

Inequality of Resources Among Young Adults: An individualised Approach

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Abstract – This paper proposes a new measure of the financial situation of young adults by constructing an “individualised” measure of young adults' standard of living, distinct from that of the parental household. To this end, we incorporate a monetary valuation of co-residence and a precise quantification of parental financial assistance using the 2014 *Enquête nationale sur les ressources des jeunes* (National Survey on the Resources of Young Adults). The proposed approach to living standards is shown to correlate better with perceived financial well-being as reported by young adults compared to the standard approach. More than half of the individualised income of young adults is found to come from parental transfers, whether in monetary form or in kind through co-residence. Thus, a direct effect of social background on the standard of living remains in the individualised standards of living, as does an indirect effect through other determinants such as level of education and activity status. At a comparable individual standard of living, the perceived financial well-being of young adults is also found to depend on their future prospects, which are directly related to potential parental assistance and to the fact of having good relationships with parents.

JEL Classification: D13, I32, H27

Keywords: young adults, standard of living, individual income, inequality, co-residence, inter-household transfers, social background, perceived financial well-being

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The transition to adulthood is a period of time between dependence on the parental household and independence through the emergence of a new, self-subsistent household. It is also a period of financial vulnerability in which intergenerational transfers play a major role (Herpin & Déchaux, 2004; Schoeni & Ross, 2005; Whightman *et al.*, 2012; d’Albis *et al.*, 2017; Kranklader *et al.*, 2018). Their unequal distribution means that the processes of leaving the parental home and, especially, educational choices are highly dependent on parental income (on leaving home: see Kahn *et al.*, 2013; Solard & Coppoletta, 2014; Castell *et al.*, 2016a; on education: see Sandefur *et al.*, 2005; Kalenkoski *et al.*, 2010). Intergenerational transfers contribute to a form of social reproduction (Paugam & Zoyem, 1998; Albertini & Radl, 2012; Jentsch & Reiter, 2018) allowing the better-off to spend more time in education, while the least well-off are forced to ensure their subsistence at a time when they are likely to encounter major difficulties on the labour market. In other words, the income and resources available to young people transitioning to adulthood – including those that reflect the capacity of families to support young adults to achieve autonomy – condition the level of education and the conditions of entry into the labour market, both of which are key determinants of future inequalities (Aliaga & Lê, 2016; Dherbécourt, 2018).

Public policies have an important role to play in enabling the least affluent young adults to finance their departure from the parental home or their studies without having to resort to family solidarity (Van de Velde, 2008; Brandt & Deindl, 2013) and in preventing those facing the greatest financial difficulties from being trapped in lasting insecurity because of a lack of income at this pivotal time. In France as in other European Bismarckian welfare states (Belgium, Germany, Greece, Spain, Luxembourg, Austria, Italy and Portugal), access to government aid is often restricted by age limits, and government aid is designed more to help families and complement private solidarity than to provide young adults from modest backgrounds with the means to be financially independent (Chevalier, 2016, 2018; HCF Report, 2016). Despite these challenges, it remains difficult to identify those groups that are in difficulty since the standard of living of young adults is poorly known for a number of reasons, including because of incomplete data on income specific to young adults, the difficulty of comparing young adults with different co-residence statuses, and the difficulties posed

by the notion of household when studying this particular population.

The purpose of this paper is to gain a better understanding of the unequal distribution of income and resources available to young adults, and their perception of their level of income and resources. Using the *Enquête nationale sur les ressources des jeunes* (ENRJ, a national survey on young adults’ resources carried out by the DREES – the statistical directorate of the Ministry of social affairs – and Insee), we propose a measure of the standard of living of young adults that is distinct from that of the parental household for young adults living with their parents and that takes into account all parental transfers, whether in-kind or financial. The advantage of an “individualised” measure is that, for the first time, the living standards of all young adults can be compared. Such a comparison had never been made in France before, nor to our knowledge in any other country. The paper shows that an individualised approach to living standards results in a less dispersed distribution that is, all other things being equal, better correlated with the experiences of young adults than the equalised disposable income measured at the household level in the usual approach to the standard of living. The proposed approach further highlights the importance of the public and private assistance received by young adults. It does not erase the role of social background, first of all because the “individualised” measure incorporates parental transfers, but also because young adults’ individual income and resources are closely linked to characteristics strongly influenced by social background, such as education and departure from the parental home. Finally, an examination of perceived financial well-being shows that, beyond their current standard of living, the experiences of young adults also depend on their view of the future and on parental assistance, which further underlines the central role of parental assistance in helping young adults in France to achieve financial independence.

The remainder of the paper is structured as follows: section 1 sets out the reasons for using an individualised measure of living standards for young adults, while section 2 details the construction of the measure and compares the living standards of young adults with those found using the standard approach. Section 3 presents the results of this approach from the point of view of inequalities in living standards among young adults.

1. The Limitations of the Conventional Measure of Living Standards for Understanding the Situation of Young Adults

The current method used to measure the standard of living for young adults essentially raises two issues. The first one, at a theoretical level, refers to the notions of household and income sharing, at a time of life when the boundaries that define households can be blurred by the fact of living in several homes at once (multi-residence) and by the transition to independence. The second issue, at a practical level, concerns the lack of data on the specific income and resources available to young adults, particularly on the financial assistance they receive.

1.1. The Limitations of the Income Sharing Hypothesis

The standard way of calculating the standard of living is based on assumptions of questionable validity when considering young adults. Indeed, assuming that all the incomes received by all the household members are pooled and equally shared seems questionable, in general, to assess individuals within the household rather than the household as a unit. This difficulty arises in the case of young adults who co-reside with their parents, just as it arises in the analysis of gender income gaps (Donni & Ponthieux, 2011; Meulders & O'Dorchai, 2011) or in the analysis of child poverty. To better assess the situation of individuals within the household, it would be necessary to look at the interactions between the household members and empirically identify the actual sharing rule established between a young adult and their parents, i.e. how income and resources are shared, based on data on intra-family transfers and the consumption of each member.

The income pooling hypothesis is particularly questionable when considering young adults, who are in a transitional period of gradually increasing independence even if they still live in the family home. In France, according to the results of the ENRJ survey, just 16% of young adults living with their parents at least part of the time give part of their income to their parents on a regular or occasional basis. When they do so, they share less than one quarter of their own income. In addition, young adults develop specific preferences, which include a distinct consumption structure (Portela, 2018)

and cultural practices different from previous generations (Detrez, 2017), but also a specific perception of the future, values and particular political preferences (Grobon & Portela, 2016). Where incomes are not pooled, and given these differences in preferences, the question arises of equating the standard of living of young adults with that of the group formed with their parents.

The French redistribution system implies a degree of ambiguity: a young adult is considered to be a dependent child, and some of the social assistance benefits granted to young adults are distributed via the parental household (in the form of family allowances and personal tax allowances), thereby in line with the standard household approach and enshrining the key role of families in supporting and assisting young adults (Van de Velde, 2008). However, another part of the assistance granted is directly allocated to young adults with the aim of encouraging their independence and their investment in human capital – including housing allowances, scholarships and public education – even if some of these benefits are income-tested on the parents' income.

