DEMOGRAPHIC RESEARCH

Research Article

Poverty and living arrangements among youth in Spain, 1980-2005

Sara Ayllón

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Abstract

One of the most relevant demographic events in Spain from a recent historical perspective was the baby boom of the 1960s and 1970s. The "adapting to circumstances" of these generations of youth and their families through delayed emancipation and childbearing has been key in preventing a decline in their economic status. The results show that the reduction of the poverty risk among non-emancipated youth for the period 1980-2005 is explained by the fact that an increasing number of young Spaniards live with two employed parents. Thus, emancipation delay is found most in those families that can best afford it. Furthermore, the salaries of young workers remaining in the parental home have become an important factor in reducing their family poverty risk. On the other hand, fertility decline is readily explained by the economic difficulties young couples encounter in sustaining their offspring.

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[1] Sara Ayllón, Departament d'Economia Aplicada, Facultat de Ciències Econòmiques i Empresarials, Campus de Bellaterra - Edifici B, Universitat Autònoma de Barcelona, 08193, Bellaterra, Spain.
E-mail: sara.ayllon@uab.es.

1. Introduction

Individuals born in Spain during the 1960s and 1970s make up the so-called 'baby boom generations' which are characterised by being much more numerous than previous and subsequent cohorts. These generations have grown up in social, political and economic conditions completely different from those of their parents' youth. Though it is true that the baby boomers' situation improved in many senses following the Franco dictatorship, one should not ignore the worsening conditions of youth labour markets, the increased demand for education and the difficulties accessing housing that young people have had to face during last two decades.

Facing adverse economic conditions, Spanish youth have turned to their families in search of financial protection. Young people have dealt with temporary contracts, high turnover in the labour market, unemployment, protracted education, and housing costs by delaying residential emancipation from the parental home. In fact, the percentage of young Spaniards living with their progenitors between 1980 and 2000 increased by more than 8 percentage points for the 20-24 age group and by 21 points for those 25-29, reaching cohabitation levels far higher than in any other country of the European Union-15, except Italy.[2] The "adapting to circumstances" of both young individuals and their families by consenting to co-residence has acquired a crucial role in the provision of a safety net for household members.[3] Traditionally strong family ties between young adults and parents, far from weakening, have been reinforced in Spain in recent decades as financial dependency on the family has strengthened.[4]

While most of the literature has been aimed at explaining the causes of demographic change, in this paper we are interested in its economic consequences as measured by the poverty risk. The main purpose of this paper is to study the ways in which Spanish families have coped economically with the emancipation delay of their young members in the period between 1980 and 2005. At the same time, we are interested in the economic circumstances experienced by young people living outside the parental home and how they relate to the fertility decline observed in Spain during the period. Data is from the Family Expenditure Surveys for 1980-81 and 1990-91, the

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[2] See Aassve, Iacovou and Mencarini (2006).
[3] Card and Lemieux (1997) talk about a process of 'adapting to circumstances' when the economic crisis at the end of the 1970s in the United States and Canada obliged many young people to remain in the parental home or return to it. See Haveman and Knight (1999) for an analysis of the same case.
[4] As argued by Reher (1998), Spain has historically relied upon the family's being an essential institution for the well-being of its members most in need in times of economic difficulties. "Traditionally in Mediterranean societies, much of the aid given to vulnerable members of society came from the family or from individual charity, while in northern societies this was largely accomplished through public and private institutions" (Reher 1998: 209).

extended sample of the 7th wave of the European Community Household Panel (ECHP) survey in 2000 and the 3rd wave of the Spanish component of the EU Survey on Income and Living Conditions (EU-SILC) run in 2006. Our empirical results are based on a Heckman selection probit model.

The main findings show that emancipation delay is not associated with an increased poverty risk to Spanish families, thanks on one hand to the fact that a growing number of young individuals live with two employed parents, and on the other, to the fact that a growing number of co-residing youth are at work. Conversely, the poverty risk of young individuals living outside the parental home worsens greatly during the period due to aggravated economic circumstances experienced by young people engaged in childbearing.

The paper is structured as follows. Section 2 briefly discusses the literature on youth poverty and living arrangements. Section 3 accounts for some changes in the socio-economic and demographic context. Section 4 presents our research questions, and Section 5 explains the methodological choices, the data sets used and the econometric model. Section 6 contains the analysis and our findings. The last section gives our conclusions.

2. Youth poverty and living arrangements in the literature

Literature on youth poverty has seen an interesting development only in very recent years. After having been one of the least visited topics in the analysis of poverty by age group, we have today a fairly good description of youth poverty patterns across the European Union, thanks to the availability of comparative data (Middleton 2002; Aassve, Iacovou and Mencarini 2006; Iacovou and Aassve 2007).

Possibly the most notable feature of youth poverty is its strong connection with living arrangements. Aassve, Iacovou and Mencarini (2006) find that, during the 1990s, the risk of poverty among European youth varies greatly between and within countries. The difference depends on age group but especially on the living arrangements considered. Actually, youth poverty risk differences between countries are clearly explained by the differences in young people's living arrangements. As early home leavers, young people in Finland, Denmark and the Netherlands are at a higher risk of poverty than any other age group, except for the over 70 age group. Conversely, in Greece, Spain and Portugal, where youth typically leave home much later, youth poverty rates are high compared to other countries, but not disproportionately high compared to other age groups.

Aassve et al. (2005) analyse the most important events and characteristics of poverty entries and exits by means of discrete-time duration models. Their results

confirm some of the findings observed in static analyses: poverty entries are associated with leaving home decisions (especially in Northern Europe) and with childbearing, while marriage appears as a protective factor. Conversely, poverty exits are related to job stability and not only with employment or finishing education.

The relationship between poverty entry and residential emancipation is again studied in Aassve et al. (2007) for 13 European countries. Using propensity score matching techniques, they confirm that, indeed, in those countries where leaving home occurs early, the extra risk of poverty associated with this event is higher, while the contrary is true in countries where leaving home occurs late. In fact, their analysis finds that in Finland and Denmark young people who stay in the parental home would actually face a lower risk of falling into poverty if they left than those who do emancipate. The same is not true for the rest of the countries, where those with the lowest risk of experiencing poverty do in fact leave home. In a similar fashion, Parisi (2008) estimates that in Southern Europe, youth leaving more promptly, at younger ages and from poorer family backgrounds are more likely to enter poverty when they emancipate.

In the context of the Mediterranean countries, and especially in Spain, Cantó and Mercader (2001a, 2001b, 2002) have suggested that the analysis of youth poverty within the framework of family poverty *hides* the economic difficulties that many young people have because of the protective role played by the family. They argue that the risk of poverty among Spanish youth at the beginning of the 1990s does not reflect a reality of high unemployment and labour precariousness because of the high proportion of young people cohabiting with their parents. Similarly, Iacovou and Berthoud (2003) find, with data from the first wave of the ECHP, that the family is what protects Spanish youth between 17 and 25 against poverty in 89% of the cases.

Cantó and Mercader (2001a) also find that employment of young adults remaining in the parental home is very important to reducing their family poverty risk. This "helping effect" that young individuals provide their parents is especially important in households in which the head of the family is unemployed or inactive. Furthermore, the authors show the consequences for the family when youth emancipate: leaving the nest in Spain is associated with higher poverty entries for the remaining household members, highlighting youth contribution to the parental household's well-being.

In what follows, we reassess the relationship between living arrangements and youth poverty in Spain for the period from 1980 to 2005.

