Financial Support for Young Adults Through Tax and Social Transfers – Defamilialisation Scenarios

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Abstract – This paper assesses the support provided by the tax and social security system to young adults aged 18-24, distinguishing between the direct benefits they receive and the transfers channelled through their parents, whether in the form of increases in social security benefits or tax savings. Using the Myriade microsimulation model, we estimate that nearly 50% of the support provided to young adults aged 18-24 is channelled through their parents. Illustrating the familialist model that underlies support to young adults in France, indirect transfers tend to be higher in the upper deciles than in the middle deciles, raising questions of fairness. To assess their redistributive properties, the paper examines the effect of redeploying indirect support in the form of an individualised allowance paid directly to young adults. In the two scenarios envisaged, redeployment is found to reduce the average poverty risk and the differences in living standards among young adults, but to penalise some young adults from low-income families still in education.

JEL Classification: I38, H53, C63
Keywords: support for young adults, family policies, redistribution, microsimulation

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The transition to adulthood is an important stage in individuals' life course during which various events occur that partly determine work and family circumstances (e.g. leaving the parental home, entering into a relationship, having children, completing education, entering the labour market, etc.). Until the 1970s, the process by which young adults became independent from their parents appeared to follow a standard trajectory corresponding to a sequence of events that conformed to specific family and social norms, such as leaving the parental home after leaving education and when entering the labour market, and entering into a relationship before having children. Since then, the trajectories of young adults have become significantly more complex and varied (Billari & Liefbroer, 2010). The increasing complexity of trajectories and the resulting instability translate into periods of partial independence during which young adults no longer live with their parents but continue to benefit from their financial support.

The difficulties faced by young adults during their transition to adulthood can lead, through cumulative disadvantages[1], to situations of persistent poverty and result in significant disparities between individuals in the long term. Young adults from disadvantaged backgrounds who receive less financial support from their parents are more likely to experience cumulative disadvantages. In other words, establishing how family and social policies might set about addressing inequalities in the level of support provided while also supporting young adults to become independent is an important question.

The question of financial support for young adults has been a central theme in recent studies (HCFEA, 2016; IGAS, 2015; Lhommeau, 2014; Castell *et al.*, 2016). In particular, some studies have sought to examine the extent to which support for young adults varies according to their level of independence from their parents. Using data from the *Statistics on Income and Living Conditions* programme (SRCV in France), Lhommeau (2014) showed that the standard of living of young adults aged 18-25 who do not live with their parents increases by nearly 1,000 euros per year and per consumption unit (CU) through tax and social (family, housing and social benefits) transfers. Covering all young adults aged 18-24, and drawing on the *Enquête nationale sur les ressources des jeunes* (ENRJ, National Survey on the Resources of Young Adults), Castell *et al.* showed that the average monthly amount of social transfers stands at 380 euros and that it is higher among young adults who live with their parents (420 euros) than among those who do not (370 euros). While these studies assess the direct support provided by the tax and social security system to young adults (i.e. support and benefits paid to them as direct beneficiaries) and the private transfers received from parents, they provide no indication of the government support received by their families, a fact explained by the "familialisation" of tax and social security schemes. The family disposable income supplement, associated with the fact that adult children are treated as dependents for the purpose of calculating both family and social benefits and tax, benefits young adults by increasing the standard of living of the household to which they belong, under the assumption that income and resources are shared within the household. Since the standard of living is equal to the household's disposable income (income after taxes and transfers) divided by the number of consumption units in the household, it is, in fact, the same for all individuals living within the same household.

The aim of this paper is to measure the indirect financial support, associated with the familialisation of tax and social security schedules, provided to young adults aged 18-24 treated as dependents and to assess its redistributive properties. To assess the amount of indirect support and its redistributive effects, the study uses the Myriade microsimulation model from the National Family Allowance Fund (*Caisse nationale d'allocations familiales*, or CNAF), based on the 2011 Tax and Social Incomes Survey (ERFS, *Enquête revenus fiscaux et sociaux* – see Box 1). We simulate a situation in which the sums involved are re-allocated in the form of an individualised allowance paid directly to all young adults, whether or not they are dependents under the current system. Two scenarios are evaluated: the first involves introducing a flat-rate universal allowance, while the second consists in introducing an allowance that decreases with income. We estimate (i) the amount and the redistributive or anti-redistributive properties of the indirect support channelled through parents and (ii) the impacts associated with introducing an allowance for autonomy to demonstrate whether the re-allocation of indirect support based on an individualised scheme reveals significant contradictions from a redistributive point of view. To the best of our knowledge, no such study has so far been conducted on this question.

1. Dannefer (2003) defines the concept of cumulative disadvantage as the "systemic tendency for interindividual divergence [...] with the passage of time". Cumulative disadvantages reflect the idea that the inequalities that exist at the beginning of a career tend to become more pronounced over the life course.

The paper is structured as follows: Section 1 provides a brief outline of the support provided to young adults. In particular, we show that, although based on a familialist model under which State support for young adults is managed in part through families, the French system has recently undergone reforms aimed at improving the direct support provided to young adults aged under 25. Section 2 describes the study population, analysed by splitting it into four categories, allowing for changes in the level of financial independence and residential autonomy of young adults to be specified by age and poverty rate. On this basis, the paper assesses, in Section 3, the financial support that young adults receive directly (in the form of direct social benefits and grants) and indirectly (in the form of parental income supplements related to the presence of a dependent young adult within the household) according to age and standard of living. Finally, Section 4 provides an analysis of the redistributive effects of familialised support.

1. Financial Support for Young Adults in France: A Familialist Model Despite the Recent Introduction of Individualised Schemes

1.1. Support for Young Adults in France Is Based on a Principle of Subsidiarity

The question of financial support for young adults is a major topic of public debate (HCFEA, 2016; IGAS, 2015). While the poverty rate among the under-25s is estimated at 27.1%[2] based on ERFS data (with gaps in the data for young adults) and at 23.8% based on data supplemented by imputation (see Section 2), there are at present no large-scale schemes designed specifically for young adults, with the exception of higher education grants (targeted at students) and the *Garantie jeune* (or Youth Guarantee) scheme, rolled out more widely in 2017 but still governed by restrictive access conditions (see below). In this context, many surveys have been conducted to estimate more precisely the income and resources of young adults, whether received from private intergenerational transfers or from government benefits (Le Pape *et al.*, 2016). The most recent survey – the ENRJ, conducted by the DREES and Insee in 2014 – allows identifying the support provided to young adults with great precision. For example, Castell *et al.* (2016) show that more than two thirds of young adults aged 18-24 receive financial support from their parents, with significant differences according to social background: 88% of young adults from families where a parent is a manager receive support, compared to just 61% of children of manual workers, with the associated amounts being 2.5 times greater among the former (400 euros in monthly support compared to 160 euros). With respect to direct benefits for young adults, the authors note that nearly four in ten young adults receive at least one type of social income transfer (student grants, housing benefits, unemployment benefits, family benefits, statutory minimum allowances), with the average monthly amount standing at 380 euros. However, the French system appears to be characterised above all by familialism, with family mutual aid and the provision of support channelled through parents being the core of the financial support aimed at young adults.

In a comparative analysis of OECD countries, Thévenon (2015) identified three philosophies of public intervention aimed at young adults based on Esping-Andersen's (1990) typology of welfare state regimes. The first model, described as "liberal" and embodied by English-speaking countries (United Kingdom, Australia, etc.), is based on the idea that young adults should achieve economic independence as early as possible. This model translates into policies designed to promote work/study combination and a loan system aimed at empowering young adults in higher education. From a social support perspective, targeted schemes are deployed to mitigate against market and family failures while helping to achieve the objective of encouraging work. The second model, termed "social democratic" and illustrated by Nordic countries (Sweden, Denmark, etc.), is based on principles aimed at emancipating young adults from both their families and the market, with very early state intervention (as soon as young adults reach the age of majority) and universal education based on grants and low tuition fees. The government support provided under this model may seem paradoxical in that it encourages young adults to leave the family home at a relatively early age, thereby assuming a high risk of poverty. Finally, the third model, termed as "corporatist", which France is closest to, is based on a principle of subsidiarity according to which young adults are prepared for adult life not by the State but by their family: in other words, the State puts its faith in intra-family transfers and helps parents to support their children financially.[3] Chevalier (2016)

2. Estimates obtained from the Myriade model.

3. The study by Thévenon (2015) highlights significant differences between national situations and their respective "ideal types". This points to the limitations of Esping-Andersen's classification arising from the fact that the role of the family is not taken into account (Van de Velde, 2008).

proposed an alternative typology combining the notions of economic and social citizenship, referring to the two ways in which young adults become economically independent from their families, i.e. income from work and government benefits. Chevalier emphasised that the social citizenship of young adults is heavily familialised in France because of the maintenance and support obligations enshrined in the Civil Code, the high age limits in place for a child to be considered a dependent for taxes and social transfers, and the idea that student grants are a form of income supplementing parental support. Social citizenship is thus "denied" to young adults considered by law as "social minors".

In France, families thus play an essential role in managing the social solidarity shown to young adults. For example, most family benefits are paid to families with dependent children up to the age of 20. A higher age limit (25) applies in the case of the Active Solidarity Income (in French, *Revenu de solidarité active*, or RSA) and the recently introduced activity bonus (*prime d'activité*), even if individualised schemes exist (see below). At the same time, the family quotient system enables parents to benefit from tax advantages if their children are in education and under the age of 25, regardless of whether they live with them. Paradoxically, this scheme may be combined with housing benefits paid directly to young adults who no longer live with their parents, regardless of the latter's income, unlike in the case of family and social benefits received by parents.[4]

The familialisation of a portion of the financial support provided to young adults, resulting from the existence of the maintenance obligation defined by civil law (Everaert-Dumont, 2006), points to a degree of ambiguity in the French system. As Thévenon (2015) notes, although the familialisation of tax and social security schemes forms part of a global logic aimed at compensating for the cost of children, parents are left to manage intra-family transfers to help young adults attain independence.