The standard approach to the household as a unit makes it difficult to compare young adults who have achieved residential independence with those who co-reside with their parents. While non-co-residents are considered as separate and autonomous households, even if they receive significant parental financial support, co-residents are regarded as forming part of the parental household. Because of this difference in how each category is treated, and although the distinction is not based on empirical evidence of different lifestyles and levels of autonomy between co-residents and non-co-residents, studies on the subject generally conduct separate analyses according to residential status (for France, see Lhommeau, 2014; Robert-Bobée, 2002). The fact of living in the parental home part of the time (semi-co-residence), which applies to one in five young adults, is particularly problematic since young adults in this category can be viewed as belonging to both the parental household and to their own household. One solution is to associate all young adults with the parental household, including non-co-residents and semi-co-residents (Albouy *et al.*, 2003). This method makes it possible to study the family circle with the aim of reconstructing all the assistance received by a young adult and their parents, but not the situation of the young adults that interests us here.

1.2. Insufficient Data to Measure the Standard of Living of Young Adults

In France, the standard measure of living standards in official statistics is the equivalised household disposable income drawn from a survey on tax and income (*Enquête revenus fiscaux et sociaux*, or ERFS).¹ However, this measure does not cover the entire population of young adults, and the ERFS uses administrative sources that do not take into account the specificities of their income and resources.

One difficulty is that households whose reference person is a student are excluded from the measure. More than half of students' income and resources is made up of financial assistance from their parents (Castell *et al.*, 2016b), which is poorly captured by tax data. Tax data mainly capture child support, the amounts of which are under-reported because of the ceiling on the associated tax deduction: in 2014, 307 million euros of child support were declared by households whose reference person was aged between 18 and 24 years and filed his or her own tax return; according to the ENRJ survey, these payments amount to 1.8 billion euros. Some earned income, such as income from apprenticeship contracts, traineeships, and holiday and student jobs, which are exempt from income tax up to a certain threshold, is also not taken into account.

In addition, like most household surveys, the ERFS only covers "ordinary" households, meaning that it excludes people living in communities (in the case of young adults, these mainly include boarding schools, hostels and university halls of residence). However, in 2014, one in six young adults lived at least partly in a community setting, mainly in boarding schools and university residences (Castell *et al.*, 2016a).

Ultimately, the current approach to living standards excluding communities and households where the reference person is a student only covers 4.6 million young adults, i.e. a population 12% smaller than that covered by the ENRJ survey (covering 5.2 million young adults), which is representative of all 18-24 year olds.²

2. An Individualised Approach Based on Adequate Data and the Valuation of Co-Residence with Parents

To address these theoretical and practical limitations, this paper proposes to use an approach

designed to distinguish the standard of living of young adults who live with their parents from that of their parents, i.e. to individualise their standard of living, using the detailed inventory of the total income and resources available to young adults, including financial assistance from parents provided by the ENRJ (see Box 1).

2.1. The *Enquête nationale sur les ressources des jeunes* (ENRJ): A New and Comprehensive Source for Measuring Young Adults' Living Standards

The scarcity of studies dealing specifically with the standard of living of young adults in France³ can be explained by the lack of sources providing a satisfactory insight into their income and resources. In France, the most comprehensive previous survey was the *Jeunes et carrière* survey, a thematic module of the 1997 Labour Force Survey on young adults and their professional career, which, for the first time, made it possible to study young adults' income and resources in greater detail, including parental financial assistance (Herpin & Verger, 1997; Robert-Bobée, 2002). Other more recent sources, such as the *Statistics on Income and Living Conditions* survey (SRCV in French) and Insee's Household income and expenditure survey (*Budget de famille*, or BdF), can be used to obtain an estimate of family transfers, although the survey questions are not particularly detailed. However, the amounts of assistance received differ significantly according to the method of collection used: regular assistance from other households⁴ varies, for example, between averages of 1,560 euros per year in the SRCV survey in 2014 and 1,610 euros in the BdF survey in 2011⁵ and between 2,730 and

1. Conducted annually by Insee, the survey covers more than 50,000 ordinary households in metropolitan France. It involves reconciling the last quarter of the Labour Force Survey with tax records from the fiscal administration (DGFIP) and the social security records provided by the national family and social allowance offices (Cnaf, Cnav and CCMSA).

2. However, like other household surveys, the ENRJ excludes from its scope homeless young adults, who, on the face of it, represent the most precarious category of young adults. The number of French-speaking young adults in this situation in 2012 is estimated at just under 9,000, or less than 1% of all young adults living in metropolitan France.

3. To our knowledge, no comparable studies have been carried out in other countries to measure living standards among young adults at the individual level. However, data exist that would allow such an analysis. In Europe, the SHARE survey (Albertini & Radl, 2012; Papuchon, 2014) contains data on transfers to young adults, but is limited to the parents' point of view. In the United States, the supplements to the Panel Study of Income Dynamics devoted to intergenerational transfers (Schoeni & Ross, 2005) and the transition to adulthood (Wightman *et al.*, 2012) include detailed modules on income and resources.

4. The field covered includes 18-24 year olds living in their own home (excluding communities) in metropolitan France.

5. This corresponds to the amount of regular assistance provided over the last 12 months. On average, occasional support represents 1,040 euros over the last two months.

Box 1 – The *Enquête nationale sur les ressources des jeunes* (ENRJ - National survey on the resources of young adults)

The ENRJ survey was conducted in the last quarter of 2014 by the statistical directorate of the Ministry of Health and Social Affairs (DREES) and the French National Statistical Institute (Insee) among 5,800 young adults aged 18-24 living in metropolitan France, Réunion and Guadeloupe, whether residing in ordinary housing or in a community setting (boarding school, university hall of residence, home for young workers, gendarmerie, etc.). One of the core principles of the ENRJ is to survey both young adults and their parents.

The income and resources available to young adults and taken into account in this paper are drawn from the income and resources reported in the survey, namely (for further details, see Castell *et al.*, 2016a):

- earned income in 2014, whether the work undertaken is regular or occasional, declared or not, from one hour of work upwards (including holiday jobs);
- income from public transfers in 2014: scholarships, housing allowances, unemployment benefits, active solidarity income (RSA), work integration contract (*contrat d'insertion dans la vie professionnelle*, or CIVIS), sickness, disability or invalidity benefits, family benefits and local allowances;
- financial assistance from parents, whether regular or one-off and in the form of payments or purchases. Regular assistance is recorded at the time of the survey and includes: non-earmarked monetary payments, contribution to food expenditure, payment of rent, fuel, vehicle maintenance and insurance costs, public transport expenditure, telephone rental and Internet charges, leisure expenditure and, finally, supplementary health care. Assistance is annualised based on any changes

in living circumstances. The types of one-off assistance from parents taken into account include tuition fees, clothing, equipment and foreign travel expenses;

- other income and resources: regular financial assistance from persons other than parents, real estate income and spousal income in the case of young adults living as a couple in their own home.

The standard of living of parental households is an equivalised household disposable income obtained from tax and social security records matched with the survey data.

Moreover, the ENRJ takes into account the specificities of the situation of young adults – in this case, the fact of living in more than one home and changes in activity status during the year. A distinction is made between co-residents (living together all the time), non-co-residents (living apart) and semi-co-residents (living together some of the time). A further distinction will be made between young adults who are mostly in employment (in work for more than one quarter during the year), young adults who are mostly unemployed or inactive (in three or more quarters during the year) and young adults in education all year round⁽ⁱ⁾. The typology takes into account sub-annual changes, which are particularly important at this age, allowing for comparisons to be made between the income and resources available in a given year and the known situation during that year, and not just at time *t* (see Castell *et al.*, 2016a).

(i) Young adults leaving the education system during the year, with or without a job, are included in the overall analysis but not studied specifically.

