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#### CLOSER TO FAMILY, FARTHER FROM SELF-SUFFICIENCY: AN ANALYSIS ON THE EFFECT OF LEAVING PARENTAL HOMEMaurizio Caserta1, Livio Ferrante2, Simona Monteleone3, Francesco Reito4, Salvatore Spagano5

**[VERY PRELIMINARY DRAFT]**

#### ABSTRACT

This paper investigates the relationship between leaving parental home and the pathways to self-sufficiency for Italian young adults. We start from a stylized theoretical model explaining how parents face a trade-off between holding to their identity and providing children with more chances to become self-sufficient. Then, we develop an empirical analysis on original data taken from the CUPESSE survey on youth unemployment. Through an instrumental variable approach, we find that moving out of the parental home is associated with a higher level of self-sufficiency. Thus, families that are more prone to delay children residential emancipation appear to deteriorate youth's chances in the pathways to self-sufficiency.

1,2,4,5 Department of Economics and Business, University of Catania, Italy.

3Department of Science of Education, University of Catania, Italy.

#### 1. Introduction

Unlike Scandinavia and English-speaking countries where leaving the parental home is an ordinary occurrence, with the children coming of age, in Mediterranean Europe leaving home is strictly associated to employment (Ayllón, 2015). Even though we consider young people with a job, the rate of them living with their family is higher in southern European countries than in central European ones, giving rise to a debate on cultural and economic determinants of such differences (Cordón, 1997). Indeed, in the Mediterranean regions the families ties are very strong; no wonder, then, that the rate of employed young people turns out to be usually higher than the rate of residentially emancipated ones. Staying with one’s parents allows children to accumulate economic resources until they leave (Alessie et al., 2006); however, delaying residential emancipation could deteriorate human capital, especially after young adults finish their education. This happens because hard and soft skills need to be exercised over time, and parental home may not be the right place for this practice. It might also be the case that, if they leave the family home later in life, children turn out to be equipped with the wrong set of values and attitudes.

This paper will focus the attention on the effect of leaving the parental home on the children's' pathways to self-sufficiency in Italy. Such issue is particularly interesting in the Italian context (especially in the southern regions) where a rather contentious policy debate is still going on, concerning the so called problem of "big babies", i.e. those who fail to achieve full social integration as adults. Focusing the attention on the supply-side of job market, we use a survey conducted in 2016 among 1,008 young adults aged between 18 and 35 and 529 related parents, designed to estimate the relationship between moving out of parental home and the likelihood of becoming self-sufficient. Such a survey is part of the CUPESSE project, aimed at obtaining refined measures of the determinants of economic self-sufficiency of European young adults, by means of an inquiry on family organisation, reaching more than 20 thousand people in ten different countries. We carefully take into account the problem of endogeneity which can occur due to the reverse causality effect between being self-sufficient and leaving the parental home. Through an instrumental variable technique, we try to provide an in-depth knowledge on such relationship. The analysis of Italian data will suggest how strong family ties, aimed at keeping children at home, could deteriorate the children opportunity to find a job and to become self-sufficient.

The remainder of the paper is organized as follows. Section 2 provides a theoretical framework on the trade-off between family identity and the decision to send children out of the parental home. Section 3 describes the variables and the methodology employed. Section 4 shows the results. Section 5 presents some concluding remarks.

#### 2. Theoretical framework and model

Our theoretical model starts from the assumption that socially shared rules of behaviour and thought (Dequech, 2013) are transmitted from parents to children in order to reach certain aims. The parental styles of behaviour and thought affect children's aspirations and values (Sewell and Hauser, 1975) whose benefits derive from the transfer of “family-specific capital” and skills (Dunn and Holtz-Eakin, 2000). So, children internalize different kinds of habitus (Bordieu, 1984) through their families; this contributes to determine those soft skills that, alongside the hard ones (Schulz, 2008), allow young people to find, among other things, the pathways to self-sufficiency. Such an idea will be interpreted according to a theoretical framework grounded on the identity concept developed in the economic literature. Indeed, the compliance with certain rules of behaviour and thought - a specific style we call habitus - contributes to defining homogeneity of thinking and acting, which we usually call identity and which is costly to give up.

For almost twenty years the concept of identity has been a well-established hypothesis in the economic literature. Akerlof and Kranton (2000) designed such a concept as a "person's sense of self", and introduced it into the usual economic behaviour by incorporating the psychology and sociology of identity. They proposed that the identity is associated with different social categories in the sense that people belonging to these categories would be supposed to behave in a certain way, which is consistent with the behavioural characteristics of those categories. The concept was applied to several fields. So, for example, it was extended to the study of the working of the economic organizations (Akerlof and Kranton, 2005), of education (Akerlof and Kranton, 2002), of social preferences (Chen and Xin Li, 2009), of pro-social behaviour (Bénabou et al., 2006). More in general, Guiso, Sapienza and Zingales (2006) recalled the concept of identity when they tried to incorporate the cultural variables into the economic discourse.