1.2. Recent Reforms Aimed at Young Adults Aged 18-24: A Timid Attempt to Individualise Rights

Against the backdrop of a predominantly familialist policy, the introduction of schemes commonly available to those aged under 25 and the creation of specific schemes designed to support young adults directly have been at the heart of recent reforms in France. For example, the RSA introduced in 2009 was, in the same way as the *Revenu minimum d'insertion* (the previous minimum income scheme), made available to young adults aged under 25 with family responsibilities (born or unborn children). The scheme was extended in 2010 to young adults aged 18-25 having worked the equivalent of two years full-time over the last three years. These restrictive conditions result in a small number of beneficiaries. According to the CNAF[5], in December 2018 the RSA was paid to less than 91,000 beneficiaries under the age of 25. More recently, upon being introduced in 2016, the activity bonus was also made available to young adults having entered the labour force and aged 18-24 if they applied for it.[6] A peculiarity of the activity bonus is that it is also available to students and apprentices if their earned income over the last three months exceeds 78% of the minimum wage (SMIC).

In addition to support for young adults receiving earned income, a more recent issue has been the question of financial support provided to young adults who are not in education, employment or training (NEETs). According to Eurostat, in 2015 France had just under 1.8 million NEETs aged 15-29 (representing 15% of the total age group). The category is not a homogeneous whole: 40% of NEETs had been unemployed for less than a year, while 60% were long-term unemployed or inactive.[7] The scale of the issue has raised questions about the capacity of the French system to deal with the social risks faced by young adults experiencing difficulties in entering the labour market. In response, the government introduced the Youth Guarantee (YG) scheme in 2017. The YG scheme is a social assistance programme aimed at young adults aged 16-24 delivered as part of a "*contractualised support towards employment and autonomy*" scheme. The programme represents a type of benefit that is subject to the approval and direction of local authorities. For example, in 2018 the scheme entitled beneficiaries to an allowance of EUR 485 per month for a period of one year, with an option for extension for another six months. However, the scheme has remained marginal because of

4. In order to be treated as a dependant for the purpose of family and social benefits, a child who has reached the age of majority must not be in receipt of housing benefits and must not have earned more than 55% of the minimum wage (specifically, the guaranteed minimum growth wage, or SMIC) on average over the last six months.

5. http://www.cafdata.fr

6. Young adults under the age of 25 may exercise their right of option or remain as dependents for the purpose of assessing their entitlement to the benefit.

7. It should be noted that young adults having recently completed their studies and with relatively favourable prospects in the labour market are also included in the NEET category.

the associated duration of receipt and the small number of young adults concerned.[8]

Although they represent a significant change in the system, these new direct benefits do little to change the familialist model since they apply in specific circumstances and are designed for particularly vulnerable groups.[9] The estimations performed in Section 3 of the paper show that more than half of all tax advantages and social security benefits granted[10] to young adults aged 18-24 are channelled through their parents. This feature of the French system limits the ability of young adults to become independent.[11] However, its purpose is to ensure a degree of redistribution within the system, whereas the payment of an autonomy allowance, based on a universal, individual and defamilialised approach, involves disregarding the social background of young adults. Apart from the question of redistribution, another obstacle to the introduction of an autonomy allowance lies in the high cost of a generalised scheme. In a report produced in 2016, the HCFEA estimated that the annual cost of such a policy would be in the range of five to ten billion euros.

It is therefore important to precisely assess the financial and redistributive effects that would result from replacing the familialised support from which young adults aged 18-24 benefit indirectly with an autonomy allowance paid directly to young adults regardless of their parents' income.

2. Young Adults: Varying Degrees of Independence

The system of public support for young adults is assumed to influence the processes by which young adults leave the parental household and gain independence from their parents (Thévenon, 2015; Van de Velde, 2008). Based on a classification of young adults according to their level of independence from the parental household, this section presents the range of situations of the 18-24 year olds according to age and activity status, along with a statistical focus on the poverty rate.

2.1. Categories of Young Adults According to Their Degree of Independence

The analysis is based on a classification of young adults into four categories according to their level of independence from their parents. Independence is measured using two criteria: residential independence (i.e. the co-residence status of young adults) and tax or financial independence (tax status and child support received from parents). Using these criteria, we distinguish four categories: (i) young adults living with their parents (co-residents), (ii) young adults not living with their parents but designated as dependent for tax purposes (non-co-residents dependent for tax purposes), (iii) young adults not living with their parents and who receive child support from their parents (non-co-residents receiving child support), and (iv) young adults living independently. The proposed categories are implemented based on data from the ERFS and imputations based on the ENRJ[12] (see Box 1).

(i) The co-residents category includes all young adults who live in their parents' household. Their presence in the household may entitle them to additional social benefits and to reductions in income tax or housing tax. However, even when they are not taken into account in the computation of any tax and social transfers, they are considered as dependent on their parents. Semi-co-residents, living in university residence halls or young workers' hostels but returning frequently to the parental home, are also included in this category.

(ii) The non-co-residents dependent for tax purposes category includes young adults who do not live with their parents but are treated as a member of their tax household. They are also treated as a dependent. The fact of being treated as a member of the tax household may give entitlement to additional social benefits and tax reductions.

(iii) The non-co-residents receiving child support category includes young adults who do not live with their parents and who are not treated as members of their parents' tax household but receive financial support from them. They may also be treated as dependents, the idea being that their family may deduct any maintenance or child support paid from their taxable income and from the income base used for the purpose

8. Between January and September 2017, 150,000 young adults benefited from the YG scheme (Gautié, 2018).
9. This mode of intervention is rooted in a liberal model based on principles that reflect an emphasis on response to market failures.
10. Throughout the paper, an assumption is made that income is shared within a household, which implies, among other things, that the support received by parents increases the standard of living of the young adults living with them or treated as dependents.
11. Unlike other countries such as Sweden and Denmark, where universal allowances are paid to students (Porte, 2011).
12. These imputations significantly alter the distribution of young adults across the different categories (see Online complement C1. Link to the Online complements at the end of the article).

of calculating their entitlements to family and housing benefits. In this regard, it should be noted that the ERFS provides only a partial picture of maintenance and child support since the survey is only able to identify child support reported by young adults for income tax purposes. Unreported support or support channelled through the custodial parent in the event of separation cannot be identified. With the Myriade model (Box 1), the estimation of child support payments made to adult children (which includes payments to children living with the other parent) reported by parents represents 2.8 billion euros, while child support payments reported by young adults represent just 1.1 billion euros, of which only 0.4 billion euros are declared by independent young adults. To overcome this difficulty, child support payments are imputed using the ENRJ survey to young adults who do not live with their parents and are not members of their parents' tax household.

(iv) Young adults living independently, a residual category, are those who do not live with their parents, do not receive child support from them (whether declared or not) and file their own tax return.

In addition, young adults who do not live in an ordinary household (whether homeless or living in university residence halls or in young workers' hostels who do not return to their parents' home on a regular basis) are, given the scope covered by the ERFS, excluded from the analysis.

Box 1 – **Statistical Sources**

A Static Microsimulation Model Based on the 2011 ERFS Survey

The Myriade microsimulation model developed at the National Family Allowance Fund (*Caisse nationale des allocations familiales*, or CNAF) (Legendre *et al.*, 2001) simulates all tax and social transfers for a representative sample of ordinary households located in metropolitan France (young adults living in university residence halls or in young workers' hostels who do not regularly return to their parents' home are therefore, by definition, excluded from the scope of this study). The version of the model used here is based on the 2011 Tax and Social Incomes survey (*Enquête revenus fiscaux et sociaux*, or ERFS). The ERFS involves statistically matching the Labour Force Survey (data for the 4th quarter of year *N*) to the tax records (tax returns) of the Directorate General of Public Finance (DGFiP) for year *N* and the data on benefits received during year *N* and collected from the CNAF, the National Old-Age Insurance Fund (*Caisse nationale d'assurance vieillesse*, or CNAV) and the Central Agricultural Social Mutual Fund (*Caisse centrale de la mutualité sociale agricole*, or CCMSA). Based on the ERFS, the Myriade model is updated to be representative of the year of interest. Here, the legislation applied is that of 2015 with the addition of the *prime d'activité* (activity bonus, introduced in January 2016) after updating the data between 2011 and 2015 under the assumption of an unchanged population structure. Family benefits, housing benefits, statutory minimum allowances, secondary and higher education grants and income tax are calculated based on a schedule. With regard to the activity bonus, an average take-up rate of 50% (general population and young adults) is assumed, differentiated according to family configuration and the amount of the entitlement (see Favrat *et al.*, 2015).

Re-processing of Households in the Model and Imputation of Income Data Based on the ENRJ

Although based on administrative data, the ERFS suffers from three limitations in providing information about the income of young adults aged under 25.

First limitation: students benefit from an exemption up to an annual earned income of three times the monthly SMIC. Therefore, their exempt income does not appear in the ERFS since the survey is based on tax returns.

Second limitation: the payment of child support by parents to children at or over the age of majority is significantly underestimated in the ERFS. In particular, the declared amount of child support received is lower than the declared amount of child support paid, indicating under-reporting by young adults.

To overcome these two limitations, imputations are made using data from the ENRJ (see Online complement C1).

Third limitation: young adults not living with their parents who are financially dependent in some way (child support, tax dependency, etc.) are counted as independent households, which may bias the assessment of the real standard of living of young adults in this category. To overcome this difficulty, a broad definition of the concept of household is used: if the household reference person or his/her spouse has a tax-dependent child who does not live in his/her home, a statistical match (using the parent-child age gap and the parents' socio-occupational category) is performed in order to associate a young adult declaring no income and living without his/her parents with that individual, within an "extended household". Where a young adult not living in the parental home receives child support (whether reported or imputed), a statistical match (using the amount of support and the parents' socio-occupational category) is performed to associate that individual with a parent(s) reporting child support payments to a child at or over the age of majority. The number of consumption units of the extended household is calculated in a standard way for the members of the main household, although each non-co-resident is counted as one consumption unit since he or she does not benefit from economies of scale.

