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## Poverty among young adults in East Asia: A comparative study

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# LIS

## Working Paper Series

No. 844

### Poverty among Young Adults in East Asia – A Comparative Study

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# **Poverty among Young Adults in East Asia – A Comparative Study<sup>1</sup>**

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## **Abstract**

This research investigates how the poverty risk of young people changes according to their living arrangements by region, using data from the Luxembourg Income Study (LIS). Previous studies have found that the high percentage of East Asian youth living with their parents leads to low youth poverty in the region. However, the poverty rate among young East Asian adults who are married was lower than those who lived with their parents. Young people who received sufficient financial support from their parents transitioned to independence more quickly than their peers, and lowered the associated poverty risk. In other words, young people with poor parents find it difficult to become independent, so they remain living in poor households, increasing the likelihood that poverty will be transmitted across generations. Labor market instability and economic recession makes it difficult for young people with less financial help from their parents to leave their parental homes, can increase the poverty risk of young adults, especially in East Asian societies.

## **1. Poverty in Transitional Young Adulthood**

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Traditionally, poverty studies have focused on child and elderly poverty, and youth poverty has been regarded as a temporary phenomenon observed in the process of becoming independent from parents, or limited to vulnerable groups such as young single parents, or young people who have been discharged from child shelters. However, as young people of working age face increasing instability in the labor market, and as they are dependent on earned income as the primary source of income, job loss leads to direct loss of income and exclusion from work opportunities, impeding young people's entry and settlement in the labor market. This deprivation, experienced in early adulthood, can reduce the quality of life in later adulthood, and poverty in young adulthood can negatively affect society as a whole for generations to come.

In addition, poverty experienced in the era of COVID-19 is an additional crisis for young people (Byun and Lee, 2021). Due to a decrease in jobs for young people due to COVID-19, there is a gradual increase in the risk of extended youth poverty. According to the OECD (2021a), the risk of job or income loss due to COVID-19 is mainly concentrated among women, youth, and low-wage workers. After the outbreak of COVID-19, the working hours of young people decreased by more than 26%, which is approximately double that of middle-aged and elderly adult workers in OECD countries (OECD, 2021b). As the job market of young people who graduated from school and were about to enter the labor market has worsened, the percentage of people aged between 15 and 29 who are not in education, employment, or training (NEET) increased from 10% in 2019 to 12% by the end of 2020 (OECD, 2021a). The International Labour Organization (ILO) has warned that young people who have "remained out of the labor market" may become the "lockdown generation" (ILO, 2020).

When life stages are divided into childhood, adolescence, adulthood, and old age, young adults are located in the transition period between adolescence and adulthood. From a life-course perspective, young people perform social roles or tasks required for their transition into adults (Settersten, Furstenberg, and Rumbaut, 2005, p. 3). This includes graduating from school, getting a job, gaining independence from parents, family formation (marriage), and childbirth (Nam and Namgoong, 2012; Nam, 2015; Byun, 2018a).

The social tasks or transitions observed in the period immediately preceding adulthood are closely related to youth poverty. The outcome of the transition from school to the labor market determines whether or not young people are employed, and if so, whether they are in working poverty, and the poverty of parental households either promotes or hinders young people's path to independence. In addition, the high poverty risk of young people who are independent of their parents' homes and living alone makes the poverty rate of young single-person households higher than those living with parents. Young people living alone have to pay high housing costs by themselves, and the low income and job instability of young people in the early career increase the risk of poverty. Since young people living with their parents belong to the parents' household, their poverty status is determined by the economic level (generally income) of the parents' household. For this reason, it is sometimes claimed that youth poverty has the characteristics of child poverty, which is strongly influenced (in fact, determined by) by parental poverty (Kim, 2010).

Young people sometimes experience temporary poverty in the process of achieving independence, or as an intergenerational transfer of poverty passed on from the parents' poverty. However, changes in the transition period of young adults can change the characteristics of youth poverty. Prolonged education, delayed entry into the labor market, family formation (e.g., marriage or childbirth), and delays in independence from parents can both increase and decrease the risk of poverty among young people.

### *Changes in Young Adulthood*

Young adults construct their lives by interacting with the given social structure they are placed in during the transition period. The "structures and actors" approach has become one of the critical conceptual foundations in life process and youth studies since the 1990s. It emphasizes opportunities and individual decision-making within institutional regulations. It highlights the changes from the perspective of traditional social reproduction, which focuses on economic and social power in the process and outcomes of education and training, job starts, and employment (Heinz, 2009). This change has been established as a helpful point of view in differentiating the transition period experienced by young people from the increase in labor market volatility, which requires individual flexibility in its response. The life-course

perspective emphasizes the institutional embeddedness and social construction of an individual's life history, including key factors such as educational and vocational opportunities and the timing of family formation (Brooks-Gunn and Duncan, 1997; Schoon et al., 2007). However, individuals are not passively exposed to these structural influences, and make decisions using the alternatives and opportunities available and suitable for them based on their environment (Schoon, 2010).

Changes in the transition period experienced by young people have been captured through discussions about changes in life-course processes. Studies from the life-course perspective show that in an industrial society, the life process was standardized with full employment: it had a set path and direction, starting with graduating from school, finding a job, becoming independent from parents, and culminating in marriage and raising children. However, in our post-industrial society, it has become de-standardized. In recent years, graduation from school has been delayed, and it has become more challenging to find a job. In addition (and possibly as a consequence), the number of young people who do not marry and do not have children is increasing. Whereas the transition events and their order of occurrence were unidirectional and fixed, the occurrence and sequence of transition events are now complex and differentiated.

In Korea, young people who graduated from university in the 1990s found a full-time job upon graduation with a guaranteed retirement age, and became independent from their parents' households after getting married. Within one to two years after getting married, they would complete the transmission to adulthood by having and raising children, creating a new family, and a new generation. In the 2020s, university graduates are more likely to prepare for employment for one to two years after graduating, then get a temporary job, and when the contract period is over, they repeat the process of looking for a job. It is difficult to find an affordable house even after getting a job, so they cannot become independent from their parents' households, and they either do not marry or they postpone marriage. Moreover, even if young people get married, they may not have (or may postpone having) children. These shifts explain how, as the number of young people who experience the "standard life-course" gradually decreases and the number of young people who experience transitions that were considered non-standard increases, the life process of young people is de-standardized.

### *The Differences in Young Adulthood among OECD Countries*

The timing of the dominant social tasks of young adults' transition period differs by country. This also affects the sociocultural context and the constitutional principle of the welfare state, which is called the "welfare regime system." Here, the primary tasks of the transition period—school graduation, getting a job, independence from parents, first marriage, and first child—observed in each country by the welfare regime system show somewhat different patterns.