6,050 euros using more detailed survey questionnaires, as in the ENRJ in 2014.⁶

Conducted in 2014, the ENRJ addresses the lack of data on income and resources and the methodological difficulties related to coverage. The ENRJ is the first nationwide survey covering all young adults aged 18 to 24 in France regardless of their residential and activity status. The survey also includes detailed questions aimed at identifying all the young adults' income, including private transfers, whether in cash or in kind, but also all earnings from paid work and public transfers.

2.2. Individual Income and Resources and the Valuation of Co-Residence with Parents

The individual income and resources of young adults reported in the ENRJ and taken into account here include the following: earned

income, public monetary transfers, monetary transfers from parents, and other income such as support in kind⁷, financial aid from other persons and income from real estate. Levies are not taken into account, including income tax and housing tax, and the available data do not allow for the simulation of these amounts.⁸ Few young adults are subject to taxation, with just one third reporting that they file their own tax return, while 10% file their return and are in

6. Depending on whether or not young adults living partly with their parents are taken into account, a distinction not made in other surveys.

7. In-kind support from parents or others is included here, meaning accommodation if young adults are housed free of charge and meals taken at the parents' home in cases where young adults do not live with their parents. The valuation process was carried out in the same way as the valuation of co-residence with parents.

8. Tax data are not available for all young adults but only for co-residents based on their parents' tax returns. In addition, simulating the amount of tax poses several problems: some earned income is tax-exempt, one fifth of young adults in employment in 2014 were still in education in 2013, the hypothesis of stability between 2014 and 2013 income is very strong for a population with a rapidly changing status and situation, and finally, the Employment Premium (Prime pour l'emploi) scheme still in force in 2014 reduces the tax liability of young adults entering the labour market.

work all year round. Therefore, it seems likely that income tax has a relatively insignificant impact on the distribution of living standards at this age and on the results presented here.⁹

To construct an individualised measure of the standard of living of young adults (the term “individualised standard of living” will be used to indicate that it is not the usual equivalised household disposable income), the total individual income and resources reported by young adults are taken into account, plus, in the case of young adults living with their parents at least part of the time, a valuation of the benefits of co-residing with their parents. Co-residence, even if only part of the time, can in fact be analysed as a means of subsidising the young adult consumption (Laferrère, 2005). A valuation along these lines makes it possible to take into account the differences in the resources available to co-residents and non-co-residents so that the standard of living calculated reflects their actual living conditions. Contrary to the household approach, which attributes an individual equivalent income to the young adult on the basis of the total income of the parental household, here it is assumed that only part of the income and resources of the parental household is shared with the young adult through transfers in kind associated with co-residence. The principle of valuation consists in attributing to the young adult the value of co-residence with parents, i.e. the amount that the young adult would have had to pay if living alone. The items valued are housing and food, i.e. the two main shared budget items. Another major item – transport costs, which are also an important item – is already partly taken into account in the parental assistance surveyed in the ENRJ.¹⁰ These transfers in kind are valued using a calculation based on an equivalence scale, which takes into account the economies of scale associated with co-residence. Details of the valuation can be found in Box 2.

80% of young adults co-resided with their parents at least part of the time during 2014. On average, according to our estimation, the value of co-residence represents 7,090 euros per year, of which 5,550 euros relate to housing (Table 1). Among young adults co-residing all year round, the total represents 8,520 euros per year, including 6,570 euros related to housing. By comparison, the value of the housing of young non-co-residents (who do not live in a community) amounts to 5,620 euros per year. The difference can be explained by poorer housing conditions compared to the parental home.

The case of young adults living together as a couple in their own home is treated differently. This concerns 10% of young adults, or 43% of non-co-residents. For the vast majority, the notion of household corresponds to its usual meaning: according to the ENRJ, more than nine out of ten young couples declare that they receive help from their spouse to meet common expenses such as rent, food and household goods. Failure to take into account income sharing among spouses would therefore result in underestimating their standard of living and would lead to a significant over-representation of young couples at the bottom of the distribution of living standards.¹¹ Therefore, for young adults in this category, we assume that all income is shared. Accordingly, their standard of living

9. If these difficulties were not taken into account, the average amount of tax for which young adults in employment in 2014 making their own tax return were liable would be around 800 euros per year, which certainly corresponds to the upper bound of the taxes actually paid (taking into account all earned income, but not taking into account the Employment Premium, etc.).

10. The ENRJ provides information on the assistance received for vehicle maintenance and fuel, and support to cover regular expenditure on public transport fares.

11. Nearly a quarter would be in the bottom decile of living standards, compared to one in ten using the household approach (see Online complement, Figure C-1. Link to Online complements at the end of the article). This is particularly true of unemployed or inactive young adults, more than half of whom have an average monthly standard of living of less than 500 euros, while most of them share their income with their spouse.

Table 1 – Valuation of co-residence

	%	Valuation of co-residence		Of which valuation of housing	
		Mean	D9/D1	Mean	D9/D1
Total	80	7,090	4.11	5,550	4.11
Semi-co-residing all year	13	2,870	3.93	2,730	3.88
Co-residing all year	54	8,520	2.40	6,570	2.88

Reading Note: In 2014, 80% of young adults lived with their parents at least some of the time. Co-residence is valued at 7,090 euros per year on average. Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

Box 2 – Estimation of Equivalence Scales Specific to Housing and Food

Data relating to the parental household's expenditure on housing and food are obtained from external sources: the 2013 Housing Survey (*Enquête Logement*), which allows for the imputation of actual rents based on the characteristics of the housing and rents in force in the private stock; the 2011 Household Income and Expenditure Survey (*Budget de famille*, or BdF), which provides data on the budget devoted to food expenditure by parental households with at least one child aged 18-24 living in the household.

The principle of equivalence scales involves dividing household expenditure by a number of consumption units to arrive at an individual equivalent expenditure. The so-called "OECD-modified equivalence scale" is the most widely used for total household expenditure. Since the focus here is on two specific budget items, it seems more appropriate to use equivalence scales specific to each of these items. For this, the subjective method proposed by Hourriez & Olier (1997) is used. Unlike objective methods based on the structure of consumption, the subjective method is easier to implement, makes no a priori assumptions and directly uses the perceived standard of living as reported by the respondent. Two variables usually lend themselves to a subjective measure of standard of living: perceived financial well-being and perceived current standard of living. The estimation is performed using the 2011 BdF survey.

First, adjusted household size is calculated by estimating μ , the relative cost of a child under 14 years of age, based on the regression of the perceived standard of living U on income R and the number of people in the household N :

$$U(R, N) = \alpha + \gamma \log(R) + \delta N_{adults} + \theta N_{children} + controls$$

$$\mu = \theta / \delta$$

Based on the BdF 2011 survey, we find that μ (relative cost of a child) = 0.7, a value higher than that obtained by Hourriez & Olier (1997) but similar to that obtained by Martin & Périvier (2018) using the last three BdF surveys. This step allows us to calculate the adjusted household size N used subsequently: $N = N_{adults} + \mu N_{children}$.

The principle of equivalence scales is to find the number of consumption units m such that $U(R/m, 1) = U(R, N)$.

Assuming a concave relationship, it is sufficient to estimate the following relationship:

$$U(R, N) = \alpha + b \log(R) + c \log(N)$$

We then obtain $m = N^{\alpha}$, with the size of the elasticity of total household consumption being $\alpha = -c/b$.

We find an elasticity of 0.67, a value relatively close to that obtained by Hourriez & Olier (1997). For the same standard of living, a household consisting of 2 adults and 2 children spends 2.3 ($N^{\alpha} = (2 + 2 \cdot 0.7)^{0.67}$) times more than a single person.