2.2. Degrees of Independence According to Age

Among young adults aged 18-24, 63% live with their parents, 8% do not live with their parents but are still tax dependents, 10% do not live with their parents but receive child support from them, and 19% are independent in the sense that they are not members of their parents' tax household and do not get any child support from their parents[13] (Table 1).[14]

The distribution according to the degree of independence varies significantly by age (Figure I). At age 18, 90% of young adults are co-residents, 5% are non-co-residents dependent for tax purposes, 4% are non-co-residents receiving child support from their parents and 1% live independently. The proportion of co-residents decreases steadily with age (73% at age 20,

13. The typology used differs from the typology proposed by Castell et al. *(2016), based on the ENRJ source, who distinguish between young adults living with their parents (57% of 18-24 year olds), semi-co-residents (19% of 18-24 year olds) living partly with their parents and partly in another dwelling, and young non-co-residents, whether dependents or not. This distinction cannot be made in the ERFS.*

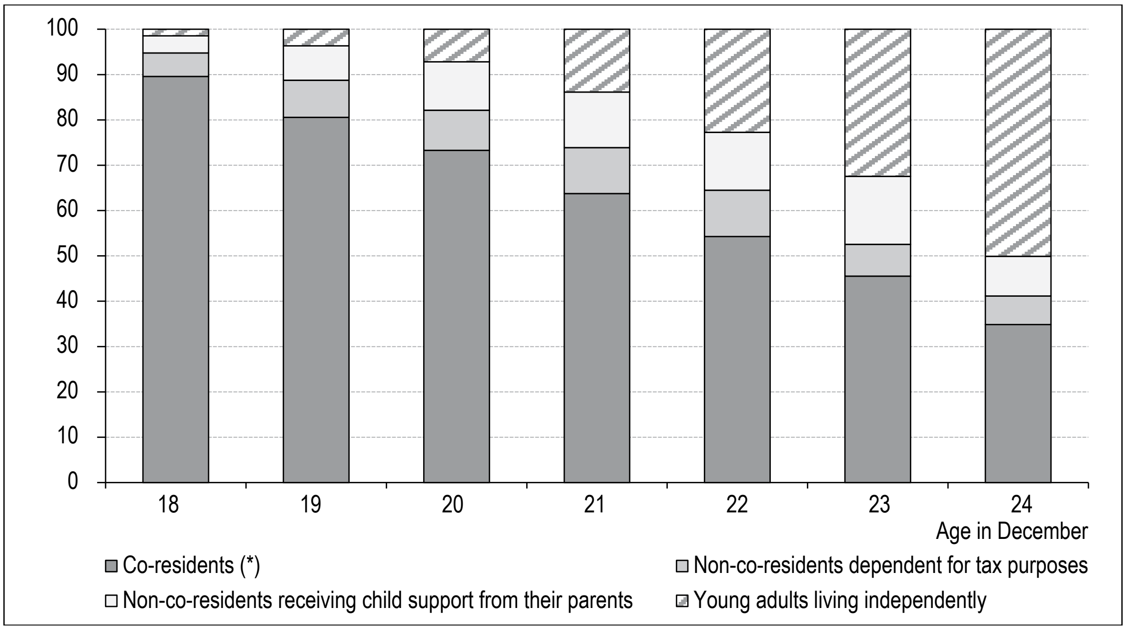
14. The proportions for non-co-residents receiving child support from their parents and for young adults living independently are 2% and 27% before imputation of support (see online complement C1).

Table 1 – **Degree of independence from parents among young adults aged 18-24**

	Numbers in thousands	Distribution (%)
Co-residents	3,367 (20.7)	63
Non-co-residents dependent for tax purposes	427 (2.6)	8
Non-co-residents receiving child support from their parents	534 (3.3)	10
Young adults living independently	985 (6.1)	19
Total	5,313 (32.7)	100

Notes: Unweighted figures are given in brackets. In this and the following tables, the category of young adults living with their parents includes young adults living during the week in university halls of residence or young workers' hostels who frequently return to their parents' home because the *Labour Force Survey* links them to their parents' household.
Reading Note: There are approximately 5.3 million young adults living in ordinary housing in metropolitan France, 63% of whom live with their parents and qualify as tax dependents.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

Figure I – **Independence of young adults from their parents according to their Age (%)**

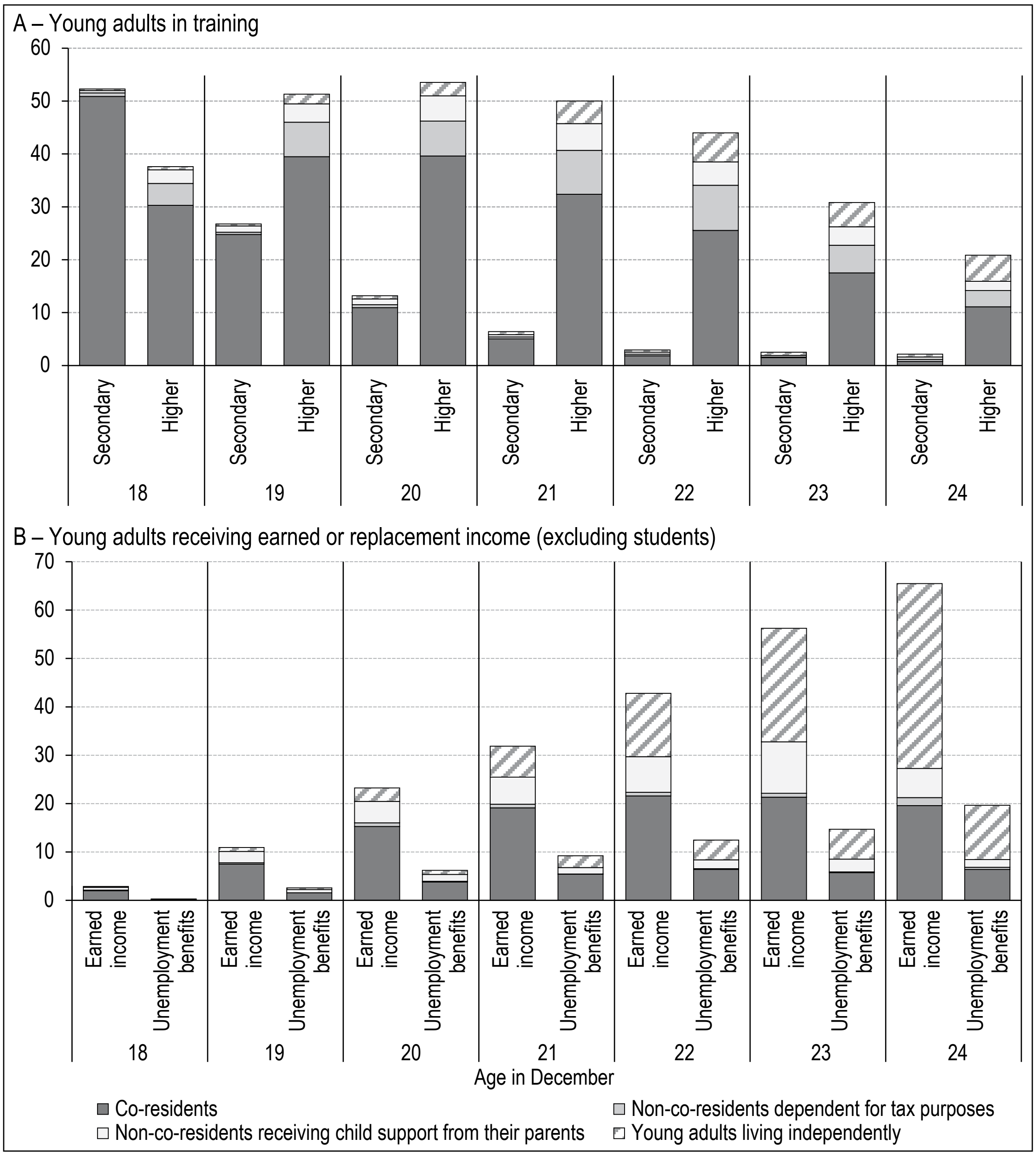


* In Figures I, II-A and III, this category includes young adults living during the week in university residence halls or young workers' hostels who frequently return to their parents' home since the *Labour Force Survey* associates them with their parents' household.
Reading Note: 90% of 18-year-olds live with their parents (at least regularly).
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

46% at age 23 and 35% at age 24), while the proportion of non-co-residents dependent for tax purposes and of non-co-resident receiving child support follows an inverted U-shaped curve. This illustrates the fact that residential autonomy is not immediately followed by tax independence (i.e. non-membership of parents' tax household) or financial independence (i.e. receipt of child support from parents). The proportion of young adults living independently increases continuously from 4% at age 19 to 50% at age 24.

With regard to activity statuses, 56% of young adults aged 18-24 report being students (including 41% in higher education), while 42% receive earned income or replacement income without being in education, with other young adults being neither in education nor in the labour market. The proportion of young adults in secondary education decreases sharply at age 19 and is lower than 10% after the age of 20 (Figure II-A). The proportion in higher education is close to 50% between the ages of 19 and 21 before gradually decreasing to just over 20% at age 24, with the decrease being related to the gradual entry of young adults into the labour market. Thus, at age 24, 23% of young adults are still in education, compared to 90% at age 18.

Figure II – **Activity of young adults by level of independence and age (% of total age group)**



Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

Nearly all young adults in secondary education live with their parents, while the proportion of higher education students not living with their parents stands at 20% at age 18. The proportion of higher education students who either do not live with their parents or live independently increases with age, with tax dependents being the most common category. This is related to the fact that the pursuit of education is often associated with leaving the parental home (Castell *et al.*, 2016) without, however, leading to a break in the tax or financial relationship between parents and young adults who do not live with their parents. Before the age of 20, the proportion of non-co-residents receiving child support from their parents is higher than that of young adults living independently, but the ratio is inverted from the age of 21 onwards.

The degree of independence of young adults according to their age is strongly correlated with the fact of receiving earned income or replacement income (Figure II-B). Approximately 1.8 million young adults aged 18-24 not in education received this type of income during the year, representing around 15% of young adults, with the proportion increasing from 3% at age 18 to 85% at age 24. Among young people with earned income (excluding students), the proportion of those living independently increases with age, but up to the age of 22, more than half live with their parents: at age 20, 66% live with their parents and only 12% are independent; at age 24, 30% are dependent and 58% are independent. Up to the age of 21, those receiving unemployment benefits are less likely to live with their parents than those who are working, but this is then reversed, no doubt reflecting the forced cohabitation of young adults who are nevertheless integrated into the labour market.