[Insert Table 1 here]

Table 1 shows several young adulthood milestones in OECD countries. We can confirm that although the age of the indicators of youth in the transition to adulthood is increasing recently, there are apparent differences by region. The NEET rate and youth unemployment rate, which show the performance of school-to-work transition, are highest in Southern Europe, Northern Europe, Anglo-Saxon countries, East Asia, and Continental Europe, in that order. Korea has a high NEET rate and low unemployment rate. This reflects the high proportion of young Koreans who are not economically active in their 20s. Northern European youths were the quickest to leave home, and young people in Southern Europe were the slowest. In Korea, 52% of young people believe they do not need to be independent from their parents, and the average age of young people who indicated that they should be independent was 26 (Korea Youth Policy Institute, 2020). Young Korean males must serve in the military for at least one year, and the point of independence is delayed by this period. Southern and Northern European women marry latest in life, and Continental European, Anglo-Saxon, and East Asian women marry at similar ages. Women in Southern Europe and East Asia wait longest to give birth to their first child, followed by women in Continental Europe, Anglo-Saxon countries, and Northern Europe. In Northern Europe, the age of first childbirth was earlier than the age of marriage, which is presumed to reflect the tendency toward cohabitation and childbirth before marriage.

## 2. Characteristics of Youth Poverty and Family

### *Youth Poverty and Parental Support*

Rowntree (1902) argued that young adults show lower poverty rates than children and middle-aged people, or the elderly. Although youth can experience a temporary lack of economic resources, they quickly escape this shortage by finding full-time jobs. Through a smooth transition from school to the labor market, young adults move to adulthood and gain economic independence from their parents and build their own families. Getting older, however, the risk of poverty rises again, with more dependents and (later) retirement from the labor market. In terms of an individual's entire life course, youth who do not have the burden of supporting children and are active in the labor market have the lowest risk of poverty.

Rowntree's work was based on the premise that the transition to adulthood is standardized, which means that everybody experiences similar life events at a particular age. Recently, however, the move to the labor market and gaining independence from parents have been more delayed on average, and the transition trajectories of youth are less orderly than in the past (Mitchell, 2006; Beaujot, 2017). Thus, it seems that the poverty pattern according to the life-course may differ from the past when Rowntree first examined it. It has become much more difficult for young adults to achieve stable career outcomes, as shown by the higher unemployment rate of youth than other age groups. Persistent high youth unemployment incentivizes further training to be competitive in the labor market, so then young adults have delayed emancipation from their parents by prolonging education and job training (Ayllón, 2015). This has meant that parents' support has become essential to meet young people's additional educational needs and protect them from economic instability (Biggart and Walther, 2016; Leccardi, 2016).

In other words, parents' economic support also influences young people's decision to leave home, and facilitates their transition to independence (Vogel, 2002; Aassve, Iacovou, and Mencarini, 2006; De Marco and Berzin, 2008; Majamaa, 2011; France, 2008; Yaqub, 2002). Independence is more accessible if young people can receive support from their parents. Economic support, such as an inheritance or a dowry from their parents in the transition process, functions as a buffer for the financial difficulties young people may otherwise experience (Moore, 2005). Many young people now have problems obtaining residential independence without their parents' help (Heath and Calvert, 2013; Arundel and



Ronald, 2016). Moreover, youth who grow up with wealthier parents can access extended economic support, allowing them to accumulate assets and have more financial resources by getting high-paying jobs because of sufficient investment in education and access to high-quality social and cultural capital in childhood (White and Wyn, 2004; Moore, 2005).

Among the different forms of parental support, cohabitation with parents has been regarded as a significant factor in lowering the risk of youth poverty (Aassve, Davia, Iacovou and Mazzuco, 2005; Aassve, Iacovou, and Mencarini, 2005, 2006; Aassve, Cottini, and Vitali, 2013; Groh-Samberg and Voges, 2014; Ayllón, 2015; Byun, 2020; Kim, 2010, Kim and Kim, 2013, 2015; Kim et al., 2017). This is because, by living with their parents, young people can enjoy access to a relatively stable household income as well as reduction in their cost of living by lowering or removing housing costs (Aassve, Iacovou, and Mencarini, 2006, p. 34), or by accumulating assets for future independence while staying in parental homes (Aassve, Iacovou, and Mencarini, 2006; De Marco and Berzin, 2008; Majamaa, 2011; France, 2008; Yaqub, 2002).

There is a strong incentive for young people to stay at their parents' houses for a longer time when they face economic instability (Vogel, 2002; Stone, Berrington, and Falkingham, 2011). Since the late 1990s, the tendency of young people in Southern Europe to live with their parents has been increasing, a consequence of high youth unemployment in these countries (Vogel, 2002). The proportion of young adults below 30 years of age—both those who are unemployed as well as those already employed—who remain with their parents is higher than in other European societies, as is the proportion of already employed young adults who remain living with their parents (Vogel, 2002). In Southern European societies, work careers often start before leaving home (Ayllón, 2015).

### *Youth Poverty in East Asian Societies, in Comparative Perspective*

As discussed above, the role of the family is vital in youth poverty, and it is noteworthy that not only the pattern of youth poverty (Kangas and Palme, 2000; Papanastasiou and Papatheodorou, 2017) but also the types of parental support to their adult children differ from country to country. This variation is based in part on public attitudes and social norms concerning the role of the family (Vogel, 2002; Daatland and Lowenstein, 2005; Allen, 2006).

In European societies, youth poverty tends to be high in societies where young

people leave their parents' homes early. For example, although the overall poverty rate and inequality in the Nordic countries are lower than in other European societies, income inequality among people in their 20s compared to the middle-aged is remarkably high (Vogel, 2002). The number of youths who live with their parents is the lowest in Northern European countries such as Denmark, Norway, and Sweden, as youth in these countries tend to leave their parental homes even before they have a sufficient income (Aassve et al., 2002; Vogel, 2002; Mandic, 2008; Iacovou 2010; Majamaa, 2011; Arundel and Ronald, 2016). This is the main reason for the high youth poverty rate in Northern Europe, even though they are known as generous welfare states (Aassve Davia et al., 2005; Aassve et al., 2006; Ayllón, 2009; Iacovou, 2009; Tai, 2017). On the other hand, in Southern Europe, the percentage of adult children remaining at home with their parents for a much longer period is higher than elsewhere in Europe (Aassve et al., 2002; Vogel, 2002; Arundel and Ronald, 2016). These countries show a low youth poverty rate among younger youth when many live with their parents, but the poverty rate of older young people (the age of 25 to 29) tends to remain higher than that in Northern Europe even they still stay in parental home (Aassve et al., 2006).

