

Youth poverty in Europe

Findings
Informing change

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This research examines poverty among young people aged 16 to 29, across 13 countries of the pre-enlargement European Union. It charts how poverty rates vary between countries, looks at the factors associated with being poor and examines the events that are linked with moving in and out of poverty. Using this comparative approach, it suggests relevant policy lessons for the UK.

Key points

- Young Europeans in their late teens and early twenties are at a higher risk of poverty than all other groups except for children and older people. The risk of poverty declines significantly in the late twenties.
- There are large variations between countries. Poverty rates among 20- to 24-year-olds range from eight per cent in Austria to 30 per cent in Finland (compared with eleven per cent for the whole population). The UK rate of 20 per cent is towards the upper end of the scale.
- The most important predictor of a young person being poor is whether they still live with a parent: those who have left home are at a much higher risk of poverty. This risk is particularly high in the first year after leaving home.
- Living with a partner (whether married or cohabiting) protects young people from poverty in most countries, including the UK. However, this protective effect is not evident in the first year of a partnership, perhaps due to the costs of setting up home.
- Having children is associated with a greater risk of poverty, especially in the year after birth. This 'poverty penalty' is highest in the UK, but in Scandinavian countries having children carries no extra risk of poverty due to their 'child-friendly' policies.
- Employment protects young people from poverty. But in most countries the protective effect of employment is apparent only after the young person has held a job for at least a year. It is not getting a job that is important, but getting and *keeping* a job.
- Suggested policy measures include:
 - learning from Scandinavian countries' family-friendly policies;
 - targeting resources on those young people who have just left home; and
 - evaluating youth employment schemes on levels of job retention, not just numbers of young people getting work.

The research

By Maria Iacovou and Arnstein Aassve of the Institute for Social and Economic Research (ISER) at Essex University.

Background

This study uses data from the European Community Household Panel (ECHP), a group of comparable data sets covering the 15 countries of the pre-enlargement European Union. The research covers the years between 1994 and 2001, in 13 countries: Finland, Denmark, the Netherlands, UK, Ireland, France, Germany, Austria, Belgium, Portugal, Spain, Italy and Greece.

The analysis uses a standard measure of relative poverty: a person is considered to be poor if he or she lives in a household where after-tax income, adjusted for household size, is less than 60 per cent of median income in the country in which he or she lives. It also uses two indicators of deprivation – one based on income, the other on the household's ability to afford certain necessities of life. Using these extra measures confirms that the findings are valid, and are not simply an effect of the way poverty is measured.

How youth poverty varies between countries

Figure 1 shows, for each country, the percentage of young people aged 16 to 24 who are poor, as well as average poverty rates among the whole population.

There is a great deal of variation between countries. The highest youth poverty rates are found in Finland, the Netherlands and, to a lesser extent, Denmark, since

these are countries which boast some of the lowest general rates of poverty in the world. The very high youth poverty rates in these countries can be attributed to the early age at which young people leave the parental home.

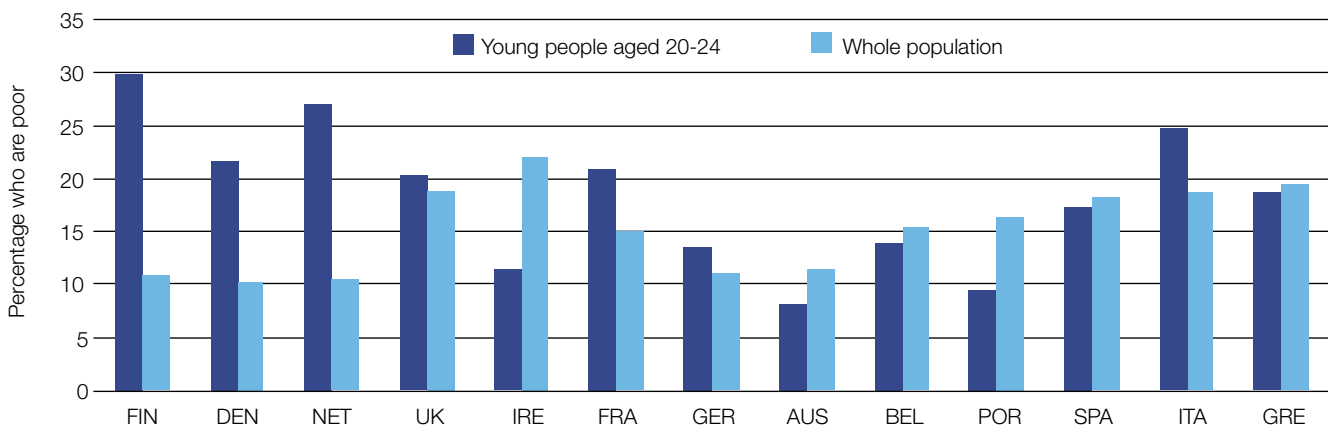
The high youth poverty rate in Italy is less surprising, associated as it is with generally high levels of poverty and a very unfavourable youth labour market.

In the other Southern European countries, as well as Ireland, the widespread practice of young people remaining in their parents' home for protracted periods has a protective effect: poverty rates are generally high in these countries, but young people face a lower risk of poverty than the population as a whole.

The lowest youth poverty rate is found in Austria, at eight per cent for the 20 to 24 age group. The corresponding German rate of 14 per cent seems less impressive. However, examination of youth poverty rates across the wider 16 to 29 age group shows that Austria and Germany are the only countries which keep poverty rates low and almost constant throughout the young adult years. The researchers attribute this success at least partly to their systems of vocational education: the paid apprenticeships which are the cornerstone of these systems provide adequate incomes while young people are training and reasonable employment opportunities afterwards.