2.3. Highly Differentiated Poverty Rates According to the Degree of Independence

To complete this descriptive overview of the situation of young adults according to their level of independence from the parental household, Table 2 shows results for poverty rates and living standards. For the most part, these indicators are calculated at the household level, i.e. by taking into account the total income of the housing unit. Due to the specificity of the population studied, an analysis in terms of "extended household" is also proposed. According to the standard definition of the poverty rate, a non-co-residing young adult with high-income parents is counted as poor even if he or she is still a dependent for tax purposes and is in receipt of private transfers. To take into account the links that may still exist between parents and their children even after the children have left the parental home, we will use a broader concept of household (see Box 1). Similarly, it may be noted that the poverty rates for young adults aged 18-24 calculated based on the ERFS alone may suffer from biases and be overestimated. To the extent that it is based on tax data, the ERFS tends to underestimate some forms of income, such as student earnings (since only the share exceeding three times the monthly minimum wage, or SMIC, must be reported) and does not provide any information on unreported income, such as financial support from parents. The imputation method used, based on the ENRJ, helps to correct these biases and ensures a better assessment of the poverty indicators. Specifically, the poverty rates calculated using this method are lower than those estimated based on the ERFS alone.[15]

The poverty rate for young adults (23.8%) is higher than the poverty rate for the population as a whole (13.7%), with significant variations depending on whether one looks at co-residents (12.4%) or non-co-residents dependent for tax purposes (80.4%). Using the concept of extended household helps to provide a more nuanced view. Calculated based on the notion of the extended household, the poverty rate of young adults aged 18-24 (18.7%) is more than five percentage points lower than when computed at the "strict" household level, while it is almost 52 points lower among non-co-residents dependent for tax purposes (29.0%). Young adults living independently have the highest poverty rate (36.5%), with those in education within this category having a rate of 67.4%. Note, however, that the ranking of the categories is only slightly altered if we only on the subset of young adults in education (whether in secondary or higher education) is considered: the poverty rate of non-co-residents receiving child support from their parents is 10.9% and 13.8% in the subset of those in education, while the poverty rate among co-residents is 13.4% and 11.3% in the subset of those in education.

Taken as a whole, and despite the wide variety of their routes to independence, young adults face poverty risks that barely vary with age (Figure III). While the poverty rate (at the 60% median standard of living threshold) ranges between 18% and 20% among those aged 18-23,

15. *Poverty indicators without imputation are presented in the Online complement C1: for example, the poverty rate for all young adults aged 18-24 is estimated at 27.1%, compared to 23.8% after imputation.*

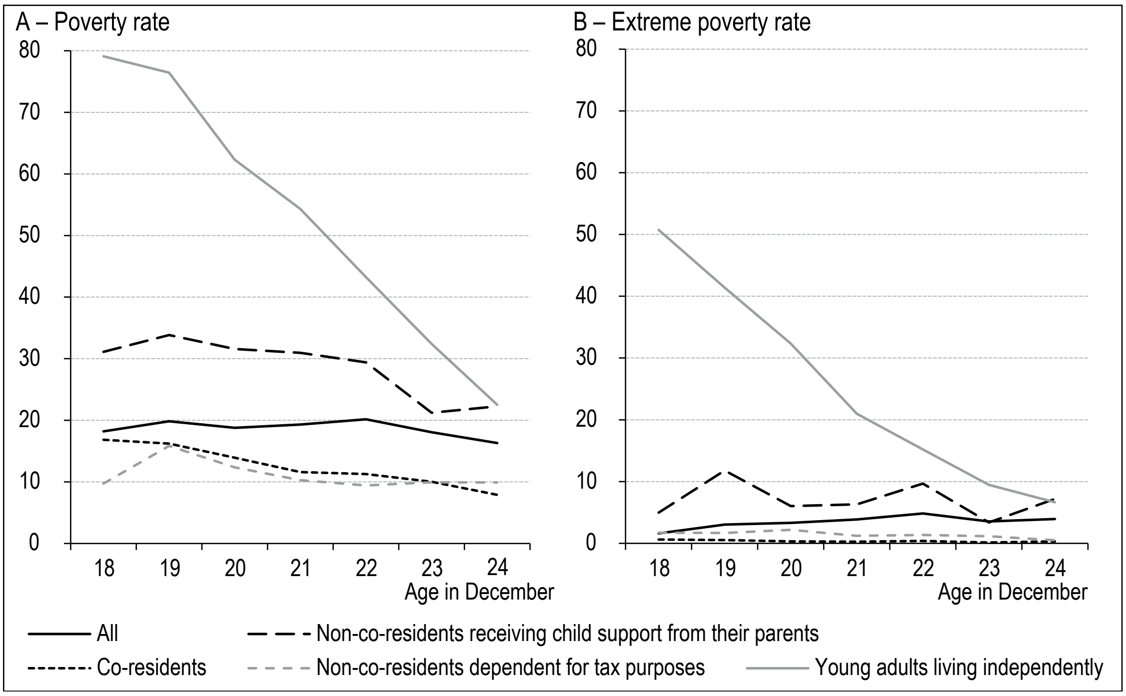
it falls to 16% at age 24. However, this relative stability, which also applies to the extreme poverty rate (i.e. below 40% of the median standard of living), from 2% at age 18 to 4% at age 24, masks significant differences according to the level of independence. For example, the poverty rate for young adults living independently decreases from 79% at age 18 to 23% at age 24.

Table 2 – **Standard of living and poverty of young adults aged 18-24 by degree of independence from their parents**

	Median standard of living (in euros per month)		Poverty rate (%)		Extreme poverty rate (%)	
	Household	Extended household	Household	Extended household	Household	Extended household
Population as a whole	1,732	1,717	13.7	13.2	1.1	0.7
All young adults aged 18-24	1,535	1,565	23.8	18.7	7.4	3.4
Co-residents	1,741	1,680	12.4	13.4	0.4	0.4
Non-co-residents dependent for tax purposes	500	1,409	80.4	29.0	51.5	7.3
Non-co-residents receiving child support from their parents	1,425	1,657	29.2	10.9	6.7	1.4
Young adults living independently	1,276	1,243	35.2	36.5	12.6	13.3
In training	1,540	1,628	26.2	17.5	10.8	4.7
Co-residents	1,765	1,724	11.1	11.3	0.4	0.4
Non-co-residents dependent for tax purposes	447	1,396	85.8	29.6	55.5	8.3
Non-co-residents receiving child support from their parents	1,077	1,648	47.9	13.8	13.3	2.5
Young adults living independently	654	600	65.3	67.4	44.8	46.0

Notes: The poverty rate for a given category refers to the percentage of individuals in that category living in a household (or extended household) with a standard of living lower than 60% of the median standard of living. The extreme poverty rate compares the standard of living of individuals to the threshold of 40% of the median standard of living.
Reading Note: The poverty rate of the population as a whole ("household" approach) is 13.7%, compared to 23.8% among young adults aged 18-24.
Sources and Coverage: CNAF Modèle Myriade 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

Figure III – **Poverty rate of young adults according to their degree of independence and age (%)**



Reading Note: The poverty rate of young adults aged 18 is 18%, compared to 16% at age 24.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

3. An Assessment of Support Schemes for Households with Young Adults

3.1. Breaking Down Direct and Indirect Support for Young Adults: Methodological Considerations

Because of the familialisation of the tax and social security system, financial support for young adults aged 18-24 is provided both through the direct benefits they receive in their own right and through the socio-fiscal support received by their parents.

The first type of support can be identified relatively simply by isolating the various transfers paid to young adults. The analysis takes into account student grants based on social criteria, as well as family benefits, housing benefits, statutory minimum allowances and activity bonuses received by the young adult or his/her spouse.[16] It should be noted that the status of student grants is ambiguous since, although they represent a type of benefit paid to young adults and not to their parents, eligibility for grants and the amount paid depend on the parents' income; this leads Chevalier (2015; 2016) to treat them as an indicator of the familialisation of the social citizenship of young adults. However, we have chosen to distinguish them from the support granted to parents and, therefore, to treat them as direct benefits.

Measuring the indirect support (resulting from the familialisation of schemes, Box 2) from which young adults benefit is not so easy. It requires recalculating all parental transfers, assuming that adult children are no longer dependent, in order to isolate the corresponding amount of support. Furthermore, for the income tax, the allowances for adult children or for those with family responsibilities and the reductions and credits associated with having adult children aged 18 to 24 in education are removed. The effect of the young adult on each parental transfer is then estimated by difference, taking into account "side effects", i.e. the impact of a change in one benefit on the amount of the other transfers (for example, the impact of a change in the amount of family benefits on the amount of the RSA).[17] This method does not involve individualising the income of young adults but aims instead to assess the amount of support received by parents (associated with having one or more dependents) and, on this basis, to estimate an average amount of indirect support for each child aged 18-24.

The option for parents to deduct child support for adult children from their taxable income and the income base used for CAF benefits is

16. Here, the term "social benefits" only refers to CAF benefits and does not include unemployment benefits since these are rooted in a logic of insurance.

17. For example, a couple with no income and with two children aged 10 and 19 receives 129.35 euros in family benefits and 796 euros in RSA benefits. All other things being equal, the loss of family benefits (associated with the "exclusion" of young adults aged 19) would result in an equivalent increase in the RSA (giving a total of 926 euros) since family benefits are included in the income base used to calculate entitlement to this benefit. However, the exclusion of the young adult also has an impact on the RSA (because of a reduction in the child dependency increase): in this specific case, the amount of the RSA after recalculation not taking into account the eldest child would amount to 772 euros (2015 legislation).

Box 2 – **The Familialised Schemes Taken into Account in the Analysis**

Additional family benefits: Family Benefits (in French, *allocations familiales*, or AF), the Early Childhood Benefit (*prestation d'accueil du jeune enfant*, or PAJE), the Family Income Supplement (*complément familial*, or CF), the Back-to-School Allowance (*allocation de rentrée scolaire*, or ARS), the Family Support Allowance (*allocation de soutien familial*, or ASF), and the Education Allowance for a Disabled Child (*allocation d'éducation de l'enfant handicapé*, or AEEH), the schedules of which depend on the number of dependent children and an income base from which parents are entitled to deduct any child support paid to adult children.

Family components of housing benefits: the modulation of the schedule, the allowances on the income of dependent children, the deduction of child support paid to adult children.

Family components of statutory minimum allowances and the activity bonus: the modulation of the schedule for the Disabled Adult's Allowance (*allocation aux adultes handicapés*, or AAH), the Active Solidarity Income (*revenu de solidarité active*, or RSA) and the activity bonus according to the number of dependent children and, for the AAH, the deduction of child support paid to adult children.

Tax advantages granted to families:

• ***family components of income tax (IT)***: the half-parts associated with adult children, allowances for married adult children or children with family responsibilities, the deduction of child support paid to adult children, the tax reduction for families having children in education;

• ***family components of housing tax (HT)***: the available data makes it possible to identify allowances for dependents, without knowing whether they relate to children; here, the assessment is obtained by prorating the amount of the allowances by the proportion of young dependants in the total number of dependants.

also taken into account. The tax reductions and associated increases in social benefits provide indirect support for young adults living independently who benefit from them within extended households.

Nearly two million extended households receive direct support, while 2.9 million receive indirect financial support (Table 3). The significance of familialised transfers is also reflected in the total sums paid out: out of a total of 14.4 billion euros in support for young adults, 52% is in the form of indirect transfers (i.e. 7.4 billion euros), equally divided between social benefits and tax reductions.

