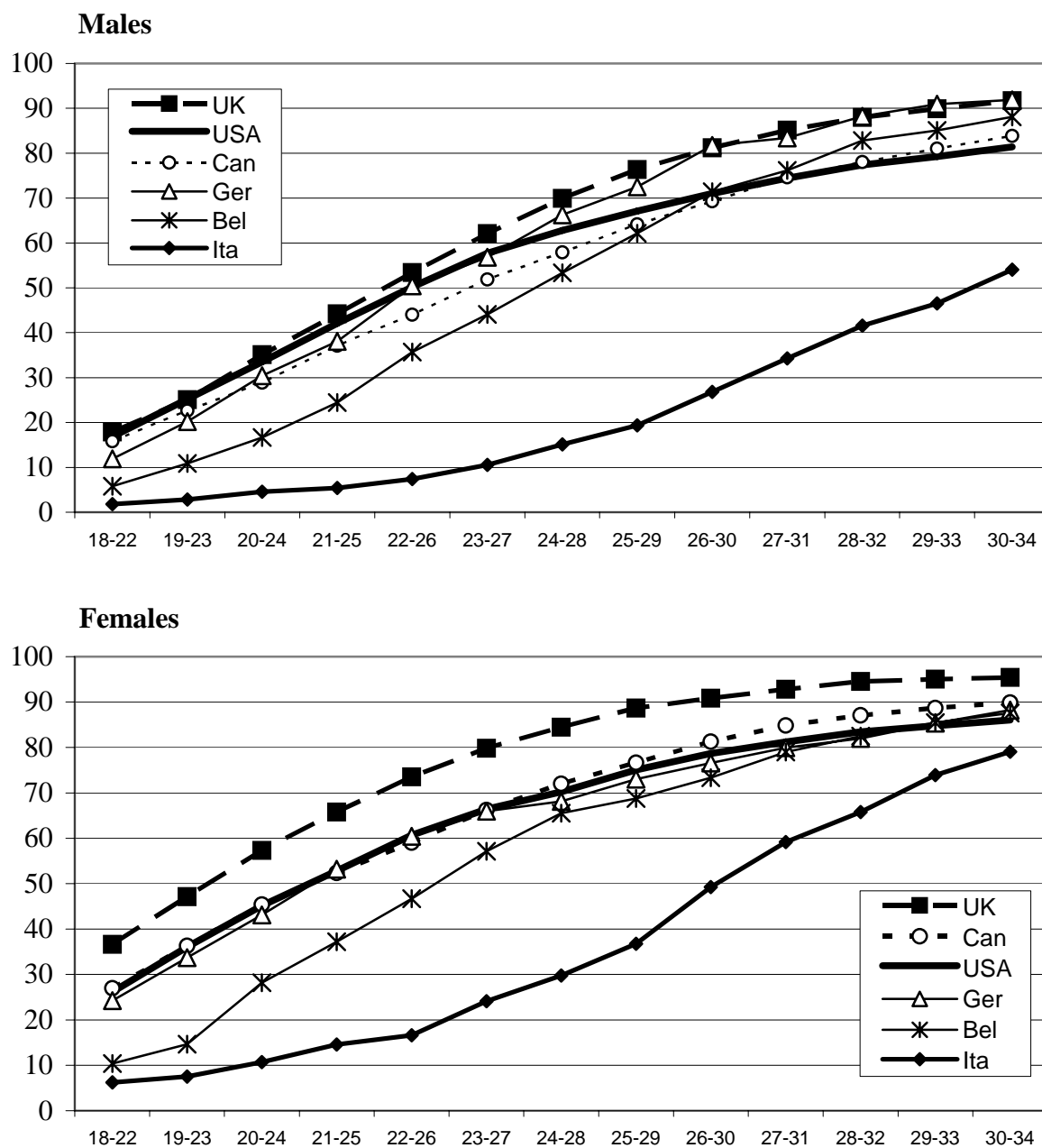
Table 7. Percent of Young Adults Who Have Adjusted Disposable Incomes above 50 Percent of the National Median ADPI, 1984-2000 ^{a/}
 Percent above the poverty line

Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier period</i>									
Belgium	1985	97	95	97	97	94	95	96	95
W.Germany	1984	94	92	92	96	88	86	92	93
Italy	1987	86	86	91	87	87	88	90	91
UK	1986	94	92	91	92	90	89	88	89
Canada	1987	91	89	90	93	85	86	86	90
USA	1986	83	87	87	87	78	79	81	81
<i>Later period</i>									
Belgium	1997	94	88	89	93	91	91	92	90
W.Germany	2000	91	83	88	92	83	78	86	90
Italy	2000	86	91	88	90	86	85	88	87
UK	1995	87	88	89	88	83	82	83	85
Canada	1997	85	90	88	89	81	84	86	87
USA	2000	82	83	87	87	79	79	81	82
<i>Percentage-point change</i>									
Belgium	1985-1997	-3	-7	-8	-4	-4	-4	-4	-5
W.Germany	1984-2000	-3	-8	-4	-4	-4	-8	-6	-3
Italy	1987-2000	0	5	-2	3	-1	-3	-2	-4
UK	1986-1995	-7	-4	-1	-4	-7	-7	-5	-4
Canada	1987-1997	-5	1	-3	-4	-4	-2	0	-2
USA	1986-2000	0	-4	0	0	1	-1	0	1

^{a/} ADPI is adjusted personal disposable income.

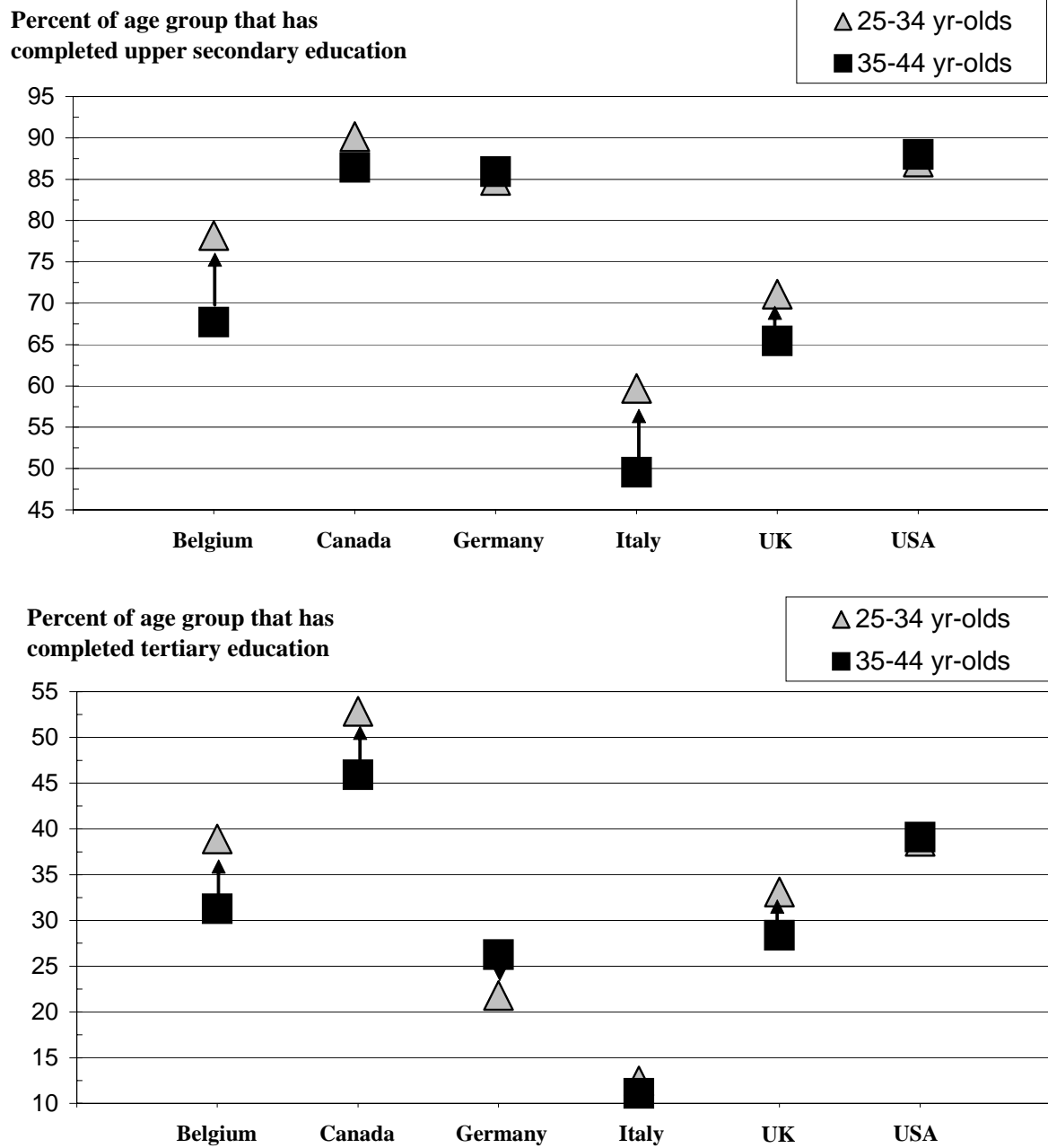
Source: Authors' tabulations of LIS files.