Finally, to calculate the specific elasticities for housing and food, a regression of consumption expenditure C_k for housing on the one hand and food on the other is estimated on the standard of living of the household and its size:

$$\log(C_k) = \alpha_k + \beta_k \log(R/N^{\alpha}) + \alpha_k \log(N) + controls$$

The size of the elasticities obtained is 0.24 for housing and 0.74 for food. Thus, to achieve the same standard of living, a household consisting of 2 adults and 2 children spends 1.3 times more on housing and 2.5 times more on food than a single person.

Using these elasticities, the proportion of housing allocated to the young adult is calculated by dividing the imputed rent by the equivalence scale representing the economies of scale achieved, i.e. $N^{\alpha k}$. For co-residents living with their parents for part of the year, the number of months spent living in the parental home during the year is taken into account. For semi-co-residents, the time spent in the parental home is taken into account based on how frequently young adults see their parents, as reported in the ENRJ. Depending on the case, this proportion can represent one fifth, two fifths or one half of the year (for more than 60% of them).

To value food, the household food budget is divided by the specific equivalence scale $N^{\alpha k}$ to obtain six average individual budgets, depending on the standard of living of the household. These average budgets are then allocated to young adults based on the standard of living of the parental household in the ENRJ. The budget is then adjusted according to the proportion of meals eaten in the parental home as reported in the survey.

is calculated by adding the spouse's income¹² to the young adult's income and dividing the total household income by the number of consumption units to account for economies of scale. Compared to the individualised approach, applying the household approach in the case of young adults living in a couple leads to a standard of living that is 25% higher and less

dispersed. However, it has little impact on the results for young adults as a whole.

12. Spousal income, collected only in the month of the survey, is considered constant over the year. Since no data are available on when a given youth first entered into a relationship, it is assumed that he or she is living in a couple throughout the year, unless there was a change in his or her residential situation during the year. In this case, the same assumptions are made as for the annualisation of parental assistance.

2.3. The Standard Approach, the Individualised Approach and the Perceived Standard of Living of Young Adults

The aim now is, first, to compare the living standards of young adults as measured by the different approaches and, second, to show that the individualised approach significantly alters the distribution of young adults' income, resulting in a better match between income as objectively measured and perceived financial well-being.

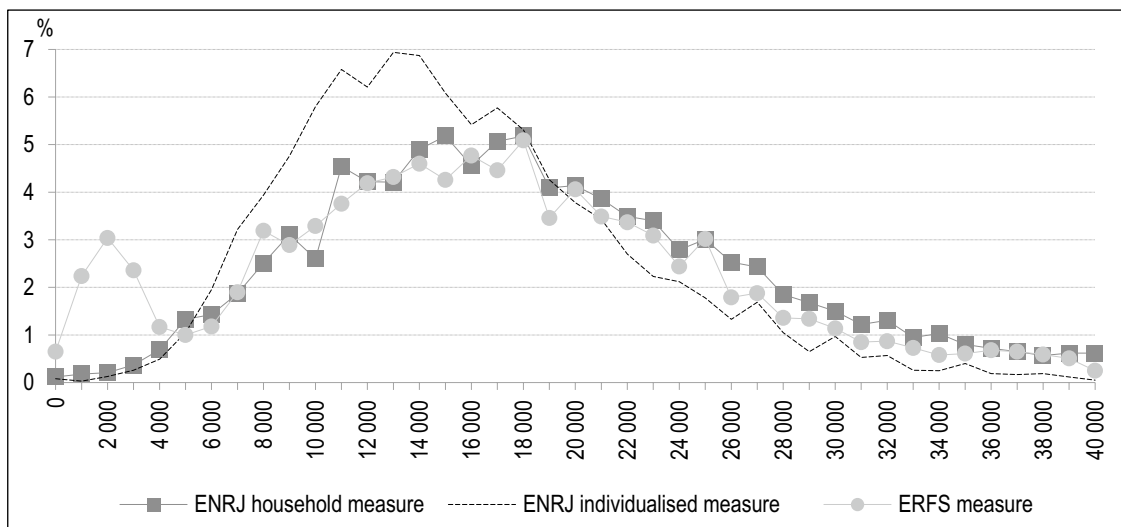
Figure I compares the individualised approach defined above, calculated based on ENRJ data, and two variants of the standard household approach: one variant calculated based on ERFS data but including student households usually excluded from the scope, and another variant calculated based on ENRJ data and also including students as well as parental transfers and all other income and resources available from the survey data. As regards the standard measure of the standard of living based on ERFS data and covering all young adults, we see a first peak around 2,000 euros per year. This is not the case in the second variant of the standard (household) measure of living standards, based on the ENRJ and more complete income data (cash transfers from parents and earned income for young adults with their own home). The difference with the previous approach underlines the benefits to be gained from taking better

account of the income and resources of young adults in education who have their own home, a category usually excluded from the measure. For the rest of the distribution, it is interesting to note that the household measure based on ENRJ data and containing more complete income data for non-co-residents differs little from that based on ERFS data.

Compared to the standard household approach, individualising the standard of living of young adults clearly changes the distribution of living standards. The average and median individualised standard of living of 18-24 year olds is almost 20% lower than that obtained using the household approach, and there is also less dispersion (see Online complement, table C-1)¹³: the average individualised standard of living of young adults is 15,820 euros per year (compared to 20,070 euros using the household approach); the median standard of living is 14,780 euros per year (compared to 18,070 euros), and the interdecile ratio D9/D1 is 3 (compared to 3.7). These lower levels of the individualised standard of living result mainly from abandoning the assumption of full income sharing in the parental home. The individualised standard of living of young co-residents and semi-co-residents is thus closer to that of non-co-residents, making young adults as

13. The link to Online complements can be found at the end of the article.

Figure I – Distribution of living standards among young adults using different measures



Notes: Living standards are rounded to the nearest €500.
 Reading Note: Using the individualised approach, 7% of young adults have a standard of living of around €13,000 per year.
 Sources and Coverage: DREES-Insee, ENRJ, 2014; DGFiP-Cnaf-Cnav-CCMSA, Tax and Social Incomes surveys, 2014. Young adults aged 18-24 living in metropolitan France.

a whole more comparable regardless of their residential status (see Online complement, Figure C-II). Thus, the proportion of non-co-residents among the lowest 10% of young adults (1st decile)¹⁴ is less than twice as high as among the wealthiest 10% (top decile). With the household approach, the same proportion is more than six times higher, with non co-residents accounting for nearly half of all young adults in the first decile, whereas they account for just a quarter of young adults aged 18-24. On the other hand, the individualised approach places more emphasis on differences in living standards between activity statuses, which more directly reflect the degree of financial autonomy of young adults, as well as the autonomy that their parents provide them with through assistance intended to support them in their studies (Robert-Bobée, 2002; Castell *et al.*, 2016b). Thus, young adults in employment are significantly more represented in the higher deciles (see Online complement, Figure C-III).

By proposing an individualised measure of young adults' standard of living, we assume that 18-24 year olds make their consumption decisions independently from the parental household, on the basis of the income and resources – whether material or in kind – available to them (including those allocated directly to them by their parents) rather than in relation to those of their parents. If this is the case, their “perceived” standard of living should be more associated with their individualised standard of living than with their standard of living measured in the standard way. We test this hypothesis by measuring the correlation between the monetary standard of living and the perceived standard of living of young adults¹⁵ using two variables: perceived financial

14. By convention, we use the terms ‘deciles’ (and ‘quintiles’) to refer to households between the thresholds – not the thresholds themselves.