3.2. Financial Support Decreases with Age and Is U-Shaped Along the Distribution of Living Standards

As the level of independence of young adults is linked to their age, so is the nature of the financial support they receive. In general, the proportion of young adults benefiting from at least one scheme decreases with age, from nearly 100% at age 18 to 57% at age 24 (Figure IV-A). This trend is mainly driven by the decline in indirect support related to tax (87% of beneficiaries at age 18[18] compared to just 15% at age 24) and social benefits (72% of beneficiaries at age 18 compared to 4% at age 24, with a decrease at around 20 years of age explained by the fact that eligibility for family benefits ends then). Conversely, in the case of direct support, the proportion of young adults receiving social benefits increases by 35 percentage points between the ages of 18 and 24 (from 9% to 45%). The average amounts of the social benefit supplements granted to parents who receive them[19] increase from the age of 22, while they decrease between the ages of 18 and 21 (Figure IV-B). This break in the average amounts is mainly an effect of the composition of benefits. From the age of 22 onwards, the only young adults receiving indirect support are those designated as dependents of parents in receipt of the RSA or the activity bonus, and the average amount of indirect support associated with these benefits is higher than for other social transfers.

18. The proportions of young adults aged 18 receiving indirect support through taxes or social benefits may seem high. With respect to income tax and housing tax, 92% of 18-year-olds are designated as members of their parents' tax household – which reduces or even cancels out their income tax – and 90% live with their parents, giving rise to housing tax rebates (under the 2015 legislation) that can result in the amount due being cancelled out altogether. With regard to social benefits received by parents, just 24% of 18-year-olds have no dependent siblings. Therefore, the proportion of young adults in this category receiving family benefits is low. Furthermore, some may entitle their parents to additional housing benefits or to supplementary income support (whether in the form of supplements to the RSA or the activity bonus).

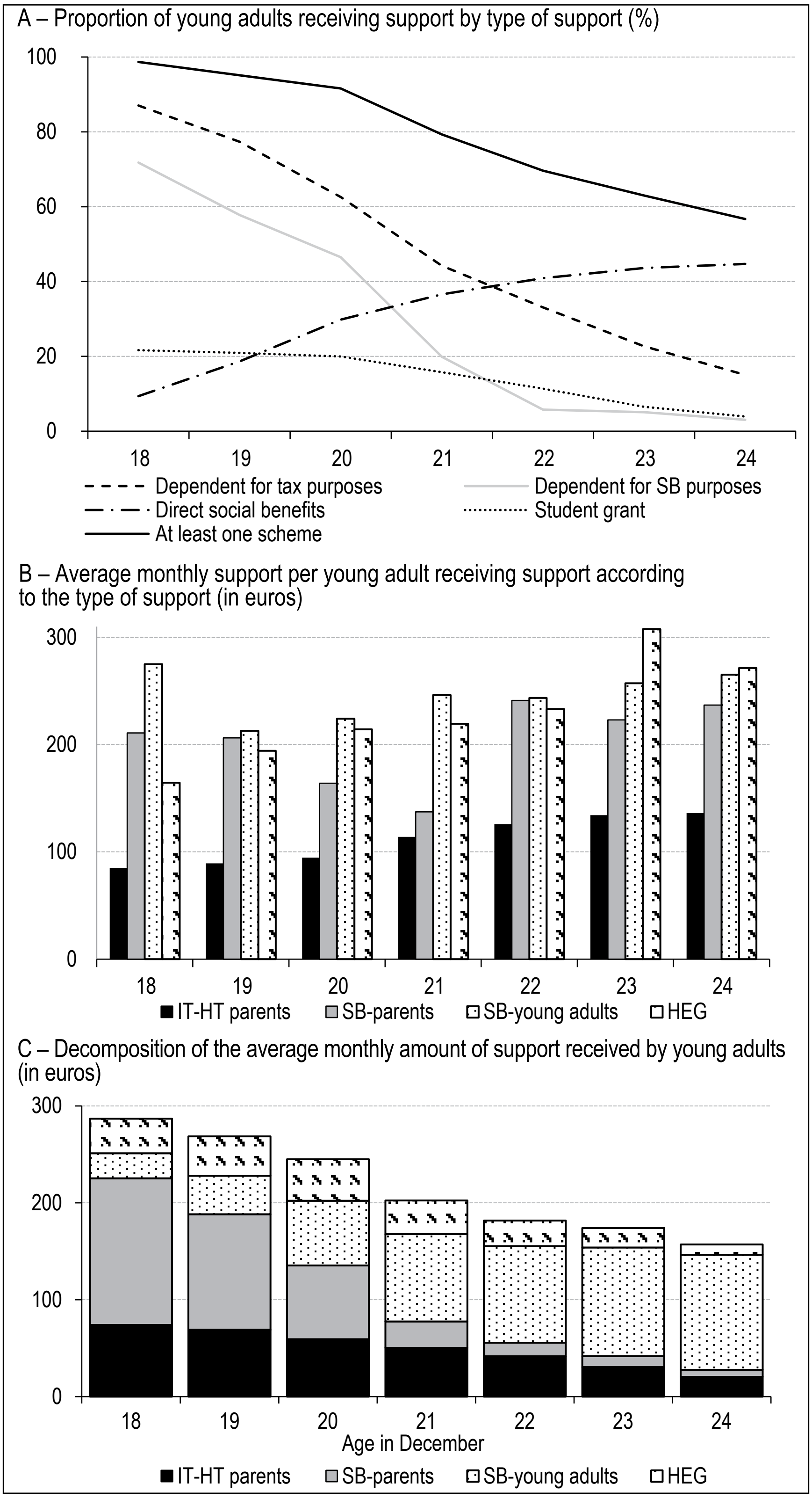
19. These amounts only concern the beneficiaries of the corresponding schemes: the average amounts of each benefit differ from the average amount of support across all schemes shown in Figure IV-C (the elements in Figure IV-C cannot therefore be combined).

Table 3 – **Number of extended households in which young adults receive direct or indirect support**

	Direct support			Indirect support			Total financial volume in € billion
	Numbers in thousands	% of households with young adults	Financial volume in € billion	Numbers in thousands	% of households with young adults	Financial volume in € billion	
All social benefits	1,489	35	5.1	1,296	31	3.7	8.8
Family benefits	233	6	0.8	1,107	26	3.0	3.8
Housing benefits	1,068	25	2.2	453	11	0.4	2.6
Statutory minimum allowances	612	15	2.0	248	6	0.3	2.3
Secondary and higher education grants	665	16	1.9				1.9
Tax reductions				2,602	62	3.7	3.7
IT				2,135	51	3.2	3.2
of which pension deductions				611	15	0.6	0.6
of which benefits for dependent children				1,617	38	2.7	2.7
HT				1,950	46	0.5	0.5
All schemes for young adults	1,974	47	7.0	2,904	69	7.4	14.4

Reading Note: There are 1,974 million households benefiting from direct support received by a young adult aged 18-24. These direct benefits concern 47% of households comprising at least one young adult.
Sources and Coverage: CNAF Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18 to 24 living in ordinary housing.

Figure IV – **Characteristics of the financial support provided to young adults by age**



Notes: "IT-HT parents" and "SB-parents" mean the reductions in the income tax and housing tax of parents and the additional social benefits received by parents due to the presence of a young adult in the household, while "SB-young adults" means the social benefits received by young adults as direct recipients and "HEG" means higher education grants.
Reading Note: Approximately 87% of 18-year-olds entitle their parents to tax reductions (Figure IV-A) and the average disposable income supplement associated with these reductions is 85 euros per month per child in a family benefiting from these reductions (Figure IV-B). On average, an 18-year-old indirectly benefits from additional disposable income totalling 74 euros per month by virtue of the tax reductions granted to their parents (Figure IV-C).
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

The average amount of direct social benefits paid to young adults does not change linearly with age. The average amount of support across all schemes and its breakdown (Figure IV-C), show that the average amount of support received by young adults decreases with age (from 287 euros at age 18 to 157 euros at age 24). In terms of composition, the proportion of direct benefits paid logically increases as the young adult becomes more independent. Thus, at age 24, 82% of the support received by young adults consists of direct benefits, compared to just 21% at age 18.

A similar analysis by standard of living shows that the proportions of beneficiaries and the average amounts of support have a U-shaped profile along the distribution of living standards among young adults. The proportion of young adults receiving support is highest in the first decile (93%), tends to decrease until the seventh decile (64%) and increases again to 81% in the last decile (Figure V-A). The increase in the proportion of young adults receiving support among those with higher living standards is driven by the proportion of young adults designated as tax dependents, which rises from 43% in the first decile[20] to almost 77% in the tenth decile. The proportion of 18-24 year olds benefiting indirectly from additional social benefits granted to their parents for young adults designated as tax dependents increases by 18 points between the first and second deciles, before decreasing with the standard of living until the ninth decile and subsequently rising again thereafter. At the bottom of the distribution, this results from the fact that more than half of all young adults in the first decile do not live with their parents and are not tax dependents, meaning that they cannot be taken into account when calculating entitlements to social benefits. Among those with high living standards, this is due to a structural effect (96% of young adults in the last decile live with their parents compared to 88% in the ninth decile), although it should be noted that the average amount of additional social benefits received by parents for support to young adults falls sharply, from 105 euros in the ninth decile to 44 euros in the last decile. Since direct social benefits are aimed at low-income households, the proportion of young adults receiving them decreases with income. Similarly, the proportion of those receiving student grants decreases rapidly from the fourth decile onwards. The U-shaped profile – which demonstrates the limitations of the system in terms of vertical redistribution – is also found when looking at the average amount of monthly support across all schemes (Figure V-C), which stands at 279 euros in the first decile and at 144 euros in the seventh decile before increasing to almost 192 euros in the last decile. As previously suggested, this profile is mainly an effect of the familialised nature of taxation: indirect tax-related support represents 76% of the average monthly support received by young adults in the last decile (i.e. 146 euros).

This decomposition logically yields a result similar to that of Favrat *et al.* (2015), who found that financial support to families is higher in the lower and upper deciles than in the middle deciles. However, two important points should be made. First, while Favrat & Domingo (2015) showed that recent reforms to the tax and social security system have tended to limit or even cancel out the increase in support for families corresponding to households in the upper deciles, the same is not true when considering 18-24 year olds. Second, the increase in indirect support in line with the standard of living highlights the ambiguity of the French system, with its objectives seemingly split between family benefits and support to young adults. As a result, indirect support for young adults tends to favour young adults from households in the upper deciles over those in the middle deciles.