Meanwhile, it is common for adult children to live with their parents in East Asian societies, so young people feel less pressure to leave their parents' homes, unlike young people in European societies (Yi, 2015). In addition, East Asians show a high level of commitment to education, so young adults in East Asian societies usually have a more extended education period than European youth and experience high living costs, so they depend on their parents' economic resources for a longer time with fewer public welfare benefits and services on which they can rely (Raymo et al., 2015, pp. 7–8; Yi, 2015; Tai, 2017). Even if they leave their parents' home while attending college, they often return to their parents' household before finding a job or getting married. In many cases, they receive emotional and financial support from their parents at the beginning of and during marriage (Kim, 2010, Kim and Kim, 2013, 2015; Yi, 2015; Kim et al., 2017).

East Asians tend to regard support for elderly parents as a role of the family more than in European societies, and investment in children in these countries is viewed as a kind of social insurance for future family-based support and provision in retirement. For example, in China, the level of public social security benefits varies depending on where people live, so residents of rural areas often do not receive enough public social security benefits. These

regional differences also lead to differences in the role of families in social welfare (Deng, Hoekstra, and Elsinga, 2020). Specifically, parents who live in rural areas give inter-generational transfers to their adult children to actively support their children's home ownership in return for being taken care of in old age. This is more support than their urban counterparts provide for their children (Deng, Hoekstra, and Elsinga, 2020). In other words, to compensate for insufficient public retirement income security with family care, more financial support is provided to adult children before they reach old age, so that young adults in East Asia are likely to have a lower risk of poverty than youth in European countries.

As stated above, the role of the family differs depending on the social safety net and labor market structure embedded in each country. In Southern Europe, the development of social security benefits other than pensions is insufficient, and there is a tendency to strengthen family ties to support children and young people (Ferrera, 1996; Vogel, 2002; Arundel and Ronald, 2016). In particular, the strong employment protection for full-time workers dampens access to the labor market for young entrants, so their home-leaving is delayed, and parental support becomes critical for youth looking for jobs (Guerrero and Naldini, 1996; Vogel, 2002; Breen, 2005). Furthermore, homeownership functions as an alternative to insufficient social insurance (Conley and Ferrera, 1996; Conley and Gifford, 2006). Hence, a rigid labor market and a weak welfare state requires strong family ties to support young adults (Vogel, 2002; Allen, 2006).

Continental European welfare states also uphold strong family networks. These countries provide welfare benefits through the head of the household to strengthen family ties and prevent the formation of non-traditional families (Buchmann and Kriesi 2011). Expectations for family support are higher than those in Anglo-Saxon countries, where weaker family ties and a weakly regulated labor market make it much easier for young entrants to access the labor market, facilitating earlier home-leaving (Daatland and Lowenstein, 2005). However, higher economic instability without state support leads to more young people returning home. (Mitchell, 2006; Buchmann and Kriesi, 2011; Arundel and Lennartz, 2015).

In contrast, in Northern Europe, where entry into the labor market is easy and generous welfare benefits are provided, the problem of high poverty among young people is resolved sooner. Despite the lack of financial support from parents, the poverty of Nordic youth does not last long because of the generosity and coverage of public social safety nets (Ayllón, 2015). The significant expansion of public services and welfare benefits after the post-war era reduced reliance on family in making a living and becoming independent (Esping-Andersen 1990). In addition, youth can easily find jobs because of the high quality of the tertiary education system based on vocational training, although strong worker protection. Among East Asian countries, Korea is highly unstable and fragmented in its labor market. Most young people transit from school to work, and they are economically dependent on their parents to that extent. Some young people can find decent jobs, but they are also less likely to receive benefits from a work-based safety net (e.g., employment insurance) because of an unmet contribution period. In short, the labor market conditions and public income safety nets in East Asia are not sufficient to support young people's independence.

### 3. Leaving Home and Youth Poverty in East Asia

To identify the characteristics of youth poverty in East Asian countries, it is necessary to compare the difference between the poverty rate of young people by age group and according to young people's living arrangements. Although it is best to use panel data to track and monitor individuals to demonstrate the impact of leaving parental homes on youth poverty, we use Luxembourg Income Study (LIS) data to examine poverty rates by age and living arrangement because of a lack of panel data that would allow us to compare individual poverty trajectories in various countries longitudinally. The data used in this study are based on six waves of LIS data covering Wave V (around 2000) through to Wave X (around 2016), a total of 94 datasets from 19 countries. Data sets were selected to compare levels and changes in youth poverty across countries, including Anglo-Saxon, Continental, Northern, and Southern European, and East Asian societies.<sup>2</sup>

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<sup>2</sup> Anglo-Saxon countries (with data years in brackets): Canada (CA00, CA04, CA07, CA10, CA13, CA16), United

There are many ways of defining young people according to their socio-cultural contexts. The lower age limit at which adolescence begins is from the age of 15, the legal age for paid work, to the age of 18–19, the age at which college admission is decided. The conventional upper age limit for young people is 24 to 29 years old when they get a full-time job. However, considering the delay in economic independence, people over 30 were also included as young people in this analysis. This is consistent with the Korean Youth Act, which defines “young people” as those who are 19–34 years old, although we define those aged, 15–34 years as “youth” to reflect the increase in the adult transition period.

To determine how the poverty of young people has changed compared to other age groups, the change in relative poverty risk was calculated. Relative poverty risk is the poverty rate by age group divided by the total poverty rate. If it is greater than 1, it means that the risk of youth poverty is higher than for all ages, and if it is less than 1, it means that the risk of poverty is lower than for all ages. This allows us to check whether the youth poverty rate is becoming higher or lower than that of other age groups, and to examine whether (and how) poverty rates change within and between countries. The poverty rate measures the percentage of people below 50% of the median equivalized disposable income. We applied the equalization scale (the square root of household size), the scale used by the OECD. The living arrangement of youth is categorized into six groups: single-person households, living with parents, living with a partner (without children), living with a partner and children, living alone with children (single parents), and others.<sup>3</sup>

The descriptive statistics of the youth samples are shown in Table 2. The living arrangements in Table 2 show that about 60% of young people live with their parents in Southern Europe and East Asia. This is twice as high as the ratio in northern