3. The socio-economic and demographic context

In this section, we give a succinct introduction to a few changes that have characterised the socio-economic and demographic reality in Spain from 1980 to 2005. Labour market changes are important in this study of the economic conditions experienced by young people. First, it is worth noticing the significant decrease in the number of young people employed during the 1980s until the mid 1990s and the great employment recovery since 1994, in parallel with the economic growth enjoyed in Spain during this period. As shown in Figure 1, only 55% of young people between 25 and 29 years of age were employed in 1994. That percentage increased to 75% in 2005. The rise in the number of people at work goes hand in hand with the changing age distribution of youth. Mean age increases as baby boomers continue to reach their late youth. Figure 2 shows the growing importance of individuals in the 25 to 29 age group between 1981 and 2007 and the decreasing share of younger youth.

Temporary contracts and high employment turnover, however, have characterised youth labour markets since the mid-1980s (see Figure 3).[5] According to the Labour Force Survey data, during the two decades between 1987 and 2007 the proportion of young salaried workers holding a temporary contract increased by more than 25 percentage points in each age group — reaching its maximum in the mid-1990s when 3 out of 4 in the 20 to 24 age group and 1 out of 2 of those between 25 and 29 had a temporary contract. Furthermore, the mean wage of full-time young salaried workers is well below that for the rest of the sample, and it kept worsening during the 1980s and 1990s as shown in Figure 4. Note, for instance, that while the mean wage for youth in the 25 to 29 age group was very close to the mean in 1980, it was 23% below the mean in 1999. Data from the most recent years, though, points to an improvement with both a reduction in the number of temporary contracts and a slight increase in wages compared to the mean.[6]

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[5] The Spanish labour market has experienced four reforms during last twenty years (in 1984, 1994, 1997 and 2001). The main objective of the 1984 reform was to ease access to employment by facilitating the contracting of temporary workers. The last three reforms have instead been aimed at achieving a more balanced situation between temporary and permanent employment and correcting the dualism and segmentation generated by the 1984 reform (Cervini and Ramos 2007).

[6] A slight wage improvement amongst young people at the dawn of the 21st century is confirmed by data from the Wage Structure Survey (Encuesta de Estructura Salarial) of the Spanish National Statistics Institute. Data for 1995 shows that youth wages were 72%, 54% and 31% below the population mean for the 16 to 19, 20 to 24 and 25 to 29 age groups, respectively. However in 2002 the same percentages will have moved to 51%, 39% and 21%. (The data refers to young people working in companies with 10 or more employees.)

Figure 1:   Percentage of young people employed in Spain by age group, 1977-2007
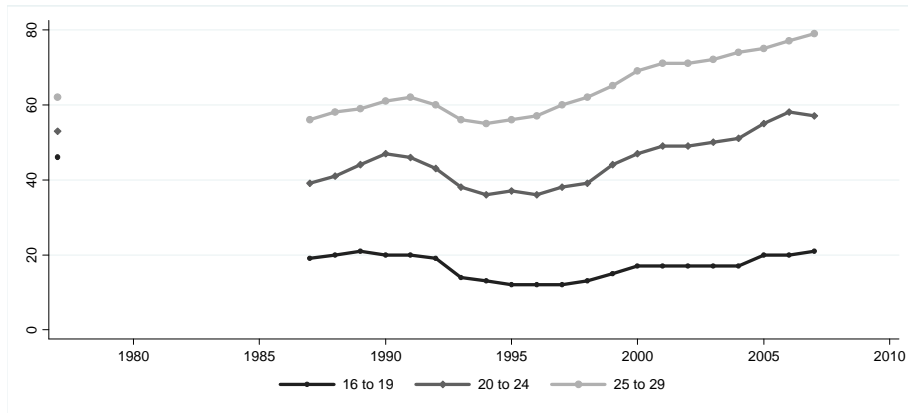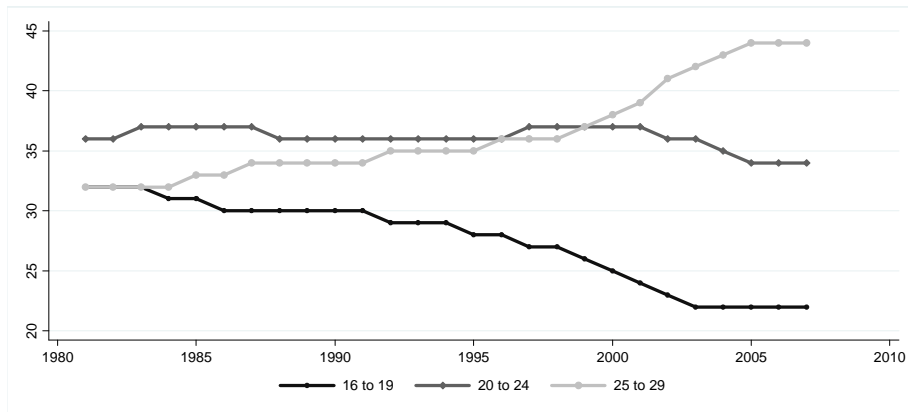

Figure 2:   Age group share among youth in Spain, 1981-2007

Source: The percentage of young people employed is computed over the total of young people belonging to each age group. Data for 1977 in Figure 1 is from 'La emancipación de los jóvenes y la situación de la vivienda en España' (2002), Consejo Económico y Social (CES), Monograph 3/2002, graph 2-5, p. 43 and has been obtained by the authors from the Labour Force Survey data. The trend from 1987 to 2007 is our own calculations from the Labour Force Survey data (*Encuesta de Población Activa*, Spanish Statistics National Insitute) and always refers to the 2nd. term. Data for Figure 2 is obtained from the Spanish Statistics National Institute *(Estimaciones intercensales de Población* for the period 1981 to 2001 and *Explotación estadística del Padrón* for 2002-2007).

On the other hand, it is important to emphasize that while the employment rate of male workers in the 25 to 55 age group has remained nearly stable since the beginning of the 1980s, the female employment rate for the same age group increased more than 31 percentage points between 1980 and 2004. This shows that an increasing number of young Spaniards had a mother at work.

Another important change is related to the extension of the educational stage. In the period between 1987 and 2004 alone the percentage of young people at school increased 38%, 48% and 63% for the 16 to 19, 20 to 24 and 25 to 29 age groups, respectively. As a matter of fact, the schooling rate reached 77%, 41% and 16% in the age groups cited according to the Labour Force Survey. Baizán (2003) argues that bad labour market conditions push youth to continue their studies since higher education is becoming an essential requirement to entering and finding opportunities in the labour market.

Furthermore, the increasingly difficult access to housing has had an effect on the society as a whole but on young people especially. For example, the price per square metre increased 516% (in nominal terms) between 1987 and 2004, while the Consumer Price Index did so by only 103% according to data from the Bank of Spain. Rents have increased around 310% from the beginning of the 1980s to 2000, and the availability of rental housing has gone down by half.[7] As a result, the economic burden that a young person has to bear in order to own his/her dwelling reached 70% of personal income in 2007 for a single person and 45% for a young household (*Observatorio Joven de Vivienda*, 2007). Households accessing housing have coped with the price increase by prolonging the duration of their mortgages. While in 1990 the average duration of a mortgage was 12 years, in 2006 it was 26, according to the Spanish Mortgage Association.[8]

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[7] See Consejo Económico y Social (2002).
[8] The average mortgage duration for a young person in a city as Barcelona in 2007 was 40 years, that is, lasting nearly the person's entire active life (García Masiá and Roca Cladera 2008).