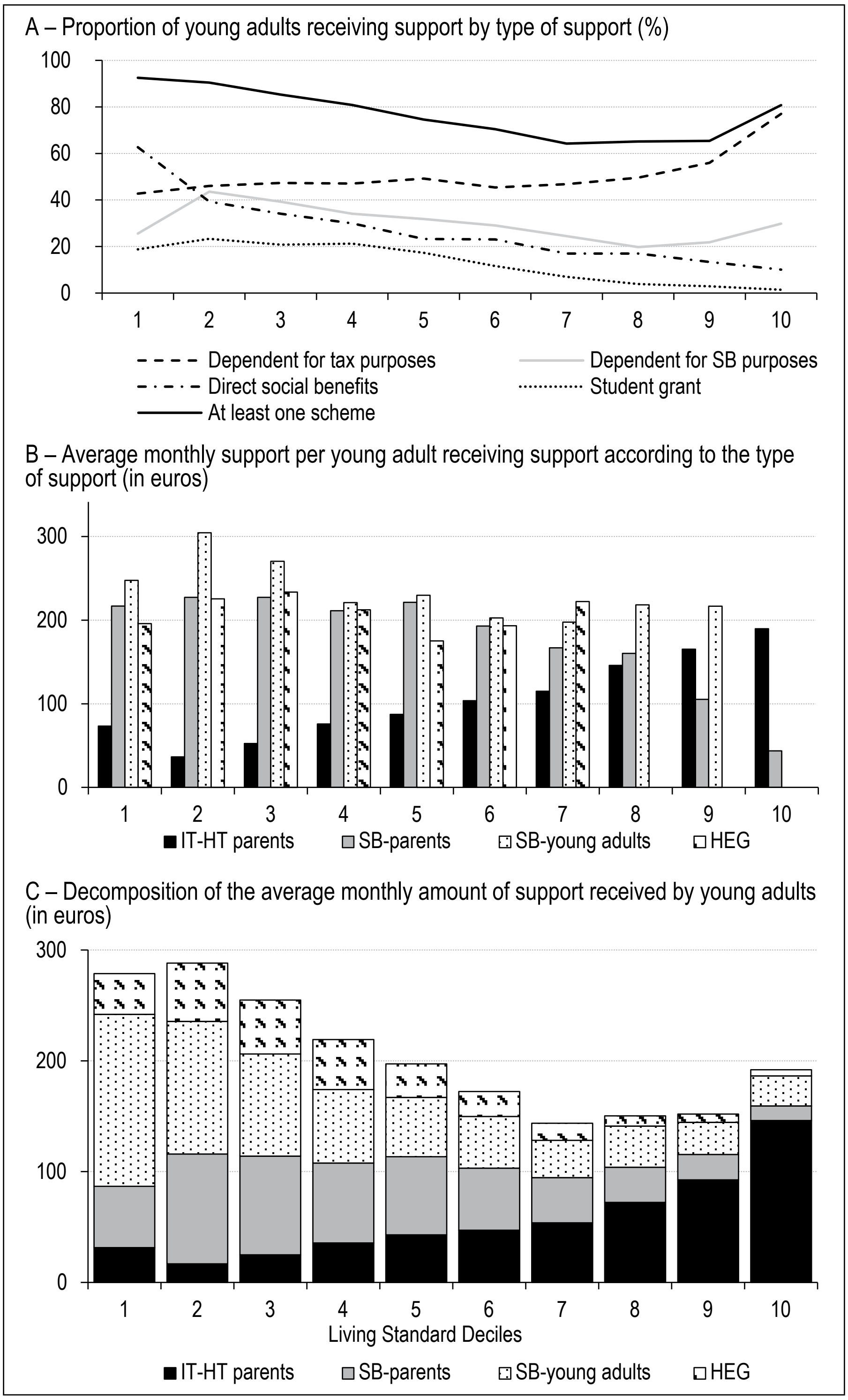
4. The Redistributive Effects of Converting Indirect Family Support into an Autonomy Allowance

Indirect support for young adults channelled through their parents accounts for more than half of the existing schemes aimed at young adults. To assess their impact on inequalities among young adults and on their risk of poverty, two scenarios involving a "defamilialisation" of support with a constant budget are tested.

After specifying the design of the two scenarios, we present the impact of defamilialised allowances on the standard of living of young adults and their risk of monetary poverty, distinguishing between young adults according to specific characteristics (degree of independence, age, standard of living) and identifying those young adults who stand to lose or gain from the defamilialisation of indirect support.

20. This may seem high, but 26% of young adults belonging to extended households in the first decile live with their parents and 29% are non-co-residents designated as tax dependents. Among the former, over half are eligible for reductions in (or even exemptions from) income tax or housing tax.

Figure V – **Characteristics of the financial support provided to young adults according to their standard of living**



Notes: Some figures are not provided because the numbers are too low (higher education grants and direct social benefits in the upper deciles). "IT-HT parents" and "SB-parents" mean the reductions in the income tax and housing tax of parents and the additional social benefits received by parents due to the presence of a young adult in the household, while "SB-young adults" means the social benefits received by young adults as direct recipients and "HEG" means higher education grants.

Reading Note: 26% of young adults whose standard of living calculated at the extended household level is in the first decile of living standards entitle their parents to additional social benefits (Figure V-A). The associated average disposable income supplement is 217 euros per month per child in families receiving these additional social benefits (Figure V-B). On average, young adults in the first decile (whether beneficiaries or not) benefit from additional disposable income totalling 55 euros per month by virtue of the social benefits granted to their parents (Figure V-C).

Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

4.1. A Universal Flat-Rate Allowance *vs.* a Degressive Allowance

Indirect support, intended to take into account the presence of dependent young adults in a household, represents a total cost of 7.4 billion euros per year (primarily in the form of family benefits for young adults aged 18-21 and tax reductions associated with tax dependents aged 18-21; see Table 3). The autonomy allowance funded from this budget allocation is paid on top of all the direct schemes from which young adults benefit, to the extent that these are designed to meet specific needs (family and housing benefits, statutory minimum allowances and activity bonus, student grants). The allowance is not tied to parental income and is neither taxable nor taken into account when calculating the entitlements of the young adult or their parents.

- The first scenario, termed "universal allowance", involves paying a single flat-rate allowance, granted unconditionally and without taking into account the young adult's income. The amount, the same for all young adults, is 117 euros per month, which distributes the 7.4 billion in indirect aid equally among the 5.3 million young adults aged between 18 and 24.

- The second scenario, termed the "degressive allowance", introduces a condition on the young adult's income similar to a differential RSA-type allowance. However, unlike the RSA, the income base in this case is limited to the wages and self-employment income earned by the young adult. The allowance is designed to replace indirect schemes without affecting the support from which a young adult benefits directly, whether for housing, dependents or the cost of education. In particular, a young adult in employment receiving a reduced autonomy allowance continues to benefit from the activity bonus, thereby ensuring that their income still increases when their earned income increases. Here, it is assumed that the entitlement is calculated based on a quarterly earned income tax return.[21] Simulations taking into account the imputation of earned income on the allowance allow for its maximum amount to be determined by trial and error (for a zero earned income). This amounts to 226 euros per month, i.e. if a young adult's monthly earned income exceeds 226 euros, they do not receive the allowance.

4.2. The Redistributive Effects of the Defamilialisation of Indirect Support

This section focuses on differences in standards of living with a view to commenting on the variants, with the results therefore applying to the extended household and all its members. They allow for schemes to be aggregated based on different distribution units (family, dwelling, couple, etc.). In other words, when a young adult is identified as a "winner" or a "loser", all the members of that individual's extended household may be said to experience gains or losses. With this approach, we are able to take into account the gains or losses suffered by parents and minor siblings because of the defamilialisation of support for young adults.

Replacing indirect support with a universal allowance at constant cost would result in a slight increase (16 euros per month per CU) to the median standard of living of the extended household of 18-24 year olds (Table 4). Young adults living independently would see their standard of living increase the most, with a rise of more than 100 euros per month and per CU. Since they are not attached to their parents' extended household because of their residential and financial independence, they do not benefit from indirect transfers. By contrast, the median standard of living of non-co-residents dependent for tax purposes would increase slightly (by 12 euros per month) while that of co-residents would fall (10 euros per month).

Parents with a young adult living under their roof would therefore see their median standard of living decrease slightly, thereby also affecting the situation of any minor children in the family. However, since tax-dependent young adults are currently those who benefit from the highest median living standards, the re-allocation of indirect support would result in a reduction in the dispersion of median living standards according to the degree of independence.

The poverty rate of young adults (defined as the proportion of young adults whose standard of living is below 60% of the median calculated at the extended household level) would also be lower than it is currently (-0.5 points), although there would be an increase of 1.7 points in the poverty rate of co-residents (and therefore of their families) and, conversely, a marked decrease among young adults living independently (Table 5). Young adults living independently would get out of poverty to a greater extent than non-co-residents reporting child support, with the latter being proportionally less poor under the current system. Here too, we see a reduction in

21. In practice, in the microsimulation model, its amount is calculated as the difference from the same quarterly earned income as the activity bonus.

Table 4 – **Impact of the defamilialisation of indirect support on the median standard of living of young adults at the extended household level (in euros per month and per consumption unit)**

	2015 legislation	Universal allowance		Degressive allowance	
All young adults aged 18-24	1,565	1,581	(+16)	1,567	(+2)
Co-residents	1,680	1,670	(-10)	1,672	(-8)
Non-co-residents dependent for tax purposes	1,409	1,421	(+12)	1,429	(+20)
Non-co-residents receiving child support from their parents	1,657	1,689	(+32)	1,667	(+10)
Young adults living independently	1,243	1,343	(+100)	1,289	(+46)

Notes: The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted.
Reading Note: The median standard of living of young adults aged 18-24 designated as dependents and living with their parents in 2015 is estimated at 1,680 euros per month and per consumption unit. Their median standard of living would fall by 10 euros if indirect benefits were replaced by a universal allowance of 117 euros per month paid to all young adults. The decrease would be 8 euros per month in the case of a degressive allowance capped at 226 euros and from which earned income is deducted.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young adults aged 18-24 living in ordinary housing.

the differences in poverty risks according to the degree of independence. The extreme poverty rate (risk of a standard of living below 40% of the median standard of living) would fall by almost 0.2 percentage points and would also be less dispersed. However, it would increase slightly (by 0.3 points) in the case of co-residents.