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Kingdom (UK00, UK04, UK07, UK10, UK13, UK16), United States (US00, US04, US07, US10, US13, US16)  
 Continental Europe: Austria (AT00, AT04, AT07, AT10, AT13, AT16), France (FR00, FR05, FR10), Germany (DE00, DE04, DE07, DE10, DE13, DE16), Netherlands (NL99, NL04, NL07, NL10, NL13, NL16)  
 Northern Europe: Denmark (DK00, DK04, DK07, DK10, DK13, DK16), Finland (FI00, FI04, FI07, FI10, FI13, FI16), Norway (NO00, NO04, NO07, NO10, NO13, NO16), Sweden (SE00, SE05)  
 Southern Europe: Greece (GR00, GR04, GR07, GR10, GR13, GR16), Italy (IT00, IT04, IT08, IT10, IT14, IT16), Spain (ES00, ES04, ES07, ES10, ES13, ES16)  
 East Asia: China (CH02, CN13), Japan (JP08, JP10, JP13), South Korea (KR06, KR10, KR14, KR16), Taiwan (TW00, TW05, TW07, TW10, TW13, TW16), Vietnam (VN11, VN13)

<sup>3</sup> “Others” includes young people living with relatives or friends, and for a small number of countries – Denmark, China, Japan, Vietnam, could be included those living in dormitories.

Europe. On the other hand, the proportion of young households living alone was about 22% in Nordic societies, four to seven times that of Europe and East Asia. Overall, it can be understood that young people live alone, independent of their parents, most frequently in Northern Europe, and in descending order, in Continental Europe, Anglo-Saxon countries, Southern Europe, and East Asia.

[Insert Table 2 here]

Table 3 shows the results of analyzing changes in the youth poverty rate according to socio-demographic characteristics. First, the overall youth poverty rate has increased since 2000 (from 10.4% in 2000 to 12.8% in 2016). The relative youth poverty risk—the youth poverty rate compared to the total poverty rate—also fluctuates slightly, but is generally on the rise. Looking at poverty rates by age group, the poverty rate of 20–24 years old was the highest, and the lowest age group was 30–34 years old. This is consistent with previous studies showing that the poverty rate is the highest among young people who are trying to become independent of their parents, and lowest when they enter the labor market. Covering all waves, people in their 20s have the highest risk of poverty, with those in their late 20s having the most significant increase in poverty since the early 2000s and the mid-2010s. This seems to be related to the gradual delay in the timing of youth independence.

Second, according to the living arrangement, youth who live with couples without dependent children have the lowest poverty rate, and youth living with parents also have a relatively low poverty rate. As pointed out in previous studies, economies of scale and reduced burden of extra living expenses, such as housing costs, reduce the risk of poverty (Aassve et al., 2006). In contrast, the poverty rate was the highest for single-parent youth (no partner but with their own children), and the second-highest place was living alone. In addition, the poverty rate of single-person (5.8 percentage point increase) and single-parent (4.7 percentage point increase) households have increased, further deepening their vulnerabilities.

Lastly, while the poverty of East Asian youth is the lowest (6.4%, in Wave X), as pointed out in previous studies (Aassve, Davia, Iacovou, and Mazzuco, 2005; Aassve, Iacovou, and Mencarini, 2006; Ayllón, 2009; Iacovou, 2009), the poverty rate of youth is the highest in Southern European societies (17.0%, in Wave X). Moreover, the poverty rate

among young people in Southern Europe has increased sharply (6.1 percentage point increase).

[Insert Table 3 here.]

As mentioned above, the pattern of youth poverty is different in each society due to differences in social norms regarding the role of families in each region (Vogel, 2002; Daatland and Lowenstein, 2005; Allen, 2006). To examine these regional differences in more detail, we calculate the relative poverty risk to confirm whether the youth poverty rate was higher than the poverty rate among all ages (Figures 1 and 2). Figure 1 shows the relative poverty risk by age in each region and how they changed over the sample period (2000–2016). Looking at the pattern of the relative risk of poverty, according to age in each region, countries other than East Asia tend to have a high relative risk of poverty in their youth.

[Insert Figure 1 here.]

Although the age-related poverty risk difference is not significant in Anglo-Saxon societies, they also show an increased risk of poverty in their mid-20s. In Continental Europe and Northern Europe, the relative poverty risk rises sharply in the early 20s, with poverty risk decreasing with age. In Southern Europe, the relative risk of poverty increases in the mid-20s, related to the tendency of young adults in southern Europe to become independent later than in other European societies (Aassve et al., 2002; Vogel, 2002; Arundel and Ronald, 2016). On the other hand, in East Asia, the relative poverty risk of the elderly is more prominent than that of the young; the relative poverty risk rises slightly in the late teens and early 20s, but the difference is not large and decreases from the late 20s on. However, the relative risk of poverty among those aged 65 and over is relatively high, which seems to be related to insufficient public support (Deng, Hoekstra, and Elsinga, 2020).

Figure 2 shows the relative poverty risk of young people by living arrangement. Overall, the relative poverty risk is high for young people living alone or for single-parent youth, whereas the relative poverty risk for young people living with parents, or without children but with a partner, is low. As pointed out in previous studies, living with parents seems to be a factor that lowers the risk of poverty among young people (Aassve, Davia,

Iacovou, and Mazzuco, 2005; Aassve, Iacovou, and Mencarini, 2005, 2006; Aassve, Cottini, and Vitali, 2013; Groh-Samberg and Voges, 2014; Ayllón, 2015; Byun, 2020; Kim, 2010, Kim and Kim, 2013, 2015; Kim et al., 2017). The poverty risk of young people living with their parents did not change significantly in other regions, but in East Asia, the poverty risk of young people living with their parents was slightly lower than in the early 2000s. In addition, the relative poverty risk of single-parent families in East Asian societies has fallen significantly, which seems to be related to the recent strengthening of government support for families with children (An, 2013; Jones, 2019).

[Insert Figure 2 here]

Table 4 shows the results of the linear probability regression model on youth poverty. The dependent variable in this analysis is the poverty status of youth, but to directly interpret the regression coefficient as a probability, we used a linear probability model rather than a logit model. However, to solve the problem of the homoscedasticity of error terms, we used a robust standard error and included the wave dummy to control the time effect. Our main independent variables are the age group of the youth, their living arrangement, and region. In addition, variables capturing, sex, education level, and employment status, which are known to affect youth poverty, were also controlled for in every model. The full model pooled all samples to identify differences in youth poverty by region. After controlling for time and individual characteristics, with the Anglo-Saxon country group as a reference group, the poverty rate in Northern Europe was the lowest, and Southern Europe and East Asia were at similar levels.