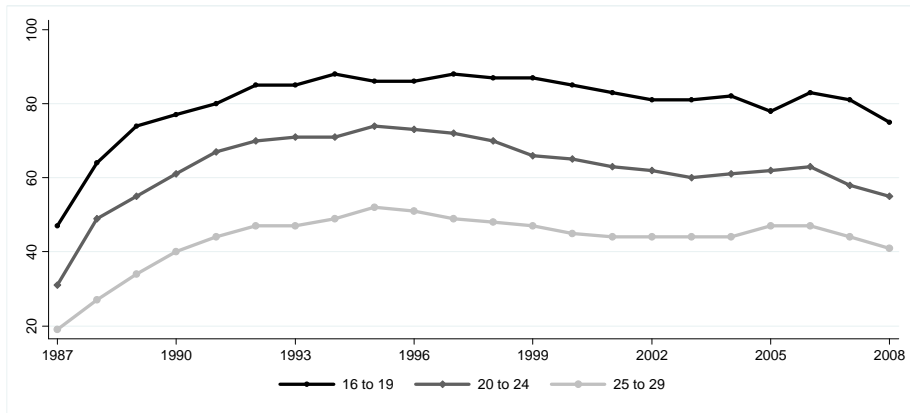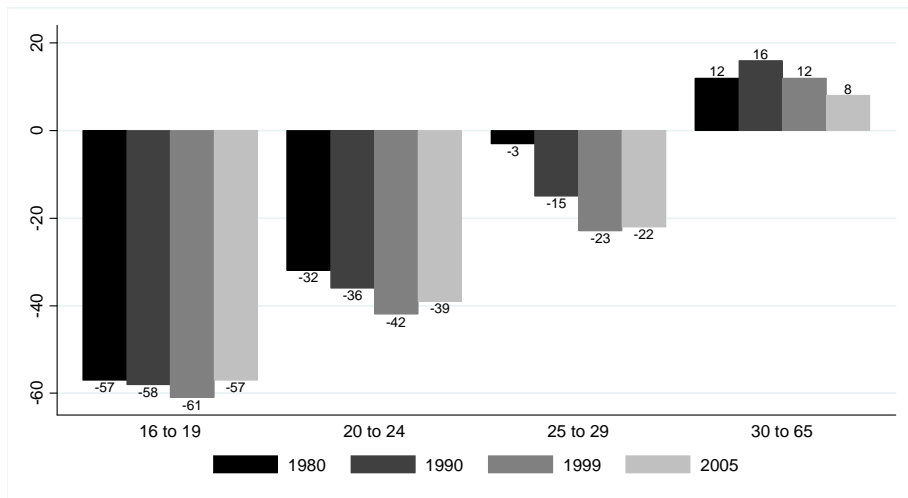**Figure 3:**   **Percentage of salary workers with temporary contract by age group in Spain, 1987-2008**

Figure 4:   **Percentage of mean wage respect to total mean by age group in Spain, 1980-2005**

Taken altogether, and added to the lack of public policies directed at young people, this data may help to understand the increase in the number of young people living in the parental home, especially for those older than 20, as shown in Figure 5. The emancipation rate fell 8 points for the 20 to 24 age group between 1980 and 2000, and 21 points for those older than 25.[9] The dawn of the 21st century seems to have brought on a new trend with a decrease in the percentage of people living in the parental home — most likely because of an age effect rather than a great improvement in the emancipation possibilities young people face.

Figure 5:   **Percentage of young people living in the parental home in Spain by age group, 1980-2008**
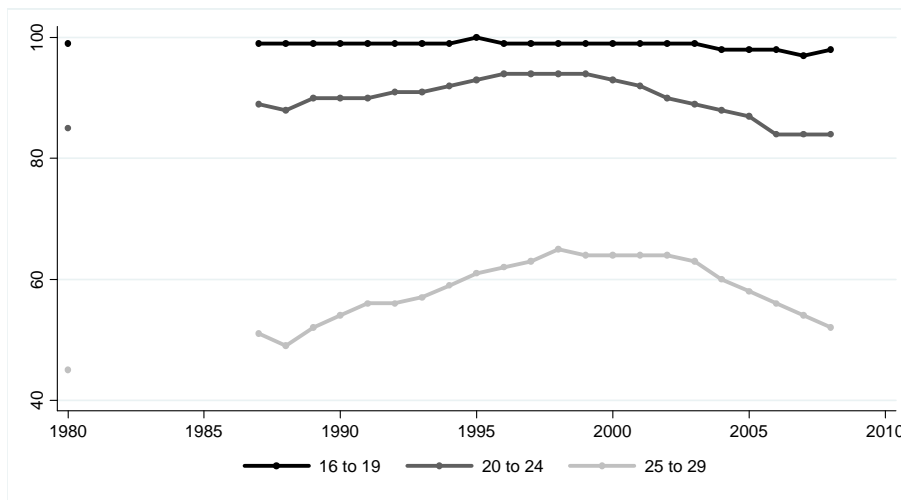
Source: Data for 1980 is from 'La emancipación de los jóvenes y la situación de la vivienda en España' (2002), Consejo Económico y Social (CES), Monograph 3/2002, table 1-3, p. 17 and has been obtained by the authors from the Labour Force Survey data. The trend from 1987 to 2008 is our own calculations from the Labour Force Survey data (Encuesta de Población Activa, Spanish Statitstics National Insitute) and refers to the 2nd term.

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[9] Yet at the end of the 1990s, 6 out of 10 young individuals living with their parents chose emancipation as their most desired way of living (CIS 1999).

Emancipation and household formation delay are closely related to fertility decline. As a matter of fact, the fertility rate of young girls measured by the number of children born per thousand women went down by half between 1980 and 2006 for the 15 to 19 age group, and it decreased from 116.3 to 33.0 for those aged 20 to 24 and from 146.3 to 65.45 for those aged 25 to 29. At the same time, mean age at the birth of a first child increased from 28.2 in 1980 to 30.9 in 2005, and the mean number of children per household decreased from 2.2 to 1.3 in the same period.[10]

4. Research questions

In this study we examine the relationship between youth living arrangements and poverty in Spain between 1980 and 2005 by focusing on the consequences that demographic change has on the well-being of youth and their families. In particular, we analyse emancipation delay and the economic well-being of families with young adults and the relationship between family poverty and fertility decline.

Our research questions can be detailed as follows: Have Spanish families been able to cope economically with the emancipation delay of their young members without increasing their poverty risk? What are the individual and household characteristics that best prevent families with young adults from falling into economic hardship? What is the impact of the increasing number of employed mothers in terms of youth well-being and that of the growing number of young workers remaining in the parental home? What is the poverty risk of young individuals that left the parental home during the analysed period? Has youth poverty become more linked with child poverty over time? Is childbearing too high an economic burden for young Spanish couples?

5. Methodology and data

5.1 Data

For the analysis we use four data sets that are representative of the Spanish population: the Family Expenditure Surveys (*Encuesta de Presupuestos Familiares, EPF*) for 1980-81 and 1990-91, the extended sample of the 7th wave of the European Community Household Panel (ECHP) of 2000 and the 3rd wave of the EU Survey on Income and Living Conditions (EU-SILC) of 2006. Since income information is collected for the

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[10] See Indicadores Demográficos Básicos by the Spanish National Statistics Institute at www.ine.es.

year preceding the interview, our poverty estimates refer to 1980, 1990, 1999 and 2005. The income variable we use throughout always refers to annual household income and includes all possible components. All data has been collected by the Spanish National Statistics Institute (INE). Table 1 shows the sample size of each data set.