15. Another way to test this hypothesis would be to analyse consumption structures using an “objective” approach. However, because of the lack of consumption data in the ENRJ and the need for stronger hypotheses to demonstrate the existence of youth-specific consumption decisions, the subjective approach is the preferred approach here.

Table 2 – Correlation, all other things being equal, between the objective and subjective approaches to standard of living

		All young adults		Co-residents	
		Household approach	Individualised approach	Household approach	Individualised approach
Perceived financial well-being	Struggling to make ends meet	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>
	Things are tight	1.20 [1.02;1.42]	1.76 [1.38;2.25]	1.15 [0.95;1.40]	2.65 [1.78;3.95]
	Things are OK	1.65 [1.33;2.05]	2.08 [1.56;2.78]	1.86 [1.39;2.49]	3.17 [2.06;4.86]
	Somewhat or really comfortable	3.81 [2.61;5.55]	7.54 [5.24;10.85]	4.24 [2.72;6.61]	13.57 [8.24;22.34]
Ability to put money aside each month	Never puts any money aside	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>
	Puts money aside from time to time	1.31 [1.14;1.50]	1.50 [1.21;1.86]	1.47 [1.19;1.82]	2.23 [1.60;3.10]
	Puts money aside most of the time	1.98 [1.53;2.56]	3.84 [2.93;5.02]	2.37 [1.73;3.25]	7.95 [5.30;11.91]
Perceived financial well-being of parents	Struggling to make ends meet	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>
	Things are tight	1.35 [1.00;1.81]	1.57 [1.24;1.98]	1.59 [0.77;3.27]	2.45 [1.70;3.54]
	Things are OK	2.59 [1.93;3.47]	2.00 [1.52;2.61]	3.71 [2.05;6.71]	3.12 [2.11;4.62]
	Somewhat or really comfortable	10.25 [7.13;14.73]	4.97 [3.60;6.45]	19.18 [9.73;37.78]	8.71 [5.19;14.60]

Notes: The coefficients presented correspond to the odds ratios obtained from a multinomial logistic regression, with a set of given characteristics related to age, gender, residential status and size of urban housing unit, family situation and activity status. Multinomial logistic regression was used because the hypothesis of equal slopes of the ordered logistic regression was rejected. Similar results are found with a linear regression. The regression was weighted to account for adjustment and to avoid an under-representation of young adults in financial difficulty. The unweighted regression shows a less pronounced difference between the two approaches, although the correlation of perceived financial well-being remains more significant in the individualised approach. All the coefficients are significant at the 1% level.

Reading Note: Using the individualised approach, a 1% increase in the standard of living increases the probability of respondents reporting that “things are tight” financially rather than that they are “struggling to make ends meet” by 76%.

Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

well-being and the ability to put money aside every month.

The individualised approach appears to be more effective in reflecting the standard of living as it is experienced. Overall, the usual subjective measure of financial well-being is equally correlated with both approaches to standard of living. However, for a given set of characteristics, and especially in the case of comparable activity statuses, the “individualised” standard of living is better correlated with the probability of feeling more or less financially comfortable than the “household” standard of living (Table 2). This is also the case for the ability to put money aside every month: a 1% increase in the individualised standard of living increases the chances of being able to put money aside (*vs.* not being able) by more than 3.8 times, compared to just 2 times using the household approach. The correlation with the individualised approach is strongest for young adults who live with their parents: a 1% increase in the individualised standard of living is associated with young adults being 14 times more likely to feel “somewhat or really comfortable”, compared to 4 times more with a 1% change in the “household” standard of living (see Online complement, Table C-2). The individualised approach, which differs most from the usual approach when considering young co-residents, is therefore more consistent with perceptions. The household approach is logically much better correlated with the young adult’s perception of their parents’ situation.

3. Inequalities in the Individualised Standard of Living of Young Adults

Before examining the factors behind the inequalities in the average individualised standard of living of young adults, we look first at the composition of income and resources and the dispersion of the individualised measure of standard of living.

3.1. The Structure and Dispersion of Individualised Standards of Living: The Importance of Public and Private Assistance

Inequalities in young adults’ individualised standard of living can be captured by traditional indicators: the Gini index is of 0.242, the Theil index of 8.69 and the interdecile ratio of 3.01 (Table 3). These indicators are not directly comparable to those obtained for the general population since the standard of living is not measured in the same way, but comparisons are possible between young adults. The greatest inequalities are found among young adults who are mostly unemployed or inactive, *i.e.* “NEET” (*not in education, employment or training*). To a lesser extent, young adults in education all year round also represent a very heterogeneous category in terms of standard of living. On the other hand, young adults who are mostly employed appear to be a much more homogeneous category, with a less dispersed distribution of income compared to the previous categories. These differences result from the specific composition of income and resources and their dispersion within each of these categories.

Public and private assistance forms a significant part of income and resources at this age. Parental financial assistance accounts for around one fifth of the total income and resources available to young adults as a whole, and this proportion is relatively constant from the second to the seventh decile of the individualised standard of living (Table 4). The lower proportion of parental transfers is compensated in the first decile by higher public transfers and in the highest deciles by earned income.

Parental assistance is concentrated on young adults in education. In this category, parental assistance accounts for a third of total income and resources and largely determines inequalities by directly linking the standard of living to

Table 3 – Indicators of inequality in individualised standard of living by activity status

	Gini index	Theil index	Interdecile ratio (D9/D1)
All young adults	0.242	8.69	3.01
Young adults mostly in employment	0.167	4.61	2.24
Young adults in education all year	0.226	7.60	2.74
Mostly unemployed or inactive young adults	0.241	8.82	2.89

Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

Table 4 – Composition of the disposable income of young adults according to the standard of living (individualised approach)

	Total	D1	D2	D3	D4	D5	D6	D7	D8	D9	D10
Earned income (%)	31	12	11	14	20	24	27	30	37	44	46
Public transfers* (%)	8	18	14	13	11	10	10	9	6	5	3
Parental transfers (%)	17	15	20	20	22	20	21	18	16	12	14
Other income (%)	2	3	1	2	1	2	2	2	2	2	2
Spouse's income (%)	8	6	8	6	5	5	6	8	10	11	8
Valuation of co-residence (%)	34	46	46	45	41	39	34	33	29	26	27
Average income**	16,810	6,950	9,850	11,600	13,270	14,540	16,360	18,630	20,890	24,510	31,530
Average standard of living	15,820	6,490	9,260	10,990	12,560	14,020	15,620	17,410	19,500	22,600	29,770
Proportion of total income held (%)	100	4.1	5.9	6.9	7.9	8.7	9.7	11.1	12.4	14.6	18.7

* Here, public transfers include unemployment benefits, contrary to what is often done when considering the general population, where they are often associated with earned income to form income before redistribution. ** Average income includes the income of the spouse in the case of young adults living in couples but is not divided by the consumption units corresponding to the household that the young adult forms with his or her spouse, unlike the average standard of living.