Figure 1. Percent of Young Adults Who Are Household Heads by Age and Gender, 1995-2000



Source: Authors' tabulations of LIS database.

Figure 2. Population that Has Attained at Least Upper Secondary or Tertiary Education in Six Countries, 2002-2003



Source: OECD (2005).

APPENDIX

Young adults are divided into four overlapping age groups in Appendix Table A-1 .The top panel of the table shows the percentage of men and women in each age group who were household heads or spouses in the 1980's wave of the LIS surveys, while the middle panel shows identical tabulations of headship status in the later LIS survey. The bottom panel shows the *difference* between headship rates in the 1995-2000 period and the mid-1980s

Appendix Table A-1 - BELOW

Appendix Table A1. Fraction of Persons Who Are Household Heads or Spouses of Household Heads in Six Countries, 1984-2000

Percent									
Country	Year	Males				Females			
		18-22	22-26	26-30	30-34	18-22	22-26	26-30	30-34
<i>Earlier period</i>									
Belgium	1985	9	43	82	92	17	61	84	90
W.Germany	1984	11	53	81	92	21	66	87	94
Italy	1987	1	8	47	74	6	37	67	80
UK	1986	19	57	84	92	35	72	88	94
Canada	1987	17	50	73	87	30	65	84	91
USA	1986	15	51	75	85	28	64	82	90
<i>Later period</i>									
Belgium	1997	6	36	71	88	10	47	73	88
W.Germany	2000	12	50	82	92	24	60	77	88
Italy	2000	2	7	27	54	6	17	49	79
UK	1995	18	53	81	92	37	74	91	95
Canada	1997	16	44	69	84	27	59	81	90
USA	2000	17	50	71	81	26	61	79	86
<i>Percentage-point change</i>									
Belgium	1985-1997	-3	-8	-10	-4	-6	-15	-11	-3
W.Germany	1984-2000	0	-3	0	0	3	-5	-10	-6
Italy	1987-2000	1	-1	-20	-20	0	-20	-17	-1
UK	1986-1995	-1	-4	-3	0	1	2	2	2
Canada	1987-1997	-1	-6	-4	-3	-3	-6	-3	-1
USA	1986-2000	1	-1	-4	-3	-2	-4	-4	-4

Source: Authors' tabulations of LIS files.