In the UK, poverty rates for the 20 to 24 age group are towards the upper end of the scale, at just over 20 per cent. Poverty rates among the 16 to 19 age group (not shown on Figure 1) are higher, at almost 23 per cent. These high poverty rates among people in their late teens derive partly from the same causes as the UK's high child poverty rates, and will benefit from many of the same policy solutions.

Figure 1: Poverty rates among 20- to 24-year-olds in 13 countries



Factors associated with youth poverty

Leaving home

In the analysis of the factors associated with youth poverty, the most important factor was leaving the parental home.

In nearly all countries, living away from the parental home carries a sizeable extra risk of poverty. In the UK young people who leave home have a risk of poverty 24 percentage points higher than peers who still live at home. The extra risk associated with leaving home is over ten per cent in all European countries except Southern European countries and Ireland. In these countries, leaving home typically occurs late; young people usually leave home in order to get married, and wait until they have accumulated resources and income to support themselves. By contrast, in countries where young people tend to leave home early, it is clear that many of them do so without the necessary resources to keep themselves out of poverty.

This study also examined the link between leaving home and moving in and out of poverty. Again, there is a strong relationship between the two. Looking at young people who are not poor, their risk of moving into poverty is considerably increased if they live away from home and increases even more in the year in which they leave home.

Likewise, looking at young people who are already poor, their chances of exiting poverty are lower if they live away from the parental home – and particularly low in the year in which they leave home.

The researchers asked two questions about the way in which this research should be interpreted:

- Whether the elevated risks of poverty associated with leaving home are simply due to the method used to define and calculate poverty. These calculations involve making assumptions about the way resources are shared within a family. To check this, the researchers repeated the analysis using a deprivation index which does not rely on these assumptions and produced very similar results. This suggests that the findings do not occur because of the method of measuring poverty.
- The extent to which leaving home actually causes poverty – as opposed to merely being associated with poverty. For example, if young people who were likely to be poor tended to leave home at younger ages, there would be an association between leaving home and poverty, without the first actually causing the second. The analysis shows that it can be confidently asserted that leaving home causes young people to be poor.

Marriage, cohabitation and children

Living with a partner tends to protect young people from poverty, whereas having children generally increases the risk of poverty. These effects are smaller than the effect of leaving home, but they are significant in most countries. In the UK, being married or cohabiting reduces the risk of poverty by around ten percentage points, but each child increases the risk of poverty by ten percentage points.

Interestingly, the 'poverty penalty' associated with having children is higher in the UK than in any other country. Indeed, in Finland and Denmark, young people who have children are at no greater risk of poverty than other young people. These countries' twin policy instruments, which on the one hand compensate parents for the cost of having children via welfare benefits, and on the other hand make it easy for parents to combine paid work and child-rearing, could be effective in the UK.

The researchers also examined how the effects of relationship formation and having children evolve. In most countries the protective effect of marriage and cohabitation takes time to take effect – it is hypothesised that this is because of the costs involved in setting up home with a new partner. By contrast, the effect of having children is strongest in the first year after they are born and reduces after that.

Employment

The UK government views employment as key to avoiding poverty – this is abundantly clear both in its rhetoric and in recent changes to the tax and benefits system. This research shows that – to a degree at least – work plays a role in keeping young people out of poverty. However, a number of factors should be kept in mind:

- Among the age group considered here, many young people will still be in education, and therefore it is not appropriate to seek to lower their risk of poverty via full-time work.
- In all countries, except Southern European countries, employment is not the main factor affecting the risk of poverty. Even in the UK, where the effect of employment is large relative to most other countries, it is substantially smaller than the effect of living arrangements.
- The analysis shows clearly that employment has very little protective effect during the first year that a young person has a job. It is not getting a job which is important, but getting and keeping a job.

Conclusion

Young adulthood is a time of life transitions and much uncertainty. Young adults are not the most vulnerable group in society, children and older people being most at risk of poverty. However, young people in many countries, including the UK, face a risk of poverty considerably higher than that faced by most other age groups. This study has identified several policy measures which could be considered:

- Measures which reduce child poverty will also tend to reduce poverty among young adults still living with a parent.
- If financial assistance were to be made available with the aim of reducing youth poverty, this could most usefully be targeted at those who are in the first year or two of living away from the parental home.
- To reduce poverty among young parents, the UK could learn from the Scandinavian countries' systems of comprehensive family support (which compensate families for the costs of children) and family-friendly labour markets (which make it easy for mothers to combine paid work and motherhood).
- The Austrian and German systems of paid apprenticeships play an effective role in keeping poverty rates among young adults extremely low. They reduce long-term poverty and reduce the risks of poverty associated with life events such as leaving home.
- Employment is useful in keeping young people out of poverty – but getting a job is not enough in itself. Young people must get and keep jobs in order to avoid poverty. Schemes to encourage young adults into work should be designed with this in mind, and evaluated on the basis of their success at keeping young people in work for at least a year.

About the project

This study uses data from the European Community Household Panel (ECHP), a set of large-scale data sets which were designed to be comparable across countries. The research was carried out by Maria Iacovou and Arnstein Aassve of the Institute for Social and Economic Research, Essex University, in collaboration with Maria Davia (Madrid); Letizia Mencarini (Florence) and Stefano Mazzucco.

For further information

The full report, **Youth poverty in Europe** by Maria Iacovou and Arnstein Aassve, is published by the Joseph Rowntree Foundation.

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