Reading Note: Young adults in the first decile of living standards (i.e. the 10% with the lowest standard of living) had an average income of €6,950 per year in 2014 and held 4.1% of the total income and resources of all young adults. Earned income represents 12% of disposable income. Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

Table 5 – Composition of income and resources by activity status and position on the scale of individualised living standards

	Young adults mostly in employment			Young adults in education			Mostly unemployed or inactive young adults		
	Total	Q1	Q5	Total	Q1	Q5	Total	Q1	Q5
Average standard of living	20,090	11,790	29,700	14,800	7,700	24,630	11,700	5,790	20,200
Earned income (%)	56	48	60	15	8	21	9	7	12
Public transfers (%)	5	9	2	8	18	4	23	19	28
Parental transfers (%)	3	4	3	32	26	34	8	7	8
Other income (%)	1	1	2	2	1	4	13	9	13
Spouse's income (%)	13	15	9	3	2	3	2	5	2
Valuation of co-residence (%)	22	23	24	40	45	34	45	53	37

Reading Note: The average standard of living of young adults mostly in employment during the year was €20,090 per year. 56% of their income is earned income. The 20% poorest young adults in employment (Q1) have an average standard of living of €11,790 per year. Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24, excluding those having left education during the year, living in metropolitan France.

social background (Table 5). Thus, given a set of characteristics¹⁶, the standard of living of young adults in education whose father is a manager or professional is 16% higher than that of young adults in education whose father is a manual worker or low-skilled employee. This effect is not found among young adults who have left the education system, who, by contrast, receive very little financial assistance from their parents even when they have limited income and resources of their own. In their case, the effect of social background is transmitted through the level of education attained.

Private transfers in kind are an important component of transfers to young adults, and not just

those in education. The valuation of co-residence thus accounts for more than a third of the total income and resources available to young adults aged 18-24, in particular because of the large proportion (80%) of those having lived with their parents at least some of the time during the year. Co-residence may be linked to an insufficient level of personal or parental income and resources to leave the parental home. Thus, its valuation represents a larger proportion of total income and resources among the least well-off (45% in the bottom three deciles), as well as among young adults in education (40%) and

16. Age, gender, education level, residential status and place of residence, siblings, marital status of parents, whether born abroad or not.

unemployed or inactive young adults (45%), compared with young adults in employment (22%) and the most affluent young adults in the top two deciles (25%). However, co-residence can also be seen as a decision to benefit from the higher standard of parental housing for a longer period of time (Laferrère, 2005), while also saving towards deferred independence. Thus, despite having much higher personal income and resources than the others, 70% of young adults in employment in the top quintile live with their parents, compared to just 45% in the bottom two quintiles.

Despite restrictions on access to certain social benefits, public transfers also represent a significant proportion of the income and resources available to young adults up to the seventh decile. This support is generally targeted at the least well-off and contributes to reducing inequalities among young adults in education or employment throughout the year. Thus, 9% of the income and resources of the least well-off in employment come from public transfers, consisting mainly of housing and family allowances. For young adults in education, the concentration at the bottom of the distribution (18% of income and resources in the first quintile) is explained by the fact that scholarships are targeted at the least well-off. Because of their scale, which does not take parental income into account, housing allowances have a special place among the government benefits granted to young adults. They represent a stable proportion of the income and resources available to young adults in education who live independently (between 7% and 11% of their total income and resources), regardless of their level of income (outside the highest quintile). On the other hand, among young adults who are mostly unemployed or inactive, the conditions of access to unemployment benefits and the RSA mean that some are left with very limited resources, with the least well-off surviving on just 260 euros per month on average. Among young NEETs, public assistance represents a large proportion of their income and resources, and the fact of receiving or not receiving social benefits is a source of heterogeneity: 38% of young adults in the top quintile received unemployment benefits during the year, compared to just 3% in the bottom quintile. Moreover, the financial difficulties experienced by these young adults are likely to be long-lasting given their very low level of education: 29% of the least well-off and 20% of the wealthiest among them have no qualifications, compared to just 7% of 18-24 year olds on average.

Compared to public and private transfers, earned income appears to be less dispersed at this age. Thus, young adults who are mostly in employment during the year represent a relatively homogeneous category, with their income and resources having a similar composition throughout the distribution of living standards. Differences in living standards among those in employment are mainly explained by their level of education, although, at this age, most have few qualifications, which may explain the lower wage differentials than those found in the general population. Only a quarter of young adults aged 18-24 in employment have a higher education qualification, almost half the proportion of all 25-34 year olds (44%¹⁷). The wealthiest, who are therefore more highly educated, are, however, twice as likely to have a permanent employment contract than the least well-off (66% compared to 27%).

Earned income is, by contrast, more dispersed among young adults in education, accounting for one tenth of the income and resources available to the least well-off and for one fifth of the income and resources available to the wealthiest. In addition, more than half of young adults in education in the last quintile earned income as part of work related to their studies (traineeships or dual learning). Just over a third of those in the first quintile were in the same position, and are more likely to have worked without a work contract and/or to have had a holiday job. In general, the earned income and parental assistance received by young adults in education appear to be substitutable, as shown by the gross negative correlation between earned income and parental assistance (Pearson coefficient of -0.17).

3.2. Social Background Remains an Important Determinant of the Individualised Standard of Living

Despite the individualisation of the standard of living relative to the standard of living in the parental household, social background remains an important factor in shaping inequalities among young adults. Thus, young adults whose father is a manager account for one quarter of the last quintile (Q5) of individualised living standards, compared to one tenth in the first quintile (Table 6).

17. See Insee Référence – France, portrait social, 2016 édition.

Table 6 – Determinants of the individualised standard of living of young adults

	Proportion in the bottom quintile (%)	Proportion in the top quintile (%)	OLS estimator
Age	20.5 years ^(a)	21.8 years ^(a)	5.2***
Female	51	41	-1.2
<i>Residential status</i>			
Co-resident	53	63	<i>Ref.</i>
Semi-co-resident	19	15	-9.3***
Non-co-resident in a couple	9	14	-13.6***
Non-co-resident not in a couple	19	9	-30.5***
<i>Main situation in 2014</i>			
Mostly in employment	5	56	34.3***
Mostly unemployed or inactive	26	2	-24.3***
In education all year	55	33	<i>Ref.</i>
Leaving education with a job	3	6	29.7***
Leaving education without a job	10	3	-15.0***
<i>Size of urban unit</i>			
Less than 20,000 inhabitants	28	30	-4.4**
Between 20,000 and 200,000 inhabitants	23	15	-6.3***
Large city (>200,000 inhabitants)	39	24	<i>Ref.</i>
Paris region	10	31	15.5***
<i>Socio-professional category of the father</i>			
Farmer, craftsman, trader	11	14	3.3
Manager, liberal professional	10	24	10.7***
Intermediate occupation	18	20	<i>Ref.</i>
Manual worker, low-skilled employee	51	37	-7.0***
Father deceased or unknown	9	5	-16.5***
Is an only child	8	10	4.5*
The parents live together	60	69	2.7*
Born abroad	12	4	-26.3***

^(a) average age of young adults.

Notes: The last column shows the relative percentage changes resulting from a linear regression on the log of the standard of living. The changes are significant at the * 10%, ** 5% and *** 1% levels.

Reading Note: 12% of young adults in the bottom quintile of living standards were born abroad. All other things being equal, the fact of being born abroad reduces by 26% the annual standard of living of a young adult.

Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

This stylised fact is not directly apparent insofar as the individualised approach highlights the contrasts between young adults' activity statuses to a greater extent than the household approach.¹⁸ Those who are mostly in employment have a standard of living that is on average one third higher than that of young adults in education all year round, all other things equal, especially at a given age. They account for half of the most affluent young adults (Q5), compared to 5% of the least well-off (Q1). Conversely, all other things equal, the standard of living of young adults who are mostly unemployed or inactive is lower than that of young adults in education by around 25%, and they account for a quarter

of the bottom quintile (compared to 2% of the top quintile). Young adults in education are more evenly distributed along the scale of living standards: although they are more numerous at the bottom of the distribution, they also represent one third of the wealthiest young adults.