[Insert Table 4 here]

Next, we examine the influence of age and living arrangement by region and find as follows: First, young people aged 20 or older tend to be significantly more likely to face poverty in the full model. However, the probability of being poor is highest for people in their early 20s and gradually decreases thereafter. Especially in Continental Europe and Northern



Europe, youth in their late 20s and 30s are significantly less likely to become poor than those in their early 20s. As pointed out in previous studies, young people in these regions are at a high risk of poverty because their independence occurs relatively early (Aassve, Davia, Iacovou and Mazzuco, 2005; Aassve, Iacovou, and Mencarini, 2006; Ayllón, 2009; Iacovou al., 2009; Tai, 2017). However, they get out of poverty sooner because of sufficient public support and easier access to decent jobs (Esping-Andersen, 1990; Buchmann and Kriesi, 2011; Ayllón, 2015).

However, in East Asia and other regions, the probability of poverty among young adults in their late 20s and 30s is significantly higher than in their early 20s. This seems to be related to the cultural characteristics of these regions, where independence from parents occurs in the late 20s, somewhat later than the previous two regions (Aassve et al., 2002; Vogel, 2002; Yi, 2015; Arundel and Ronald, 2016). Living with parents appears to be a factor that significantly lowers the risk of poverty among young people. As shown in Table 4, the probability of youth living with parents is significantly lower than that of households living with partners without children.

Previous studies have explained that youth poverty in East Asia is low due to the high parental cohabitation rate. Interestingly, however, with controlling for age and educational level, youth living with parents showed a higher poverty rate than that of those living with a partner and no children and that of those living alone, unlike in other country groups.

Young adults in East Asian societies usually have a more extended education period than European youth, so they depend on their parents' economic resources for a longer time. Young people who have accumulated sufficient human capital through education are also able to obtain high-quality jobs relatively quickly, and their transition will carry out smoothly, such as starting a new family or residential independence. In fact, it is difficult for young people to become independent through marriage if their parents cannot provide financial support. In the sense that only young adults who can secure sufficient resources through parental financial help can get married, independence from parents through marriage has become something akin to a form of luxury good (Kim and Kim, 2015; Deng, Hoekstra, and Elsinga, 2020).

However, youth who are hard to get financial support from their parents lack adequate

opportunities to get higher education and decent jobs, and they face challenges in gaining enough income and wealth to achieve financial independence. For them, living with parents is the only option to reduce the financial burden, and then it may persist the parental poverty status across generations. Co-residence with parents may be a result of, not a cause for, poverty.

#### 4. Conclusion

This chapter examines the characteristics of poverty among East Asian youth by comparing them with European societies, focusing on living arrangements. Families have a significant influence on youth poverty because the poverty patterns of young adults differ markedly depending on household composition. In particular, co-residence with parents has been identified as a significant factor in lowering youth exposure to poverty. Moreover, as it has been difficult for young adults to access the labor market in recent years, the period of dependence on their parents may gradually increase, changing the pattern and duration of youth poverty. Notably, in East Asian societies, family support plays a more critical role as a welfare provider than in other European societies, and the period for young adults to become residentially emancipated from their parents is longer than in European societies.

As many previous studies (cited earlier) have pointed out, the risk of poverty generally tends to increase for young adults when they leave their parental homes. Young people in Continental Europe and Northern Europe, where youth leave their parents' homes early, face the highest poverty risk in their early 20s. In contrast, Southern European youth experience the highest poverty risk in their late 20s because young adults in these regions become residentially independent later. The overall relative poverty risk of East Asian young adults is relatively low due to the high percentage of youth living with parents, so co-residence with parents acts to prevent youth poverty in this region. Moreover, youth in East Asia, where independence from parents occurs relatively late in the life cycle, shows low poverty risks even after residential emancipation from parents. Interestingly, the poverty risk of East Asian young adults who successfully transitioned through marriage is lower than that of those who live with their parents.

The above results show that youth poverty in East Asia needs to be approached differently from Western societies. The strong ties between parents and children in East Asia and the recent delay in the transition of youth across the education–work–family life-cycle are strengthening the dependence of East Asian youth on their parents. It is difficult to gain enough economic resources for independence without the help of parents, so it is common for young adults to become economically dependent on their parents even after becoming independent residentially. The relationship between parental cohabitation and youth poverty in East Asia suggests that it is necessary to re-examine the stereotyped discussion of youth poverty in the transitional period in which cohabitation with parents lowers the risk of youth poverty. Improved anti-poverty policies for young people are necessary to respond to changes in the transition process of young adulthood.

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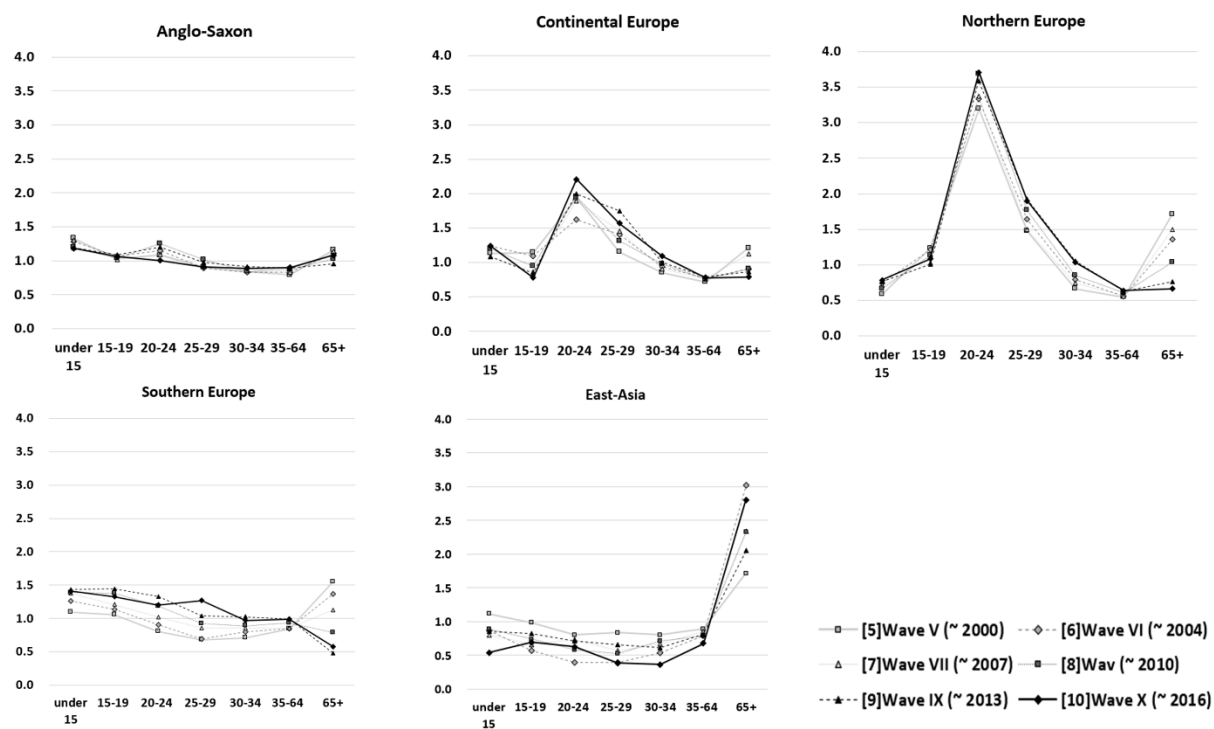