One of the data's limitations is that the sample includes only private households, leaving out youth living in student residencies, orphanages or prisons, and young people who are homeless. Furthermore, the combination of four different data sets in the analysis may be seen as a drawback; however there is no other data available which suits the needs of our analysis.

Table 1:   Sample size (number of observations)

	EPF	EPF	ECHP	EU-SILC
	1980-81	1990-91	2000	2006
Households	23.940	21.145	14.957	12.138
Individuals	88.476	72.099	43.894	34.536
Young people (16-29)	18.117	16.387	9.340	6.086

Source: Own construction using the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 2000 and the 3rd wave of the Spanish component of the EU-SILC for 2006.

5.2 Definitions

In the literature on young people, there is no consensus about the age limit to consider when we talk about youth. Different countries and administrations use any range between 15 and 35. In general, however, the need to take into account that youth has been protracted given the increase in the length of education, the delay in emancipation and fertility postponement is also commonly agreed upon.

In this paper we have considered the age group between 16 and 29 (both included). The lower end of the age group was chosen for practical reasons, since for 1999 and 2005 we have detailed information only for individuals 16 or older. The upper end considered is much higher than the one recommended in the Laeken indicators [11] proposed by the European Commission for the analysis of poverty and social exclusion, however in Spain most of the transitions to adulthood have not yet taken place by the

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[11] One can check the Laeken indicators proposed by the European Commission at:
http://europa.eu.int/comm/employment_social/social_protection_commitee/spc_indic_en.htm

age of 24. The upper end of 29 is also the one used by most of the studies done by INJUVE, the Spanish Youth Institute of the Ministry of Work and Social Affairs.

A young person is considered poor if his/her equivalent household income is below the poverty line, defined as 60% of the median of that distribution. The threshold is time-specific, so there is a poverty line for each of the years analysed. The income variable used is that of total household income adjusted to the size and needs of the household. The modified OECD equivalence scale is used, which gives a weight of 1 to the first adult, 0.5 to the remaining adult members of the household and 0.3 to children under 14 years of age. In this first analysis, housing costs have not been taken into account, though we are aware of their increasing importance in recent years.

The poverty measurements we use are the poverty risk (or *headcount ratio*) and the poverty gap. The poverty risk refers to the percentage of individuals with household equivalent income below the poverty line. The poverty gap accounts for the total household income shortfall from the poverty line (expressed as a % of the poverty line) and is a measure of the *intensity* of poverty. Note that both measures belong to the Foster-Greer-Thorbecke family of indices that can be computed as follows:

$$FGT_\alpha = \left[\frac{1}{n} \cdot \sum_q \frac{(z - x_i)^\alpha}{z} \right] \cdot 100$$

where z is the poverty threshold, x_i the household income, n the population, and q the population below the threshold (see Foster, Greer and Thorbecke 1984). When $\alpha = 0$, we obtain the poverty risk and when $\alpha = 1$, the poverty gap. The analysis of the poverty indices is presented together with an inference analysis in order to assess whether or not differences are statistically significant. As in other poverty studies, we assume that all household income is pooled and shared equally among household members.

5.3 Econometric model [12]

Our empirical results are based on the Heckman selection model developed by Van de Ven and Van Praag (1981). This model was earlier applied by Aassve, Billari and Ongaro (2001) in their analysis of the importance of economic resources on the decision to leave the parental home in the Italian case.[13] The model estimates two

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[12] I am grateful to the referees for suggesting the estimation of this kind of model.

[13] Parisi (2008) uses a similar strategy when modelling poverty at the first year outside the parental home in Southern Europe using longitudinal data from the ECHP.

probits simultaneously: a selection equation that controls whether or not a young person is observed in the parental home, and a second one that estimates our main outcome of interest, namely poverty.[14] Further, unobserved heterogeneity is controlled for by allowing a free correlation between the two equations' error terms.

We adopt this methodology because poverty in the parental home is not observed for those individuals who are already emancipated and could have left the parental home in a non-random fashion. In other words, there could be unobserved characteristics that make some individuals more prompt to leave the parental home compared to those who stay. Ignoring this self-selection in the emancipation status could bias our poverty predictions. Similarly, poverty outside the parental home is not observed for non-emancipated youth.

In what follows, we formally develop the model for poverty in the parental home, but the model for poverty outside the parental home can be specified in the same fashion. We assume that in period t individuals can be characterised by a latent family poverty propensity p_{it}^* that takes the form:

$$p_{it}^* = \alpha' z_{it} + \omega_{it} \qquad [1]$$
$$P_{it} = I(p_{it}^* > 0)$$

where $i = 1, 2, ... N$ refers to individuals for whom we observe the poverty status in the parental home, α the column vector of parameters, z_{it} is the vector of explanatory variables and ω_{it} the error term assumed to be normally distributed with zero mean and unit variance. $I(p_{it}^* > 0)$ is a binary indicator function equal to one if the latent conditional poverty propensity is positive and equal to zero otherwise. Further, p_{it}^* is observed if and only if a second unobservable latent variable exceeds a particular threshold. That is, we will only observe p_{it}^* if the individual is still cohabiting with his/her parents at time t. Formally,

$$c_{it}^* = \beta' x_{it} + u_{it} \qquad [2]$$
$$C_{it} = I(c_{it}^* > 0)$$

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[14] In the original article, Heckman (1979), the outcome equation regresses a continuous variable.

where $i = 1, 2, ..., N, ..., M$ are all the individuals in the sample. Cohabitation is determined by the set of explanatory variables x_{it}, some common to z_{it} but not all. That is, we ensured model identification by including variables in the selection equation and not in the outcome one.[15] u_{it} is the usual white noise error and $I(c_{it}^* > 0)$ is a binary indicator function equal to one if the latent conditional cohabitation propensity is positive and equal to zero otherwise. And, finally, the correlation between ω_{it} and u_{it} is ρ. If ρ is significant and positive (negative) it means that individuals that are more likely to cohabit are also more (less) likely to live in a poor family.[16]

The model is estimated by maximum likelihood, the function of which can be defined as:

$$L = \prod_{i=1}^{N_1} \Phi_2(\alpha' z_{it}, \beta' x_{it}; \rho) \cdot \prod_{i=N_1+1}^{N} \Phi_2(-\alpha' z_{it}, \beta' x_{it}; \rho) \cdot \prod_{i=N+1}^{M} \Phi(-\beta' x_{it})$$

where Φ_2 and Φ are the cumulative bivariate and univariate normal distribution functions, respectively, $i = 1, ... N_1$ are the poor individuals that cohabit with parents, $i = N_1 + 1, ..., N$ are the non-poor group, and $i = N + 1, ..., M$ is the group of individuals that have already left the parental home.

In all regressions we adjust standard errors for intra-household correlation, given young individuals in the same household share the same poverty status. Separate regressions for boys and girls are run to observe differences by gender and commented on throughout the paper.[17] The explanatory variables are at both the household and

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[15] Percentage of rental housing in the Autonomous Region (Comunidad Autónoma) is the variable used as an instrument to identify the model. The idea behind this instrument is that it is easier for young people to leave the parental home where there is more availability of housing to be rented. Ideally, we would have used information on empty flats to be hired in each region. Yet, as this information was not available, we proxied it with the percentage of rental housing. We checked that the percentages computed with our data sets were not so different from those of the Population Census (when available). Notice also that we considered the information at the regional level given geographical mobility has been and still is very low in Spain (European Commission 2008). Furthermore, it has been argued that the increasing scarcity of rental housing adds to the factors explaining emancipation delay in Spain (CES 2002).