These differences in activity status partly explain the greater dispersion of living standards as age increases, with the interdecile ratio increasing from 2.7 at age 18 to 3.4 at age 24. The population

18. However, the activity status of young adults is closely linked to other key factors determining the standard of living, such as social background and residential status (Online complements, Table C-3).

is more heterogeneous at age 24 than it is at age 18 on account of rapidly changing family, residential and activity statuses and situations. At age 18, more than eight out of ten young adults are in education, while just 5% live in their own homes. At age 24, half are employed, almost half live in their own home and more than a quarter live as a couple. Beyond the changing composition of income and resources, their standard of living increases with age: for a given activity status, one more year translates into a 5% higher standard of living (see Table 6), mainly due to higher earned income.

However, educational and professional trajectories are partly determined by social background from that age: 37% of young adults whose father is a manual worker or low-skilled employee are in education all year round, and 17% are mostly unemployed or inactive, compared with 73% and 4%, respectively, of young adults whose father is a manager or professional. Thus, some of the differences in living standards associated with activity status are the result of an indirect effect of social background. Social background also has a more direct effect on young adults' standard of living through cash and in-kind transfers from parents, which tend to be higher among wealthier families (Castell *et al.*, 2016b). All things equal, young adults' standard of living is 11% higher for those whose fathers are managers than those whose fathers are technicians or associate professionals, and 7% lower for those whose fathers are manual workers than those whose fathers are in intermediate occupations. Parental spending on young adults is generally proportional to their income and, at comparable income levels, is more than half as high when both parents are managers compared to when they are manual workers (Grobon, 2018). Young adults whose father is a manager or professional and who live in the parental home also reap 25% more value from living with their parents than do the children of manual-worker fathers.¹⁹ We find the same gap among young adults who do not live with their parents (and live in ordinary housing), suggesting that those whose fathers are managers can afford higher rents than the children of manual-worker fathers. As well as social background, parental wealth also has a net positive effect on the standard of living of young adults. Thus, the children of homeowners have a standard of living that is more than 10% higher compared to that of children with parents who do not own their home. Finally, being born abroad has a very significant effect on living standards, with young adults in this category having a standard of living that is more than a

quarter lower than that of young adults born in France.

Despite the individualisation of young adults' standard of living and the important role played by parental assistance among young adults who do not live with their parents, the latter continue to have a lower standard of living than young adults who live with their parents.²⁰ This is even more true for young adults who do not live with their parents or with a partner: all other things being equal, their standard of living of individuals is 30% lower than that of young adults who live with their parents.

However, other characteristics are found to have little effect on the individualised standard of living of young adults. This is the case for family situation (separation of parents and siblings), contrary to what is observed when using the household approach. Similarly, all other things being equal, women are not more likely to have a lower standard of living despite the fact that there are fewer of them at the top of the distribution, which can be explained by the fact that they enter the labour market later than men. However, this does not rule out the existence of gender pay gaps among young adults in employment (Box 3).

3.3. Beyond the Standard of Living, Perceived Financial Well-Being Associated with Future Prospects

The standard of living measured at a given time is not necessarily representative of the medium-term financial situation of young adults. Our assumption is that young adults' perceived financial well-being allows for a more complete assessment of their situation that could be linked to their future prospects. Comparing living standards at this age does not, for example, capture the investment made by those still in education, who account for more than half of all young adults aged 18-24. After leaving education, they are the most likely to hold a higher education degree and are thus more likely to secure positions in which they are able to earn higher wages than young adults already in employment between the ages of 18 and 24. Nine out of ten young adults

19. The average valuation for young adults who live with their parents only part of the time is, on the other hand, similar. This is explained by the fact that the children of manual-worker fathers are more likely to return to the parental home than young adults whose father is a manager.

20. The effect of not living with parents is nearly twice as great when using the household approach to standard of living, which considers the standard of living of young adults who live with their parents as being equivalent to that of their parents (see Online complement, Table C-4).

Box 3 – Gender Inequalities Among Young Adults Aged 18-24

The average standard of living of young women is 15,325 euros per year, which is 6% lower than the average standard of living of young men (16,300 euros). For other characteristics, however, no significant difference is observed in the standard of living of young adults as a whole.

Among young adults in employment, we find a significant gap at this age. On average, the standard of living of young women is 10% lower than that of young men. The difference drops to 5% even after controlling for observable characteristics, activity status and the presence of children (Table A, Model (E)). The gap is closely related to the earned income of young women, which is 20% lower than the earned income of young men. The fact

that the difference in earned income between men and women is greater after controlling for individual characteristics (35% in model (A) compared to 17% gross gap) is related to age and the higher educational attainment of young women in employment compared to young men in employment. This result is consistent with recent research showing gender differences in the probability of attaining a professional position that matches the qualifications achieved before the first birth (Briard & Valat, 2018). The significance of this difference may be linked to differences in sectors of activity and to differences in working hours that may not be captured by the type of work (full or part time), or it may be linked to discrimination or to a decision to commit to family life, which is often socially constrained.

Table A – Differences in individualised standard of living and earned income between young women and young men in employment (%)

	Gross difference	(A)	(B)	(C)	(D)	(E)
		Individual characteristics ⁽¹⁾	(A) + experienced a period of unemployment or inactivity during the year	(B) + type of contract and employer	(C) + part-time employment	(D) + dependent child(ren)
Difference in individualised living standard	9.9	10.7	8.6	7.3	5.6	4.9
Difference in earned income	17.2	35.3	29.1	26.1	23.0	20.8

⁽¹⁾ Age, residential status and place of residence, education, born abroad or not.

Notes: All differences are significant at the 1% level.

Reading Note: The standard of living of young women in employment is 9.9% lower than the standard of living of young men in employment. The difference is 10.7%, for a given set of characteristics ⁽¹⁾, and 4.9% for comparable periods of inactivity and unemployment, work rate, type of contract and employer, and number of children.

Sources and Coverage: DREES-Insee, ENRJ, 2014; young adults aged 18-24 living in metropolitan France and mostly in employment in 2014.

in education want to obtain a higher education qualification, while less than a quarter of young adults who have already left the education system have obtained a higher education qualification. Thus, the living standards of young adults are probably not experienced in the same way by everyone. Young adults in employment expect their salary to provide them with the income needed to fully ensure their financial independence, and young NEETs often worry that the financial difficulties they encounter after leaving education may become permanent. Conversely, young adults in education may temporarily accept a lower standard of living in return for a better financial situation after completing their studies. They also have fewer financial needs since their consumption is subsidised, with, in particular, a wide range of reduced rates, and their lifestyle is associated with a specific consumption structure

oriented towards external sociability. However, for some, the lower level of expenditure also reflects their need to adapt to a lack of income and resources (Portela, 2018).