Redistribution by means of a degressive allowances would benefit non-co-residing young adults regardless of their degree of independence (3.4 points for non-co-residents dependent for tax purposes, 1.6 points for non-co-residents receiving child support from their parents, 6.1 points for those living independently), while the effect would be less penalising for young adults who live with their parents. Thus, given the median standard of living and the poverty and extreme poverty rates, it appears that the familialised support from which young adults benefit indirectly leads to an increase in inequalities between young adults according to their degree of independence, to the detriment of young adults living independently. On the other hand, by taking into account parental income, these schemes provide significant support to co-residing young adults from modest backgrounds by also supporting their parents and siblings, in line with the aim of family policy to support vulnerable families.[22]

22. Support for vulnerable families is the second objective of the family policy set out in the Quality and Efficiency Programmes (in French, Programmes de Qualité et d'Efficience*).*

Table 5 – **Impact of the defamilialisation of indirect support on the poverty and extreme poverty rate of young adults at the extended household level**

(%)

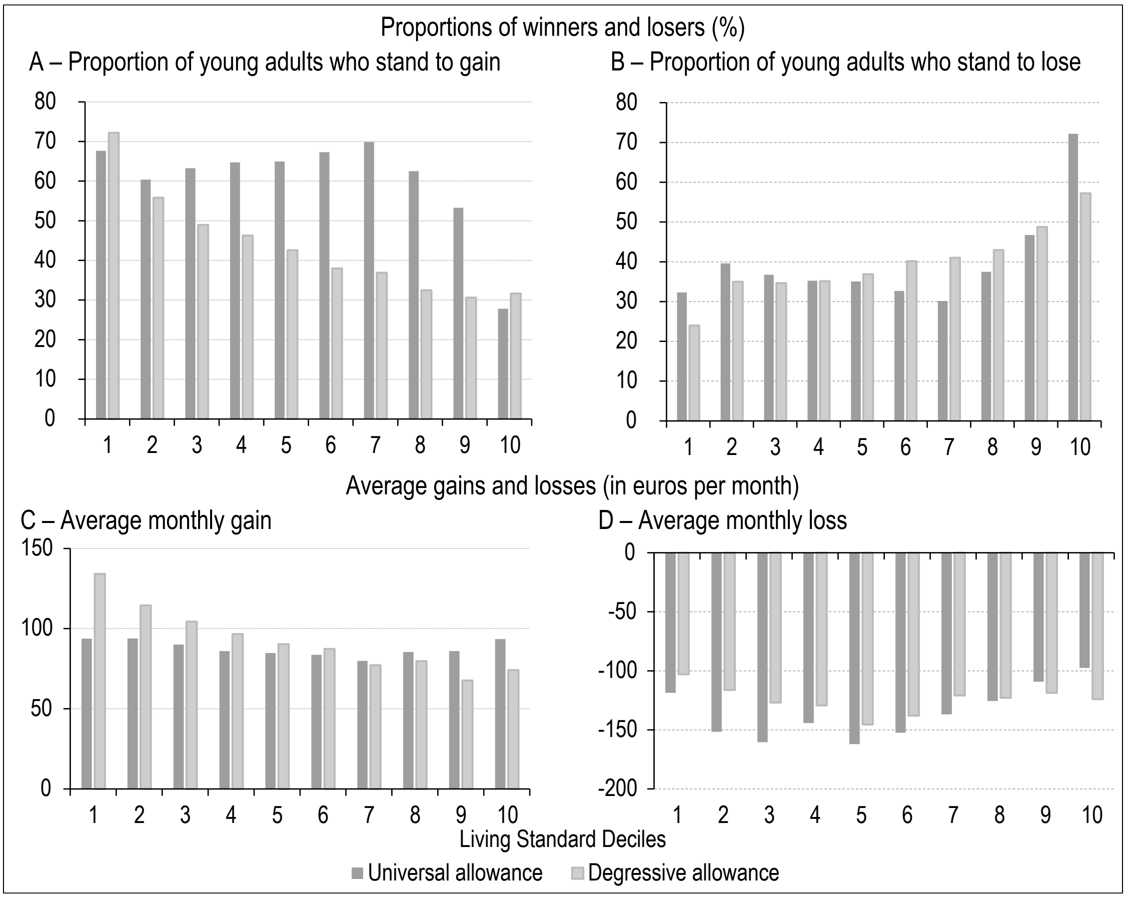
	Poverty rate			Extreme poverty rate		
	2015 legislation	Universal allowance	Degressive allowance	2015 legislation	Universal allowance	Degressive allowance
All young adults	18.7	18.2	17.1	3.4	3.2	2.8
Co-residents	13.4	15.1	13.4	0.4	0.7	0.3
Non-co-residents dependent for tax purposes	29.0	26.3	25.6	7.3	5.5	5.0
Non-co-residents receiving child support from their parents	10.9	9.3	9.3	1.4	0.9	0.8
Young adults living independently	36.5	29.9	30.4	13.3	12.1	11.6

Notes: The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted.
Reading Note: The poverty rate of young adults aged 18-24 (defined as being at risk of having a standard of living below 60% of the median standard of living of the population) calculated at the extended household level is estimated at 18.7%, while the extreme poverty rate (defined as being at risk of having a standard of living below 40% of the median standard of living of the population) is estimated at 3.4%. Their poverty rate would stand at 18.2% if indirect benefits were replaced by a universal allowance of 117 euros per month paid to all young adults and at 17.1% in the case of a degressive allowance capped at 226 euros and from which earned income is deducted.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update; young people aged 18-24 living in ordinary housing.

An examination of the distribution of young adults gaining or losing from defamilialisation according to their standard of living, age and degree of independence provides a more nuanced view of this assessment. Overall, replacing indirect support with a universal allowance of 117 euros per month would increase the disposable income of 62% of young adults by an average of 88 euros per month, although 38% of young adults would lose out (by an average of 134 euros per month). Under the scenario of a degressive allowance, the percentage of winners would be 48% (105 euros on average) and the percentage of losers would be 37% (124 euros on average), while 15% of young adults would see no change in their situation (mainly those living independently who earn too much).

Under a degressive allowance system, young adults who stand to gain from defamilialisation would be in the majority up to the fifth decile (with 72% of winners compared to 24% of losers in the first decile, and 43% of winners compared to 37% of losers in the fifth decile; see Figure VI), with decreasing gains as the standard of living rises (average gain of 134 euros for the first decile, 104 euros for the third and 90 euros for the fifth). With respect to the universal allowance, the winners would represent the overwhelming majority up to the ninth decile of living standards. However, it is worth noting that, regardless of the type of allowance envisaged, the proportion of young adults who would lose out if support is defamilialised is far from negligible, including at the lower end of the distribution. In the bottom three deciles, the proportion of losers ranges between 24% and 40% depending on the scenario, with monthly losses invariably above 100 euros (120 euros and 150 euros per month, respectively, for the first two deciles in the case of

Figure VI – **Impact of the defamilialisation of indirect support per decile of standard of living according to the scenario considered**



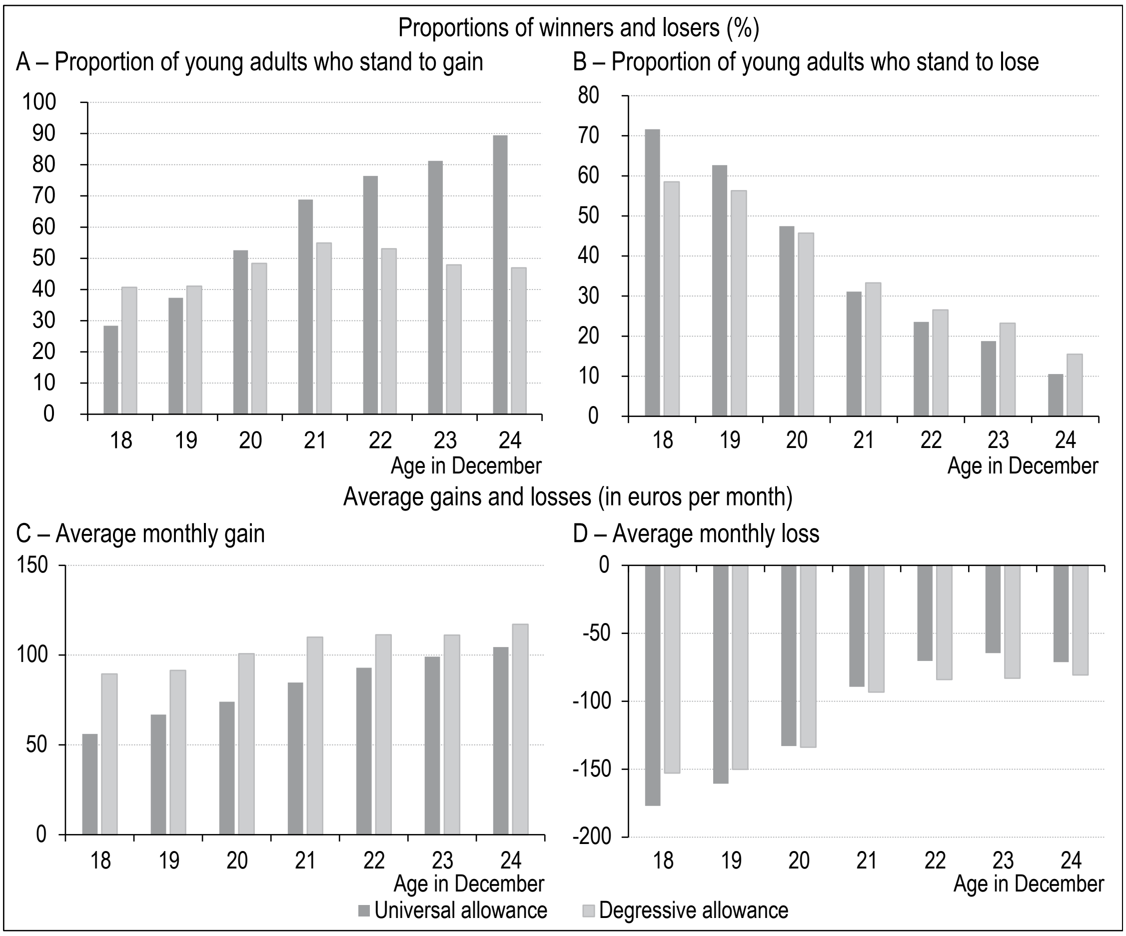
Notes: The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted.
Reading Note: If the indirect benefits received by young adults aged 18-24 were replaced by a universal allowance of 117 euros per month paid to all young adults, 68% of young adults whose standard of living is in the first decile (i.e. belonging to the lowest 10% of households) would see their disposable income increase, by an average of 94 euros per month.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update, 2015 schedules + activity bonus; extended households – the household reference person lives in ordinary housing and is associated, within the extended household, with his or her potential spouse and their children, whether they live in the same dwelling or are members of their tax household.

a universal allowance). Other results presented in Online complement C2 (link to the Online complements at the end of the article) aimed at decomposing the impact of the sole re-allocation of indirect tax support (IT, HT) confirm that the explanation for those who stand to lose from the introduction of a universal or degressive allowance in the high deciles is to be found in the removal of tax advantages. On the other hand, the results obtained suggest that a reform of this kind barely reduces the number of losers in the first decile: in fact, at this level of distribution, the indirect gains associated in particular with HT abatements are not compensated by the payment of an allowance paid directly to young adults.