Figure 1 Changes in relative poverty risks by age

Note: The relative poverty risk of young adults is calculated as the youth poverty rate relative to the average poverty rate for all age groups.

Source: LIS data wave V (around 2000) ~ wave X (around 2016). For detailed information of datasets used in this study, see footnote 1.

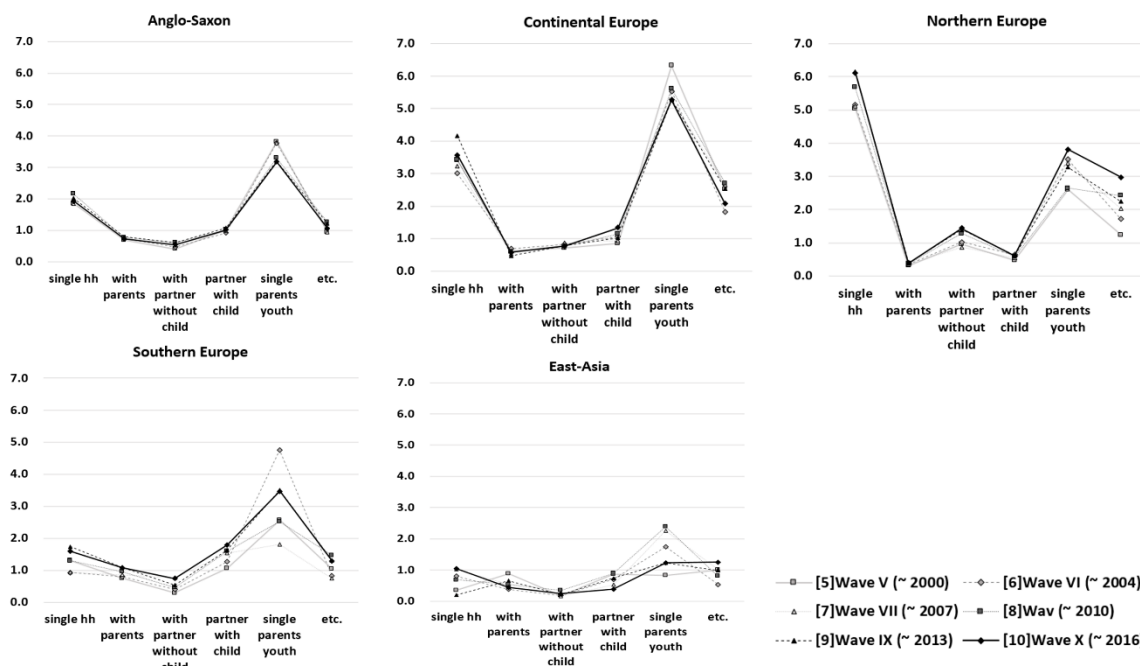


Figure 2 Changes in relative poverty risk by living arrangement among 15-34

Source: LIS data wave V (around 2000) ~ wave X (around 2016). For detailed information of datasets used in this study, see footnote 1.

Table 1 Young adulthood milestones among OECD countries

|                    |             | NEET rate among 15-29-year-olds (2017) | The unemployment rate among 15-24-year-olds (2021) | The average age of young people leaving the parental home |       | Mean age of first marriage (female) |      | Mean age of first childbirth |      |
|--------------------|-------------|--|--|---|-------|-------------------------------------|------|------------------------------|------|
|                    |             |  |  | 2012  | 2020  | 2000                                | 2017 | 2000                         | 2019 |
| OECD Average       |             | 13.4                                   | 12.9   |   |       | 29.8<br>(25countries)               | 30.2 | 28.5                         | 30.5 |
| Anglo-Saxon        | US          | 14.1                                   | 9.2  |   | 27.0  | 25.1                                | 27.4 | 27.4                         | 29.4 |
|                    | UK          | 12.6                                   | 13.5   | 23.9  | 23.0* | 28.2                                | 31.2 | 28.4                         | 30.6 |
|                    | Canada      | 10.8                                   | 11.6   |   |       | -                                   | -    | 28.8                         | 30.7 |
| Continental Europe | Austria     | 10.3                                   | 11   | 25.4  | 25.5  | 27.4                                | 31.5 | 28.2                         | 31.0 |
|                    | Germany     | 9.3                                    | 7.5  | 23.8  | 23.8  | 27.7                                | 31.2 | 28.8                         | 31.2 |
|                    | Netherlands | 7.0                                    | 7.6  | 23.6  | 24.3  | 28.0                                | 31.4 | 30.3                         | 31.6 |
|                    | France      | 16.8                                   | 19.1   | 23.5  | 24.0  | 28.4                                | 32.2 | 29.3                         | 30.7 |
| Northern Europe    | Finland     | 11.9                                   | 16.5   | 21.9  | 22.0  | 30.5                                | 31.6 | 27.4                         | 29.4 |
|                    | Denmark     | 11.4                                   | 10.3   | 21.1  | 21.2  | 30.2                                | 32.4 | 27.8                         | 29.7 |
|                    | Norway      | 8.6                                    | 11.5   |   |       | 30.9                                | 32.3 | 26.9                         | 29.7 |
|                    | Sweden      | 8.6                                    | 24.8   | 19.9  | 17.5  | 33.0                                | 33.8 | 27.9                         | 29.5 |
| Southern Europe    | Greece      | 22.4                                   | 30.4   | 29.0  | 29.8  | 27.2                                | 30.3 | 28.8                         | 31.2 |
|                    | Italy       | 25.2                                   | 29.4   | 29.8  | 30.2  | 30.6                                | 32.4 | 30.4                         | 32.1 |
|                    | Spain       | 19.2                                   | 37.1   | 28.7  | 29.8  | 28.1                                | 33.2 | 30.7                         | 32.3 |
| East-Asia          | Korea       | 18.4                                   | 8.6  | -   | 26.1  | 26.5                                | 30.4 | 29                           | 32.6 |
|                    | Japan       | 9.8                                    | 4.5  |   |       | 27.0                                | 29.4 | 29.6                         | 32.0 |