[16] If the correlation is, for instance, negative and significant, it implies that raw probabilities from descriptive tables are below predicted probabilities, as ignoring selection under predicts poverty risk. This is actually the case in our analysis (see below).

[17] For brevity, regressions by gender are not shown but are available from the author upon request.

individual levels.[18] Some results are presented by predicting poverty probabilities after model estimation. Probabilities are always conditional on selection and refer to discrete changes of the variables of interest while leaving the rest at the observed value.[19]

6. Analysis and findings

6.1 Youth poverty in Spain and living arrangements, 1980-2005

In this section, we focus on the analysis of youth poverty over time. The first rows of Table 2 show the poverty risk for the whole population and among young people for each of the analysed years. Asterisks between rows indicate whether or not the risk among young individuals is, according to a simple t-test, statistically different from the one estimated for the whole population. And the last three columns show if differences are statistically significant over time.

Table 2: **Relative poverty measures in Spain for the whole population and amongst youth, 1980-1999 (weighted results)**

	1980	1990	1999	2005	1980-1990	1990-1999	1999-2005
Poverty risk							
Population	19.33 ***	16.47 ***	18.30	19.62 ***	***	***	***
Youth	16.73	15.49	17.83	16.87	***	***	
Poverty gap							
Population	5.45 ***	4.19	5.44 *	5.92	***	***	***
Youth	4.90	4.22	5.87	5.72	***	***	

Source: Own construction using the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 1999 and the 3rd wave of the Spanish component of the EU-SILC for 2005. Last three columns assess if differences are statistically significant over time while the rest inform of differences between the whole population and youth in each sample year. Significance: *** 99% confidence level, ** 95% and * 90%.

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[18] Other explanatory variables than those presented in the results were considered, however they were disregarded if they were correlated with the variables of main interest. For instance, age and sex of the household head was taken into account, but their correlation with the variable that accounts for number of parents and their activity status was high, and they were therefore left out of the regression. Furthermore, we were restricted to variables that were collected in all four of the data sets used.

[19] We prefer predicted probabilities at observed values rather than at mean values. That is because certain variables very much change across time which implies that sample means would not be very representative for the entire period.

Results show an important decrease in the poverty risk during the 1980s, both for the whole population and among young people.[20] This positive trend breaks during the 1990s, with an increase of more than 3% from 1990 to 2005. Among young people, the poverty rate also grows in the 1990s, though it stabilises between 1999 and 2005. At the beginning of the sample period, young people also had a poverty risk significantly below that of the population as a whole. Yet this *relatively privileged position* of youth in terms of economic well-being is lost at the end of the 1990s and only recovered by 2005 with a poverty rate 2.8 points below population average.

Similar findings are obtained by using the poverty gap: there is an improvement during the 1980s that vanishes during the 1990s. Furthermore, in the case of young people, we observe an overall increase between 1980 and 1999 of 20% in the poverty gap, meaning that poor youth became even poorer during the 1990s, with household incomes being on average farther away from the poverty threshold. The first years of the new century, though, seem to have stabilised the situation among youth.

In short, the youth poverty trend for the period between 1980 and 2005 is characterised by an improvement during the 1980s, an important deterioration through the 1990s and a more stable pattern from 1999 to 2005. The youth headcount ratio in 2005 is not different from the one in 1980, despite the important economic growth enjoyed in Spain since the mid-1990s. Furthermore, the youth poverty gap is even wider. Yet, as is shown below, important differences are observed according to living arrangements.

6.2 Youth poverty in the parental home

Table 3 shows the percentage of youth cohabiting with one or both parents and also the poverty risk trend across the analysed period. Results from a descriptive analysis illustrate the increase in the percentage of people living with their progenitors, which accounts for nearly 15 points between 1980 and 1999, and the decrease at the beginning of the 21st century. Notice also how the percentage of youth living with only one of their parents has doubled during the analysed period.

Interestingly, when cohabiting with both parents, the poverty risk has statistically decreased more than 2 percentage points between 1980 and 2005, despite the increase in the 1990s. The poverty risk of youth living in single parent households has remained for the most part stable over time.

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[20] This trend in Spain has been shown before by, among others, Cantó and Mercader (2002) and Cantó, Del Río and Gradín (2003), though results are not directly comparable because of different methodological choices. See also Ayala et al. (2008) for the most recent data.

Table 3: **Percentage of youth and poverty risk by living arrangements in Spain, 1980-2005 (weighted results)**

	% youth				Poverty risk (% poor)			
	1980	1990	1999	2005	1980	1990	1999	2005
In parental home	68.2	78.2	83.0	80.0	19.2	16.0	18.0	17.3
1 parent	*6.8*	*8.5*	*10.3*	*12.2*	*21.0*	*20.1*	*22.9*	*21.3*
2 parents	*61.4*	*69.7*	*72.8*	*67.8*	*19.0*	*15.5*	*17.3*	*16.6*
Emancipated	31.8	21.8	17.0	20.0	11.5	13.8	16.9	15.1
Total	100.0	100.0	100.0	100.0				

Source: Own construction using the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 1999 and the 3rd wave of the Spanish component of the EU-SILC for 2005.

Results from the Heckman selection probit model presented in Table 4 allow for the characterisation of youth poverty in the parental home while controlling for observed and unobserved heterogeneity and selection in the emancipation status.

Estimates show that the labour market activity of parents has always determined the poverty status of young people. Unsurprisingly, cohabiting with parents that are out of the labour market, as opposed to living with one employed parent, increases the poverty risk among young people. In 2005, for instance, the predicted poverty probability among youth living with non-employed parents is around 28%; it is 21% if they are cohabiting with 2 parents and one is employed and 12% if both are at work.

More interesting are changes over time. Figure 6 shows the predicted poverty probability (left-hand *y*-axis) and the share of youth among those not emancipated (right-hand *y*-axis) according to parents' employment status.[21] The most important change is in the number of people living with both parents at work, which tripled (from 10 to 30%), while their poverty risk decreased about 5 percentage points between 1980 and 2005 (and indeed 10 points by 1990). In parallel, the number of young Spaniards cohabiting with both progenitors but with only one employed decreased from 63 to 39% at the same time their poverty probability increased from 16 to 21%.[22]

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[21] Note that the predicted probability has a range of (0-40) in each graph to ease comparison. The right hand y-axis that graphs the share of each group in the non-emancipated population has a range of 30 points, yet the scale level may be different depending on the size of the group.

[22] Estimates for families with both parents non-employed show a significant decrease in the poverty risk yet predicted probabilities show it is very small. Results for lone-parent families are not precisely estimated over time, most likely because of small sample sizes. While further research for this group is required, predicted probabilities seem to indicate an increase in the poverty risk trend among lone-parent households where the progenitor is employed.

That is, the reduction in the poverty risk among non-emancipated youth is readily explained by the fact that an increasing number of young people are living in households with a decreasing poverty risk. Thus, emancipation delay is most found in those families that best can afford it.