To test this hypothesis, we study perceived financial well-being according to young adults' current situation and future prospects after controlling for their current individualised standard of living. At a given standard of living, young adults in employment are, on average, 15% less likely to feel financially "comfortable" than those in education, while those who are unemployed or inactive are 54% less likely to feel financially "comfortable" (see Table 7). As we go down the distribution of living standards, the gap between those in education and those in employment becomes wider (Figure II). Among the least well-off, young adults in education are

Table 7 – Determinants of financial well-being as perceived by young adults
(individual standard of living controlled for)

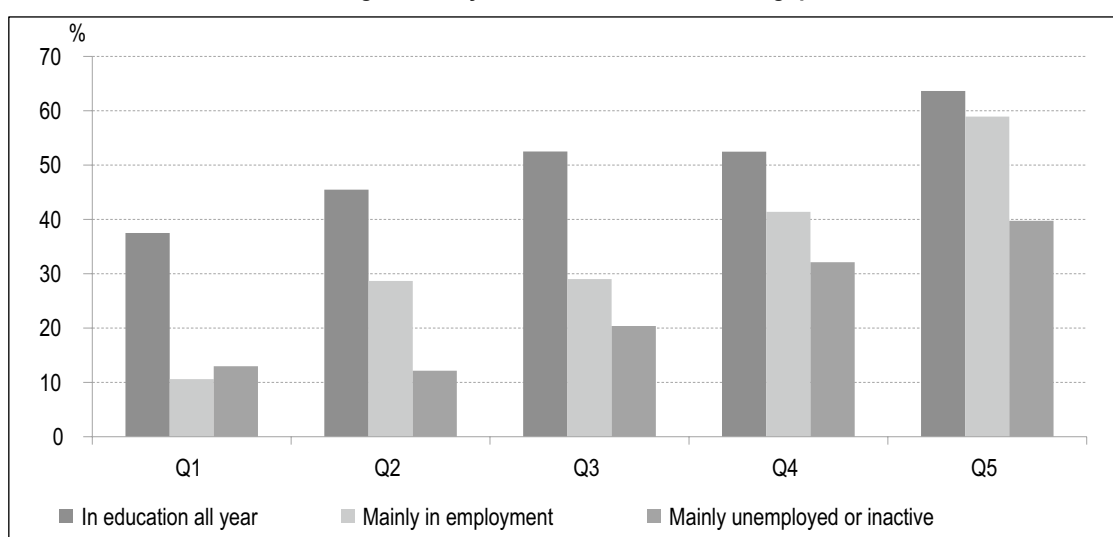
	Relative risk ratio		
	Model 1	Model 2	Model 3
Individualised standard of living of the young adult (log)	1.62	1.68	1.35
Main situation in 2014			
In education all year	<i>Ref.</i>	<i>Ref.</i>	<i>Ref.</i>
Mostly in employment	0.85	ns	ns
Mostly unemployed or inactive	0.46	0.48	0.59
Leaving education during the year	0.76	0.78	0.82
Residential status			
Co-resident		<i>Ref.</i>	<i>Ref.</i>
Semi-co-resident		0.96	0.90
Non-co-resident		0.84	0.80
Size of urban unit			
Rural municipality		ns	ns
Urban unit <20,000 inhabitants		ns	ns
Between 20,000 and 100,000 inhabitants		0.88	ns
Between 100,000 and 200,000 inhabitants		<i>Ref.</i>	<i>Ref.</i>
More than 200,000 inhabitants		ns	ns
Paris region		ns	ns
Age		0.97	0.97
Woman (<i>Ref.</i> =man)		0.89	0.94
In a couple (<i>Ref.</i> =single)		ns	ns
Outstanding loan excluding real estate (<i>Ref.</i> =no loan)		0.66	0.70
State of health			
In poor or very poor health			ns
In good or relatively good health			<i>Ref.</i>
In very good health			1.13
Parents' standard of living			
1st quintile			0.78
2nd quintile			0.87
3rd quintile			<i>Ref.</i>
4th quintile			ns
5th quintile			ns
At least one parent is a homeowner			1.17
The parents could provide more assistance to the young adult			1.17
Parents perceived as being in financial difficulty by the young adult			0.46
One or both parents deceased			0.82
No relationship with at least one parent			ns
Frequent tension with at least one parent			0.71
Parents are separated			0.80

Notes: The purpose of using relative risk ratios is to approximate the probability ratio more accurately than the odds ratio in the case of a binary variable.

Reading Note: Other things being equal, the fact that a young adult's parents are in the lowest 20% of households (1st quintile) rather than in the middle of the distribution of living standards reduces by 22% the probability that the young adult will report feeling financially "comfortable".

Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24 living in metropolitan France.

Figure II – Proportion of youth who report feeling financially comfortable according to activity status and standard of living quintile



Notes: Grouping of the “Things are OK”, “Fairly comfortable” and “Really comfortable” options.

Reading Note: Among young adults in the bottom quintile for living standards, 38% of young adults in education all year reported feeling financially comfortable.

Sources and Coverage: DREES-Insee, ENRJ, 2014, young adults aged 18-24, excluding those having left the education system during the year, living in metropolitan France.

three times more likely than those who have left the education system to report feeling financially comfortable.²¹ These disparities are consistent with results found in other studies on young adults’ projection into the future (Grobon & Portela, 2016).

The differences in young adults’ perception of their future is also reflected in the levels of income that they claim to “need in order to lead the life they want”, which is twice as high among young adults in employment (2,085 euros per month on average) than among young adults in education (1,040 euros) and at an intermediate level among young NEETs (1,495 euros).

Other factors also related to the view of the future influence young adults’ perceived financial well-being. The fact of having taken out a loan (excluding for the purpose of purchasing real estate) reduces by one third the probability of feeling financially comfortable at a given standard of living (Table 7). This concerns 13% of young adults aged 18-24, half of them when taking out a loan to buy a vehicle and a quarter to finance their studies. The financial situation of their parents, the fact that they can help out more, and the fact of having good relationships with parents positively influence young adults’ sense of financial well-being. Support from parents provides them with a degree of assurance that they will not find themselves in difficulty, enabling them to take a more positive view of a

given financial situation and encouraging them to spend more time in education or to devote more time to finding a job that is better suited to their skills and qualifications. Conversely, all other things being equal, the fact of perceiving their parents as being in financial difficulty reduces by half their sense of financial well-being. These results support the idea that social background has a major effect, something we already know in the case of living standards.

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Although transitory, the financial situation of young adults reveals inequalities associated with social background at a time when choices about education and labour market entry can have a major influence on the entire life course. The results presented in this paper point, first of all, to the importance of using a specific approach when studying this particular population to identify as accurately as possible those in the greatest financial difficulty. The findings also demonstrate the value of examining young adults’ subjective assessment of their financial situation, which

21. These differences appear to be much less pronounced when using the household approach to living standards: although there remains a difference between unemployed or inactive young adults and others, the difference between how young adults in education and young adults in employment in the same quintile assess their situation disappears.

provides a means of better reflecting how they anticipate their future and make decisions by taking into account their total income and resources, including non-financial support and income obtained from any assistance that may be available to them.

Because of the importance of family support during this period, young adults in education with the most limited resources leave with a financial handicap that can have the effect of limiting the duration and quality of their education and have a lasting impact on their permanent income. This handicap is only partially offset by targeted social benefits, such as scholarships or access to accommodation in university halls of residence, and is partly reflected in the deleterious effect of student work on class attendance (Wolff, 2017) as well as performance (Beffy *et al.*, 2009), when the work undertaken is not related to the subject studied.

For the least affluent young adults who have already left the education system, with few or

no qualifications and little financial support from their parents or the authorities, the high degree of financial insecurity that they experience can be a barrier to returning to education and to effective job searching. This clearly raises the question of strong public intervention among these groups, in line with the Youth Guarantee model, the medium-term effects of which will need to be examined.

Research into an individualised standard of living for young adults and the comparisons it allows between young adults in spite of different co-residence statuses would benefit from being extended to other countries. On the one hand, it would allow for better comparisons despite national specificities in the rates of young adults living with their parents. On the other hand, a comparison of the household and individualised approaches could also help to provide a new perspective on the institutional differences that influence the level of resources available to young adults, particularly youth policies, and, more broadly, the entire tax and social security system. □

Link to Online complements: https://www.insee.fr/fr/statistiques/fichier/4514352/ES-514-515-516_Castell-Grobon_Complements.pdf

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