Note 1. NEET: The share of young people who are not in employment, education, or training (NEET), as a percentage of the total number of young people in the corresponding age group (Source: OECD, 2019)

The average age of young people leaving the parental home, Sources: Eurostat(2020), UK (Office for National Statistics, <https://www.ons.gov.uk>) US (Day and Pierret, 2014), Korea (The time when young people aged 19-34 think they need to become independent. 52% say they do not need to be independent in Korean Youth Policy Institute (2020)

2. Youth unemployment rate: The youth unemployment rate is the number of unemployed 15-24 year-olds expressed as a percentage of the youth labour force. Unemployed people are those who report that they are without work, that they are available for work, and that they have taken active steps to find work in the last four weeks (Source: OECD, 2021b)
3. Mean age of the first child and first marriage: Source: OECD, Family database. <https://www.oecd.org/els/family/database.htm>

Table 2 Youth Socio-demographic Descriptive statistics (%)

|                                | Total                                 | Anglo-Saxon | Continent<br>al Europe | Northern<br>Europe | Southern<br>Europe | East-Asia   |             |
|--------------------------------|---------------------------------------|-------------|------------------------|--------------------|--------------------|-------------|-------------|
| N of observations (individual) | 1,719,071                             | 477,146     | 113,655                | 858,980            | 98,344             | 170,946     |             |
| Age                            | 15~19                                 | 23.8        | 23.7                   | 24.3               | 24.5               | 21.0        | 24.6        |
|                                | 20~24                                 | 23.9        | 25.2                   | 24.3               | 24.1               | 23.1        | 23.1        |
|                                | 25~29                                 | 25.2        | 25.6                   | 24.7               | 25.0               | 24.3        | 25.1        |
|                                | 30~34                                 | 27.0        | 25.5                   | 26.7               | 26.5               | 30.0        | 27.1        |
|                                |                                       |             |                        |                    |                    |             |             |
| Living<br>arrangement          | Living alone                          | 10.8        | 7.6                    | 14.9               | 22.0               | <b>5.6</b>  | <b>3.4</b>  |
|                                | With parents                          | 48.1        | 41.7                   | 43.1               | 32.0               | <b>64.5</b> | <b>58.9</b> |
|                                | With partner<br>without<br>child(ren) | 11.8        | 15.3                   | 15.3               | 17.5               | 9.1         | 4.1         |
|                                | Partner with<br>children              | 19.4        | 20.2                   | 21.7               | 21.4               | 15.3        | 17.7        |
|                                | No partner but<br>child(ren)          | 1.7         | 3.4                    | 1.8                | 2.5                | 0.5         | 0.6         |
|                                | Others                                | 8.3         | 11.8                   | 3.1                | 4.7                | 5.1         | 15.3        |
|                                |                                       |             |                        |                    |                    |             |             |
| Female (mean)                  | 49.5                                  | 49.6        | 49.8                   | 49.1               | 49.2               | 49.7        |             |
| Education level                | Low (less than<br>upper<br>secondary) | 29.1        | 19.0                   | 25.2               | 33.6               | 30.2        | 32.9        |
|                                | Medium (upper<br>secondary)           | 38.2        | 40.2                   | 46.6               | 40.1               | 41.0        | 27.3        |
|                                | High (tertiary)                       | 23.2        | 31.9                   | 20.9               | 20.9               | 23.6        | 23.2        |
|                                | Undistinguished                       | 9.6         | 8.9                    | 7.3                | 5.3                | 5.3         | 16.6        |
| Employed                       | 55.9                                  | 59.2        | 58.9                   | 53.9               | 46.4               | 59.4        |             |
| N of Children                  | 0                                     | 42.7        | 60.8                   | 61.8               | 46.3               | 44.3        | 13.0        |
|                                | 1                                     | 10.4        | 11.3                   | 11.6               | 10.9               | 8.9         | 9.2         |
|                                | 2                                     | 8.5         | 9.3                    | 9.3                | 9.7                | 6.3         | 7.9         |
|                                | 3 or more                             | 2.6         | 4.3                    | 3.0                | 3.3                | 1.0         | 1.6         |
|                                | Missing                               | 35.8        | 14.3                   | 14.4               | 29.9               | 39.5        | 68.3        |

Note 1) Education level: low (less than upper secondary education completed: under ISCED 2011 level 2), medium (upper secondary education completed or post-secondary non-tertiary education: ISCED 2011 levels 3 or 4), high (tertiary education completed: ISCED 2011 levels 5 to 8)

2) Employed: employed based on the current state of main economic activity. (We do not use the employment variables of the ILO standard (if you worked more than 1 hour in the past week) because the ILO employment variable considers temporary work while attending school as employment. Northern Europe without this variable was excluded from the analysis.).

Source: LIS data wave V (around 2000) ~ wave X (around 2016). For detailed information of datasets used in this study, see footnote 1.

Table 3 Changes in the poverty rate among young adults(%)