Table 4: **Parameter estimates of a Heckman selection probit model for poverty among youth living in the parental home in Spain, 1980-2005**

	Coeff.	TIME EFFECTS		
OUTCOME EQUATION (poor)		1990	1999	2005
Ref. 2 parents, one works				
1 parent, not employed	0.330 ***	0.084	-0.020	-0.053
	(0.079)	(0.108)	(0.115)	(0.134)
1 parent, employed	-0.046	-0.080	-0.022	0.206
	(0.101)	(0.152)	(0.144)	(0.139)
2 parents, neither works	0.490 ***	0.019	-0.245 ***	-0.295 ***
	(0.050)	(0.071)	(0.086)	(0.098)
2 parents, both work	0.001	-0.476 ***	-0.582 ***	-0.442 ***
	(0.069)	(0.116)	(0.105)	(0.107)
Ref. Maximum level of education achieved by parents: Primary school				
No studies	0.355 ***			
	(0.028)			
Secondary	-0.332 ***			
	(0.039)			
University	-0.866 ***			
	(0.061)			
Ref. Young person is a student				
Employed	-0.109 **	-0.420 ***	-0.397 ***	-0.495 ***
	(0.044)	(0.061)	(0.063)	(0.073)
Unemployed or inactive	0.348 ***	-0.109 *	-0.220 ***	-0.333 ***
	(0.041)	(0.056)	(0.068)	(0.079)
Ref. No children in household				
There is at least one child	0.240 ***	0.255 ***	0.178 ***	0.130 *
	(0.040)	(0.059)	(0.068)	(0.076)
Ref. No other income receivers				
Other income receivers	-0.177 ***	-0.250 ***	-0.190 **	-0.192 *
	(0.058)	(0.087)	(0.092)	(0.102)

Table 4:   (Continued)

	Coeff.	TIME EFFECTS		
OUTCOME EQUATION (poor)		1990	1999	2005
Ref. Owned housing				
Rented housing	0.015	-0.031	0.229 ***	0.382 ***
	(0.022)	(0.071)	(0.086)	(0.090)
Number of young people	0.029 *			
	(0.014)			
Ref. 1980				
1990	0.062			
	(0.064)			
1999	0.574 ***			
	(0.067)			
2005	0.881 ***			
	(0.078)			
Constant	-1.139 ***			
	(0.064)			
SELECTION EQUATION (Cohabitation with parents)				
Ref. Young in age group 16-19				
20-24	-0.758 ***	0.290 ***	0.346 ***	0.330 ***
	(0.011)	(0.017)	(0.023)	(0.029)
25-29	-1.854 ***	0.495 ***	0.693 ***	0.787 ***
	(0.020)	(0.027)	(0.031)	(0.036)
Ref. Student				
Employed	-0.591 ***	-0.050 *	-0.230 ***	-0.262 ***
	(0.019)	(0.026)	(0.028)	(0.031)
Unemployed or other	-0.638 ***	-0.094 ***	-0.366 ***	-0.392 ***
inactive	(0.018)	(0.026)	(0.032)	(0.037)
Ref. Boy				
Girl	-0.370 ***	-0.011	0.053 **	0.075 ***
	(0.015)	(0.021)	(0.024)	(0.028)
Percent of rental housing in	-1.135 ***	0.599 **	-2.182 ***	-2.887 ***
region	(0.132)	(0.232)	(0.346)	(0.392)
Ref. 1980				
1990	-0.036			
	(0.044)			
1999	0.400 ***			
	(0.049)			
2005	0.447 ***			
	(0.056)			
Constant	2.369 ***			
	(0.033)			
Rho -0.382*(0.030)* *** / Log pseudolikelihood = -34928.49 / N= 48779 (censored: 11685)				

Note: Time effects are always relative to 1980. Regional dummies (NUTS-2) were also included in both equations. Robust standard errors in brackets. Significance: *** 99% confidence level, ** 95% and * 90%.. Estimates based on the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 1999 and the 3rd wave of the Spanish component of the EU-SILC for 2005.

Figure 6: **Predicted poverty probability and Percentage of non-emancipated youth by parents'employment status in Spain, 1980-2005**
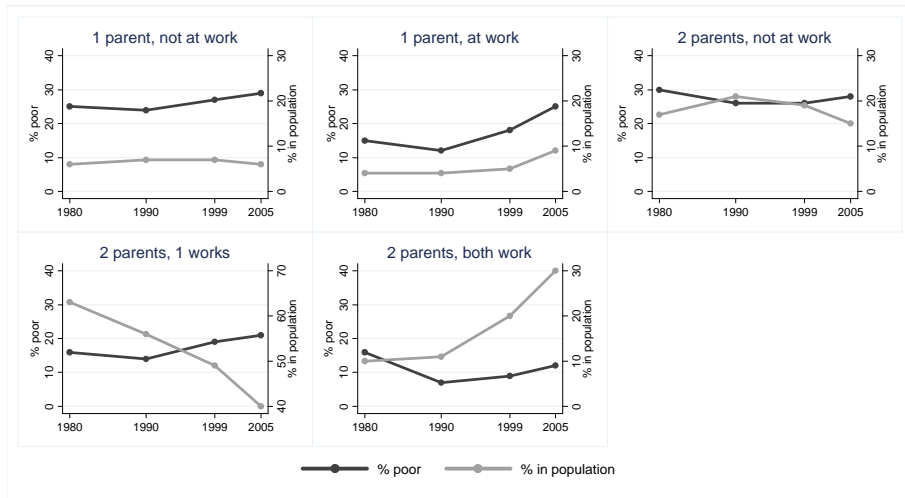
Another key factor in the characterisation of youth poverty in the parental home is the activity status of young people. Coefficients in Table 4 show that working young people reduce their family risk of poverty. This effect has been found before for the beginning of the nineties by Cantó and Mercader (2001a, 2001b) in the Spanish case.[23]

Our results go further, showing that the *help-effect* provided by employed young people against economic hardship significantly increased during the 1990s and at the beginning of the new century compared to 1980. Interestingly, the employment of young people is especially important in the reduction of the poverty risk in families in greater economic need. In Figure 7, we have computed the predicted poverty probability distinguishing whether the young individual is working or studying and accounting for household type. As illustrated, the help-effect provided by an employed

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[23] See also Martínez-Granado and Ruiz-Castillo (2002) for the argument that in Spain the inter-generational family provides support not only from parents to children but also from children to parents. Furthermore, Iacovou and Davia (2005) conclude that it is in the Southern European countries that adult children are most likely to be supporting parents.

young individual as opposed to the economic burden of a student, shown by the distance between the two curves, is much greater in households with high poverty risk — namely those where none of the progenitors work. As argued by Reher (1998), "the solidarity between the older and the younger generation never breaks down; it is a social obligation expected by individuals and by their families" (Reher 1998: 212).[24]

In other words, the earnings of young people have become a relevant factor in the reduction of the risk of family poverty over time, even when youth wages kept decreasing during the whole period. That is, youth incomes have not been sufficient to promote emancipation, yet they are an important complement to household earnings that help families out of economic hardship. Young people have "adapted to economic circumstances" by remaining in the parental home in what can be seen a win-win strategy for families, as both parents and offspring are better off cohabiting.[25]

Figure 7:   Predicted poverty probability by household type and youth employment status in Spain, 1980-2005
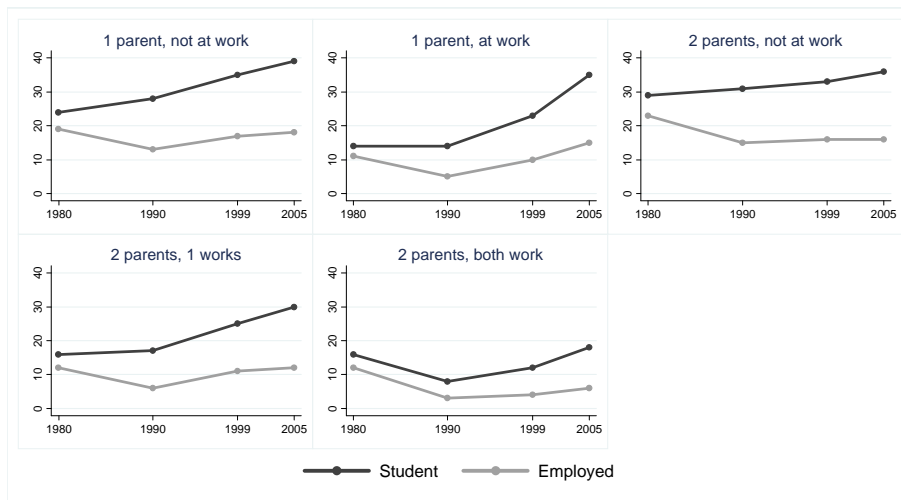
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[24] See Chapter 4 in Esping-Andersen (2000) for a similar argument.
[25] Cohabitation with parents is also a period of time that youth use for the accumulation of economic resources that will assure them a smooth residential transition. As Alessie, Brugiavini and Weber (2006) argue, it is a time used for the accumulation of assets for a down payment on an owned dwelling.