The introduction of a universal allowance would translate into a proportion of winners and average gains that increase continuously with age, with the proportion of losers and average losses following the opposite trend (Figure VII). Thus, among young adults aged 18 and 19, more than 60% of losers suffer losses higher than 160 euros per month. However, these young adults, who have only just reached the age of majority, are likely to have younger siblings who also stand to lose out if support is defamilialised. Conversely, more than 80% of those aged 23 and 24 would gain from the scheme, mostly as an effect of the concentration of winners among young adults living independently, whose proportion increases with age.

The re-allocation of indirect support in the form of a universal allowance is associated with significant gains for young adults living independently (almost 100% of winners with gains equal to the flat-rate amount of 117 euros), while we find many losers among tax-dependent young adults, particularly among those who live with their parents and/or are students (65% of losers)

Figure VII – **Impact of the defamilialisation of indirect support by age by scenario**

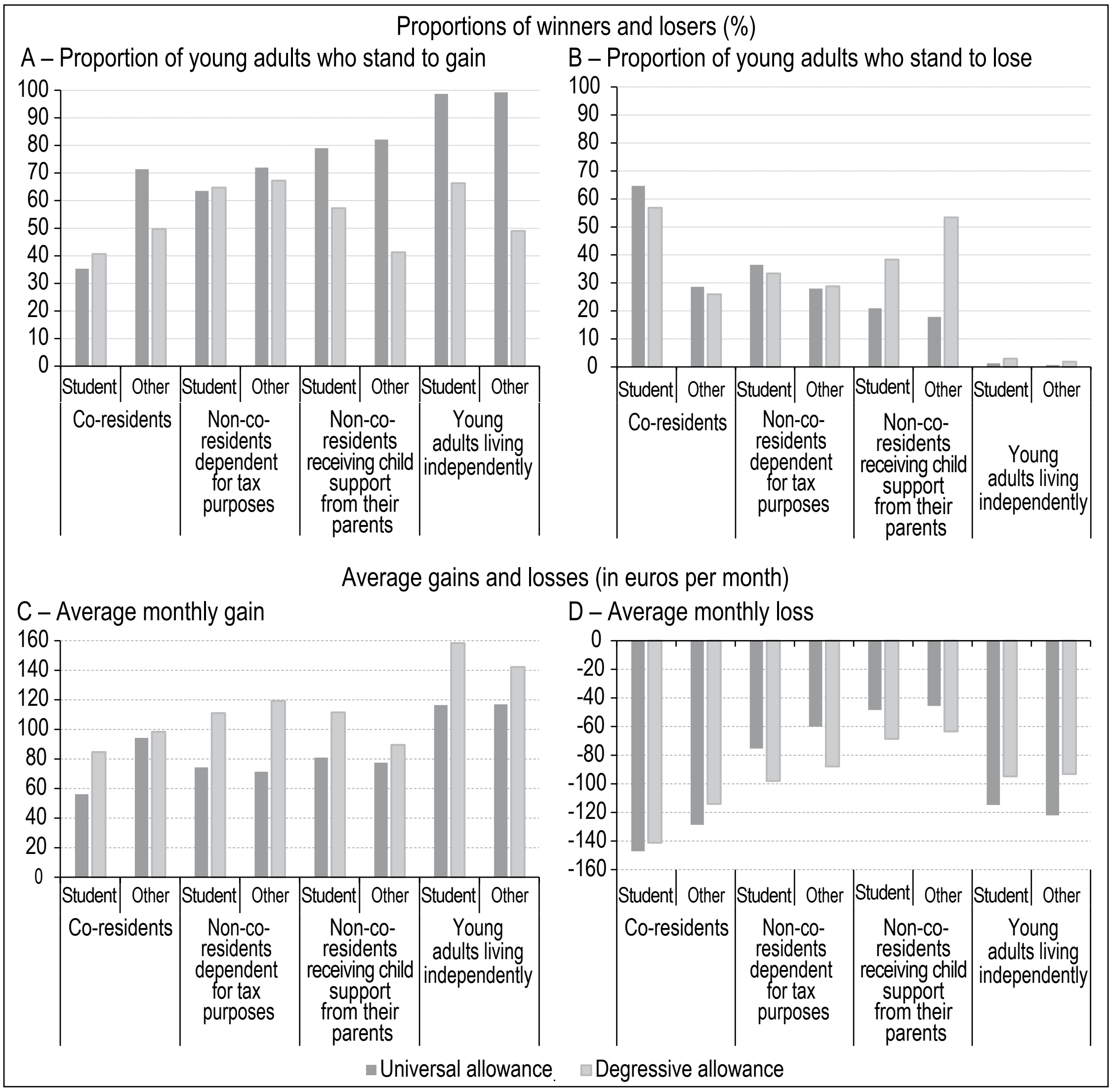


Notes: The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted.
Reading Note: If the indirect benefits received by young adults aged 18-24 were replaced by a universal allowance of 117 euros per month paid to all young adults, 70% of young adults aged 21 would see their disposable income increase, by an average of 85 euros per month.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update, 2015 schedules + activity bonus; extended households – the household reference person lives in ordinary housing and is associated, within the extended household, with his or her potential spouse and their children, whether they live in the same dwelling or are members of their tax household.

(Figure VIII). The average loss for students is more than 147 euros if they live with their parents and around 75 euros if they are tax dependent non-co-residents. With respect to the degressive allowance, the differences between categories tend to be smaller. For example, the gains remain high among young adults living independently (66% of winners among students with gains of 158 euros on average) but of a level equivalent to non-co-residents dependent for tax purposes (65% of winners among students). Conversely, we find that co-residing students suffer significant losses (57% of losers at 141 euros on average).

Generally speaking, mirroring the impact of replacing indirect support with an individualised allowance paid to young adults, it should be noted, however, that the familialised support received by families provides considerable assistance to 18-24 year olds, especially students and those at the lower end of the age range. Thus, although the overall effect of familialised support on poverty rates and differences in living standards according to the degree of independence is less positive than the effect of allowances paid directly to young adults, replacing it (at constant cost) with an allowance

Figure VIII – **Impact of the defamilialisation of indirect support by degree of independence according to the scenario considered**



Notes: The universal allowance is 117 euros per month and the degressive allowance is capped at 226 euros per month, from which the young adult's earned income is deducted.
Reading Note: If the indirect benefits received by young adults aged 18-24 were replaced by a universal allowance of 117 euros per month paid to all young adults, 71% of young adults who live with their parents and are not students would see their disposable income increase, by an average of 94 euros per month.
Sources and Coverage: CNAF, Myriade-ERFS 2011 Model, metropolitan France, 2015 update, 2015 schedules + activity bonus; extended households – the household reference person lives in ordinary housing and is associated, within the extended household, with his or her potential spouse and their children, whether they live in the same dwelling or are members of their tax household.

paid to 18-24 year olds regardless of their family circumstances could benefit some young adults from the wealthiest households and, conversely, penalise those in education from modest backgrounds.

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This paper sought to measure the support provided by the tax and social security system to young adults aged 18-24 by distinguishing the direct transfers from which they may benefit in their own right from the indirect familialised transfers channelled through their parents. The latter account for more than 50% of the support provided to young adults aged 18-24, thus confirming the idea that financial support for young adults in France is largely based on a familialist model. On this basis, the paper assessed the redistributive impact of redeploying indirect support in the form of individualised schemes aimed directly at young adults. A decomposition of the financial support provided to young adults aged 18-24 shows, first, that transfers to young adults are, notably because of tax relief mechanisms, greater in the lower and upper deciles than in the middle deciles. The management of support for young adults – a task entrusted to families – is thus indirectly characterised by these redistributive properties. This suggests a degree of ambiguity in the system, which appears to be split between covering the cost of children and helping families to support young adults on their way to becoming independent.

A simulation based on re-allocating the 7.4 billion euros of indirect support to a new autonomy allowance paid directly to young adults provides a means of assessing the redistributive properties of the familialised system. The scenarios envisaged show that the defamilialisation of indirect support would reduce the average poverty rate of young adults and reduce differences in the living standards of young adults (and of the households to which they belong), according to their degree of independence. A significant proportion of young adults in the lower deciles would benefit from reforms (more than 70% in the first decile). However, it is important to note that granting an allowance to young adults regardless of their family situation could benefit some young adults from the wealthiest households while conversely penalising young adults still in education and from poorer families. To correct this undesirable effect, a defamilialisation of indirect support could be accompanied, for example, by an increase in the value of student grants based on social criteria which, though paid directly to young adults, take into account the family's standard of living.

It should be noted that the results obtained in this study cannot be interpreted as the definite effects that would arise as a result of introducing an autonomy allowance, since they do not take into account the behavioural adjustments that would result from the introduction of individualised support for young adults (e.g. a greater propensity to leave the parental home). However, they represent an initial foray that makes it possible to determine, *ceteris paribus*, the many contradictions that would be generated by the defamilialisation of support for young adults.

Furthermore, there is no guarantee that providing young adults with financial means of their own is sufficient to promote their independence. As Perez (2011) or Gautié & Perez (2010) have pointed out the logic of the "active welfare state", which involves increasing the independence and opportunities of individuals to protect them against the vagaries of life (the logic of empowerment), cannot be based solely on the provision of funds. In particular, it needs to be associated with support measures designed to enable young adults to manage their transition to adulthood. □

Link to Online complements: https://insee.fr/fr/statistiques/fichier/4514394/ES-514-515-516_Favrat_Lignon_Pucci_Complements.pdf

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