| Wave<br>Categories                  |                             | V        | VI       | VII      | VIII     | IX       | X        | Changes<br>(%p) |
|-------------------------------------|-----------------------------|----------|----------|----------|----------|----------|----------|-----------------|
|                                     |                             | (~ 2000) | (~ 2004) | (~ 2007) | (~ 2010) | (~ 2013) | (~ 2016) | (X -V)          |
| Relative poverty risk <sup>1)</sup> |                             | 1.04     | 1.10     | 1.03     | 1.07     | 1.09     | 1.16     | (0.12)          |
| Youth poverty rate <sup>2)</sup>    |                             | 10.4     | 10.5     | 11.3     | 11.7     | 12.7     | 12.8     | 2.4             |
| Age group                           | 15-19                       | 10.8     | 10.3     | 10.5     | 11.2     | 12.1     | 11.3     | 0.5             |
|                                     | 20-24                       | 14.3     | 14.5     | 15.4     | 15.8     | 16.3     | 17.2     | 2.9             |
|                                     | 25-29.                      | 9.7      | 10.0     | 10.7     | 10.9     | 12.5     | 12.9     | 3.2             |
|                                     | 30-34                       | 7.8      | 7.8      | 8.8      | 9.2      | 10.0     | 9.7      | 1.9             |
| Living arrangement                  | Living alone                | 22.1     | 22.6     | 22.7     | 23.8     | 24.6     | 27.9     | 5.8             |
|                                     | With parents                | 6.7      | 6.2      | 7.0      | 7.3      | 8.6      | 7.8      | 1.1             |
|                                     | With partner without child  | 4.8      | 5.8      | 6.4      | 6.6      | 6.5      | 7.8      | 3.0             |
|                                     | With partner and child(ren) | 8.9      | 9.4      | 10.2     | 11.8     | 12.0     | 12.4     | 3.5             |
|                                     | No partner but child(ren)   | 32.7     | 40.4     | 34.2     | 34.9     | 33.0     | 37.4     | 4.7             |
|                                     | Others                      | 12.9     | 11.8     | 14.4     | 17.1     | 16.7     | 17.4     | 4.5             |
| Region                              | Anglo-Saxon                 | 13.2     | 13.1     | 13.2     | 13.1     | 13.5     | 12.3     | -0.9            |
|                                     | Continental Europe          | 8.5      | 9.5      | 10.2     | 10.8     | 11.4     | 13.0     | 4.5             |
|                                     | Northern Europe             | 9.6      | 10.6     | 11.8     | 13.0     | 13.0     | 13.1     | 3.5             |
|                                     | Southern Europe             | 10.9     | 11.1     | 12.2     | 14.9     | 17.6     | 17.0     | 6.1             |
|                                     | East-Asia                   | 11.4     | 4.5      | 8.9      | 8.0      | 9.9      | 6.4      | -5.0            |

Note 1) The relative poverty risk of young adults is calculated as the youth poverty rate relative to the average poverty rate for all age groups.

2) The poverty rate is the ratio of people with income under 50% of median disposable household income adjusted household size using root number of household members.

Source: LIS data wave V (around 2000) ~ wave X (around 2016). For detailed information of datasets used in this study, see footnote 1.

Table 8.4 Linear Probability Regression Results of Youth Poverty

| D.V = poverty status  |                             | Full model           | Anglo-Saxon          | Continental Europe    | Northern Europe       | Southern Europe      | East-Asia                 |
|---|-----------------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|---------------------------|
| Age group<br>(ref. 15-19)                                     | 20-24                       | 0.078***<br>(0.003)  | 0.085***<br>(0.002)  | 0.066***<br>(0.005)   | 0.051***<br>(0.003)   | 0.049***<br>(0.006)  | 0.024***<br>(0.006)       |
|   | 25-29                       | 0.066***<br>(0.004)  | 0.043***<br>(0.003)  | -0.013+<br>(0.007)    | -0.063***<br>(0.004)  | 0.049***<br>(0.007)  | 0.036***<br>(0.007)       |
|   | 30-34                       | 0.042***<br>(0.004)  | 0.016***<br>(0.003)  | -0.064***<br>(0.007)  | -0.099***<br>(0.004)  | 0.020**<br>(0.007)   | 0.030***<br>(0.008)       |
|   | Single                      | 0.175***<br>(0.005)  | 0.167***<br>(0.003)  | 0.209***<br>(0.007)   | 0.250***<br>(0.003)   | 0.100***<br>(0.010)  | 0.075***<br>(0.013)       |
|   | With parents                | -0.015***<br>(0.003) | -0.094***<br>(0.002) | -0.138***<br>(0.005)  | -0.200***<br>(0.004)  | -0.024***<br>(0.006) | 0.114***<br>(0.012)       |
|   | With partner and child(ren) | -0.050***<br>(0.008) | -0.101***<br>(0.005) | -0.052**<br>(0.016)   | -0.146*<br>(0.061)    | -0.042+<br>(0.024)   | 0.085***<br>(0.025)       |
| Living arrangement<br>(ref. living with partner, no children) | Single parents              | 0.228***<br>(0.009)  | 0.182***<br>(0.007)  | 0.316***<br>(0.022)   | -0.027<br>(0.061)     | 0.232***<br>(0.042)  | 0.147***<br>(0.039)       |
|   | others                      | 0.049***<br>(0.004)  | 0.027***<br>(0.003)  | 0.024*<br>(0.012)     | -0.013***<br>(0.004)  | 0.022*<br>(0.009)    | 0.140***<br>(0.011)       |
| Region<br>(ref. Anglo-Saxon)                                  | Continental Europe          | -0.051***<br>(0.002) |                      |                       |                       |                      |                           |
|   | Northern Europe             | -0.085***<br>(0.001) |                      |                       |                       |                      |                           |
|   | Southern Europe             | -0.039***<br>(0.002) |                      |                       |                       |                      |                           |
|   | East-Asia                   | -0.037***<br>(0.003) |                      |                       |                       |                      |                           |
| Constant  |                             | 0.231***<br>(0.004)  | 0.317***<br>(0.003)  | 0.242***<br>(0.007)   | 0.260***<br>(0.004)   | 0.214***<br>(0.008)  | 0.062***<br>(0.008)       |
| The number of observations.                                   | Country                     | 19                   | 3<br>(CA, UK, US)    | 4<br>(AT, FR, DE, NL) | 4<br>(DK, FI, NO, SE) | 3<br>(GR, IT, ES)    | 5<br>(CN, JP, KR, TW, VN) |
|   | Datasets (country & wave)   | 94                   | 18                   | 21                    | 20                    | 18                   | 17                        |
|   | Total sample                | 1,719,071            | 477,146              | 113,655               | 858,980               | 98,344               | 170,946                   |
| adj. R-sq.  |                             | 0.074                | 0.145                | 0.184                 | 0.298                 | 0.09                 | 0.064                     |

Note 1) Specifications use pooled OLS with robust standard error and fixed wave dummy. Other variables (gender, education level, employment status, number of children, wave dummy) are controlled but not shown in this table.

2) CA: Canada, UK: United Kingdom, US: the United States, AT: Austria, FR: France, DE: Germany, NL: Netherland, DK: Denmark, FI: Finland, NO: Norway, SE: Sweden, GR: Greece, IT: Italy, ES: Spain; CN: China, JP: Japan, KR: Korea, TW: Taiwan, VN: Vietnam

3) AT, CA, DK, FI, DE, GR, IT, NL, NO, ES, TW, UK, US include data from wave 5 to wave 10, CN includes wave 5 and wave 9, JP includes data from wave 7 to wave9, KR includes data from wave 7 (KR06) to wave 10, SE includes data wave 5 and wave6, and VN includes wave 8 and wave 9.

Source: LIS data wave V (around 2000) ~ wave X (around 2016).