Additional results show that the highest level of education acquired by the parents is an important factor in the characterisation of youth poverty (even when time effects were not significant). Youth poverty is associated with the presence of children in the household, but this effect loses importance with time — as the fertility rate goes down in Spain. Furthermore, cohabitation with other income receivers (mainly grandparents receiving a pension) decreases the odds of being poor, but, again, this effect has smaller explanatory power over time as three-generation families become less common in Spain.

The results of the selection equation in the Heckman probit model show that living in the parental home is negatively associated with age, though this effect has been less strong over time — since emancipation has been postponed for all ages. Also, being employed is reversely related with cohabitation with parents, a characteristic that has acquired more importance: employment is a more necessary condition for emancipation today than before.[26] Separate regressions by gender show that this effect has become stronger in the case of girls, pointing to the fact that employment (and thus personal economic resources) is an important precondition for female emancipation. Flaquer (1995) argues that more educated girls are less ready to become dependent on a partner and prefer dependence on parents.[27] The less availability of rental housing in the region, the more likely young people are to live with their parents. And, finally, girls are less likely to be living with their progenitors than boys (as partnering occurs earlier for females), though time effects show that this trend could be changing.

Finally, the correlation between the selection and the outcome equations is significant, which underlines the appropriateness of the Heckman selection model. The negative sign indicates that unobservables that make an individual more likely to cohabit with his/her progenitors also make him/her less likely to be found in poverty. A simple probit that would ignore self-selection in the emancipation status would under predict parental home poverty.[28]

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[26] Unfortunately, a lack of information in all data sets used does not allow for an analysis of the influence of the type of contract on emancipation. See Ahn and Mira (2001) for a study of the relationship between the lack of stable employment among males and a delay in marriage and first childbirth in Spain.

[27] Jurado Guerrero (1997) observed for 1991 that unemployed or inactive girls tended to move from 'parental dependency' to 'husband dependency' when leaving home. Our results point out that this trend could be reversing.

[28] A simple probit would predict a family poverty probability among young people of 18.3% at observed values while the Heckman model predicts a univariate probability of success of 21.3%. Yet recall that throughout the paper we have chosen to use Heckman conditional (on selection) probability of success which is very similar to the simple probit prediction.

6.3 Youth poverty outside the parental home

Many deep transformations have taken place for youth outside the parental home. The descriptive analysis in Table 5 shows that in 1980 20% of young Spaniards lived with a partner and had at least one child. This percentage represented only 5% in 2005. Among those having more than one child, the percentage has moved from 9.2% to 1.6%. In parallel, there has been an increase in childless young couples.

The economic circumstances of emancipated youth are very different depending on the presence or absence of children of their own. The poverty risk for young parents that have one child has increased from 4.8% in 1980 to 21.3% in 2005 and from 16.3% to 46.6% for those with more than one child. Conversely, couples without children show the lowest poverty risk among all groups.

Table 5: **Percentage of youth and poverty risk by living arrangements in Spain, 1980-2005 (weighted results)**

	% youth				Poverty risk (% poor)			
	1980	1990	1999	2005	1980	1990	1999	2005
In parental home	68.2	78.2	83.0	80.0	19.2	16.0	18.0	17.3
Emancipated	31.8	21.8	17.0	20.0	11.5	13.8	16.9	15.1
Alone / friends	*8.3*	*5.7*	*3.9*	*6.8*	*17.9*	*14.9*	*25.7*	*16.2*
Partner, no children	*4.4*	*4.0*	*6.5*	*7.7*	*4.6*	*3.9*	*5.2*	*3.9*
Partner, 1 child	*9.7*	*7.0*	*3.7*	*3.4*	*4.8*	*9.7*	*14.5*	*21.3*
Partner, 2 children	*9.2*	*4.5*	*1.8*	*1.6*	*16.3*	*27.2*	*38.9*	*46.6*
Other	*0.2*	*0.6*	*1.2*	*0.5*	*6.7*	*17.8*	*26.3*	*26.7*
Total	100.0	100.0	100.0	100.0				

Source: Own construction using the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 1999 and the 3rd wave of the Spanish component of the EU-SILC for 2005.

Poverty estimates from the Heckman selection model conditional on being outside the parental home (Table 6) show that work is negatively associated with poverty, and that interactions with time are only statistically significant until 1999. This is because, despite youth wages having worsened, fewer workers emancipate if they cannot guarantee themselves a decent standard of living. Alternately, Aassve, Iacovou, and Mencarini (2006) have shown that it is in the Southern European countries that the residential transition is the smoothest as measured by the poverty risk. Having a partner who works, as opposed to having no partner or a non-employed partner, reduces the risk

of poverty. Differences over time are not significant, and time effects are left out of the regression.

As mentioned, childbearing is a key factor in explaining poverty of emancipated youth, together with labour market characteristics. Having two or more children is positively related to poverty, and it is unsurprising if we take into account that in this case the mean age at first childbirth is around 21.

Table 6: **Parameter estimates of a Heckman selection probit model for poverty among youth living outside the parental home in Spain, 1980-2005**

|	Coeff.	TIME EFFECTS		
OUTCOME EQUATION (poor)		**1990**	**1999**	**2005**
Ref. Unemployed or inactive				
Employed	-0.552 *** (0.024)	-0.101 *** (0.011)	-0.070 *** (0.019)	0.080 (0.103)
Ref. No partner				
With partner, employed	-0.801 *** (0.058)			
With partner, not employed	-0.109 * (0.065)			
Ref. No children of own				
1 child	-0.073 (0.051)	0.466 *** (0.012)	0.462 *** (0.019)	0.741 *** (0.136)
2 or more children	0.636 *** (0.055)	0.392 *** (0.008)	0.315 *** (0.025)	0.523 *** (0.165)
Ref. Owned housing				
Rented housing	0.018 *** (0.001)	0.177 *** (0.001)	0.487 *** (0.009)	0.332 *** (0.118)
Ref. 1980				
1990	-0.186 *** (0.013)			
1999	0.092 *** (0.013)			
2005	0.131 (0.104)			
Constant	-0.988 *** (0.085)			

Table 6:   (Continued)

	Coeff.	TIME EFFECTS		
OUTCOME EQUATION (poor)		1990	1999	2005
SELECTION EQUATION (Being outside the parental home)				
Ref. Young in age group 16-19				
20-24	0.874 ***	-0.254 ***	-0.260 ***	-0.317 ***
	(0.002)	(0.002)	(0.003)	(0.082)
25-29	2.040 ***	-0.434 ***	-0.556 ***	-0.721 ***
	(0.004)	(0.003)	(0.004)	(0.083)
Ref. Unemployed or inactive				
Employed	0.114 ***	0.013 ***	0.115 ***	0.147 ***
	(0.0007)	(0.0006)	(0.002)	(0.049)
Ref. Boy				
Girl	0.403 ***	0.006 ***	-0.027 ***	-0.092 **
	(0.0009)	(0.001)	(0.002)	(0.039)
% of rental housing in region	0.708 ***	-0.753 ***	1.142 ***	2.289 ***
	(0.107)	(0.057)	(0.166)	(0.785)
Ref. 1980				
1990	-0.007			
	(0.017)			
1999	-0.429 ***			
	(0.019)			
2005	-0.428 ***			
	(0.117)			
Constant	-1.909 ***			
	(0.076)			
Rho 0.326 *(0.031)* *** / Log pseudolikelihood = -24597.85 / N= 48871 (censored: 37247)				

Note: Time effects are always relative to 1980. Regional dummies (NUTS-2) were also included in both equations. Robust standard errors in brackets. Significance: *** 99% confidence level, ** 95% and * 90%. Estimates based on the Family Expenditure Surveys 1980-81 and 1990-91, the extended sample of the 7th wave of the ECHP for 1999 and the 3rd wave of the Spanish component of the EU-SILC for 2005.

Yet most important are differences over time: the economic situation of young parents worsens severely during the analysed period, with the poverty probability at its highest in 2005. Figure 8 shows the predicted poverty probability depending on the number of children and by different household types. The results illustrate that emancipated employed couples with no children are among the better off groups in Spanish society, with poverty risks below 5% throughout the whole period. Yet things change very much with the arrival of children, especially if one of the members loses or quits his/her employment. The second graph shows that couples with one child had a poverty probability of 8% in 1980 if only one of the partners worked, a percentage that increased to 13%, 22% and 37%, in 1990, 1999 and 2005, respectively. With two children, the percentage reaches 56% in 2005. The situation is far worse yet for lone-parent families, as shown.

Figure 8: **Predicted poverty probability by household type and number of children in Spain, 1980-2005**
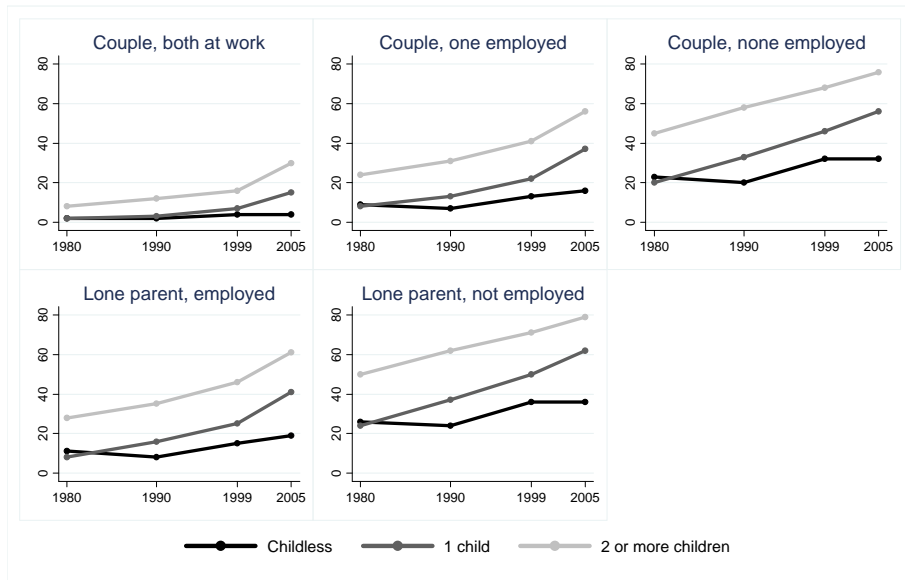
The results point to the fact that emancipated youth seem to have enough economic resources to keep themselves out of economic hardship, yet they have great difficulties economically sustaining their offspring. This helps to explain the decline in the fertility rate in the Spanish case for the period. Our findings reveal the extent to which social protection for children is scarce in Spain (see Chesnais, 1996).

As expected, estimates of the selection equation (being outside the parental home) have the opposite sign from those of Table 4 when modelling cohabitation with parents. Similar conclusions are reached. Note that the correlation between both equations is significant and positive, indicating that a simple probit would over predict poverty for emancipated individuals.

7. Conclusions

In this paper, we examine the relationship between youth living arrangements and poverty in the period between 1980 and 2005 in Spain. The youth poverty trend is characterised by an improvement during the 1980s, an important deterioration throughout the 1990s and a more stable pattern from 1999 to 2005. As measured by the poverty risk, youth economic well-being in Spain in 2005 is not better than it was in 1980, despite the fact that the Spanish economy has been growing an average of more than 3% per year since the mid-1990s. Indeed, the situation of the youth as the poorest among the poor has continued to worsen.

Important differences are observed according to living arrangements. Non-emancipated youth show a higher poverty risk than those living outside the parental home; however it is the situation of emancipated Spaniards that has changed the most.

Spanish families have coped with the emancipation delay of their young members without worsening their economic well-being as measured by the poverty risk. From the econometric model we have found that the increase in the number of both parents at work thanks to the rise in female participation in the labour market has played a crucial role in the reduction of poverty among youth, putting a damper on the effect of the decline in the economic status of young people. Emancipation delay is most concentrated in those families that best can afford it.

Furthermore, the results illustrate that the salaries of young people in the parental home have acquired a greater importance in the reduction of poverty over time, even when youth labour market conditions worsened severely. Strong family ties demand not only that parents economically support their offspring but also that young people care for their progenitors. Both *help flows* have gained in importance during the last two decades, strengthening ties in Spanish families.

Among those emancipated, childless young couples are among the better off groups in society. Our findings show, nonetheless, that childbearing imposes a great economic burden that has continued to increase throughout the whole period. That is, an increasing number of young people who are residentially independent had incomes over the poverty threshold, but this income is insufficient to keep their offspring out of poverty. Child poverty and youth poverty have become closer phenomena over time in Spain, which partly explains the Spanish fertility decline

Young Spaniards have been "adapting to circumstances" during the analysed period in order to prevent a decline in their economic well-being as is demonstrated by an increase of people in the most protected groups (mainly those living with both parents) and a decrease in the number in higher risk groups (especially those emancipated with children). On the positive side, it is clear that if young people and their families had not accepted co-residence as a natural strategy for coping with

economic difficulties, far more people would have experienced economic hardship in Spain in recent decades.

On the negative side, economic dependency poses restrictions on Spanish young people's decisions related to the life cycle, delays their acquisition of autonomy and limits the development of their life chances as a result of their living in a semi-dependent status abnormally long in comparison to their European counterparts. Furthermore, it endangers the ability of a society to reproduce itself (Fernández Cordón 1997, Reher 1998).[29]

The most recent data suggests a change in the trend of the rate of emancipation with a slight recovery at the dawn of the 21st century. Nevertheless, the onset of the economic crisis in 2008 may change the opportunities young people have once again, and young people may need to rely on the economic support their families can provide more than ever before. Avenues for future research are wide open.

8. Acknowledgments

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[29] Reher (1998) argues that systems with strong family ties are more vulnerable to demographic change as opposed to systems with weak family ties because the model of the former is also based on the support and care children offer to the aged, and thus the elderly depend on the existence of children.

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