The inherited identity varies across families, regions and nations. Our stylized model takes into account two different types of family background. In particular, we consider a type of family where the young adults live with their parents – the so called ‘big babies’ - (such as what happens in southern Italian regions where a strong identity prevails) and a type of family where children usually leave parental home after school (such as what happens in northern regions). More generally, the former identity is common in a context with strong family ties, thus families will be more prone to keep children at home, otherwise they have to support a cost in terms of giving out their identity. However, keeping children at home deteriorates over time their soft skills and consequently their chances to become self-sufficiency.

We assume the utility function of an individual is

$u(I,S(I))$, (1)

where $S$ is the level of children self-sufficiency which depends on the current set of social and moral norms, $I$, which we call identity.

The variable $I$ can assume one of two values: 1, if the individual decides to follow the entire set of norms and rules and then to protect the children keeping them home (very common in Mediterranean countries); and 0, if she decides to give up her identity and then allow children to leave parental home. We assume that $S(I)$ can be equal to $S\left(1\right)=0$ if $I=1$, or $S\left(0\right)=1$ if $I=0$.

Hence, the utility can be equal to either $u\left(1,0\right)$ or $u\left(0,1\right)$.

The production cost is

$c(I,S(I))$. (2)

The cost in (2) can be equal to either $c\left(1,0\right)$ or $c\left(0,1\right)$, where we assume that

$c\left(1,0\right)<c\left(0,1\right)$. (3)

The justification for the assumption in (3) is that under a different set of norms and rules it may be costly for the family to put children on the pathway to self-sufficiency.

In equilibrium, the individual prefers to follow the current set of rules if

$u\left(1,0\right)-c\left(1,0\right)\geq u\left(0,1\right)-c(0,1)$. (4)

Note that the inequality in (4) can be satisfied even in the case in which $u\left(1,0\right)<u\left(0,1\right)$, that is when the utility deriving from her identity is lower than that obtained under different rules.

Note also that, if (4) holds, the individual is maximizing her surplus. Thus, we will need to develop a social welfare function to show that it is more beneficial for society that individuals give up their identity. The focus of this model is on "big babies", undoubtedly costly for society. If individual behaviour leads to unsocial outcomes there is scope for intervention.

Our policy proposal calls for the government to implement a set of interventions to reduce the production cost $c\left(0,1\right)$, or increase the cost $c\left(1,0\right)$. Note that a policy intervention that affects the function $u(I,S(I))$, namely a policy intended to change the set of preferences among individuals, might be too laborious, politically incorrect, or simply impossible to implement.

This is the reason why in this article we focus on economic incentives. In the long term, government policies may also affect the behaviour of rational economic agents. If this is the case, the difference in socio-economic backgrounds would not be an issue.

Those young people that are brought up in a context where the wrong set of incentives has been established will not develop the correct set of skills and, hence, they will not reach self-sufficiency or will reach it later than otherwise. Therefore, a better set of incentives to put children in a position to become self-sufficient may clash with the parents' set of inherited values and principles (hereafter, identity). This happens because parental inherited identity is not necessarily compatible with the children endowment of the right skills.

In the empirical analysis we will focus on the effects of inducing children to move out of the parental home in a context of strong families ties (Mediterranean culture). Coming up with a positive effect of leaving the parental home on the pathway to self-sufficiency shows that family dynamics to some extent may explain why some regions, because of an inadequate supply of labour, lag behind in the path to economic development.

#### 3. Variables and methodology

It is quite likely that the effect of leaving parental home on achieving a self-sufficiency status is affected by a form of endogeneity, due to a reverse causality relationship. This occurs because the choice of young adults to leave the parental home could be affected by having already reached their economic self-sufficiency. In order to treat such problems, an instrumental variable technique (a Two Stage Least Square method) is employed. The instrument adopted is a dummy variable equal to 1 if mother was employed during the adolescence and it is based on the verified positive relationship between having an employed mother during the adolescence and the likelihood of moving out of the parental home (Beaupré et al., 2006). We test the relevance of the instrument in the first stage regression through the use of the so called rule of thumb (instruments are deemed weak if the first-stage F is less than 10 - Staiger and Stock,1997). Moreover, we don't know any significant reason why having an employed mother could be simultaneously correlated with un-measurable features explaining self-sufficiency, conditional on all other covariates.

Therefore, we estimate the two following equations:

$\hat{MOV\_{ij}}=a\_{0}+ a\_{1}X\_{ij}+a\_{2}Z\_{ij}+μ\_{j}+ ϑ\_{ij}$ (eq. 1)

$SELF\_{ij}=b\_{0}+ b\_{1}X\_{i}+b\_{2}\hat{MOV\_{ij}}+μ\_{j}+ ε\_{ij}$ (eq. 2)

where i identifies young people, SELF is our dependent variable, Z is the instrument as defined before,$ \hat{MOV}\_{ij}$ is the fitted value of moving out of the parental home, $b\_{2}$ is a coefficient that measure the change in the likelihood of becoming self-sufficient when parental home is left, X is a vector comprehending both young people characteristics, such as gender, civil status, education attainments according to different age classes, and parents' characteristics, such as parents' education and parents' cultural milieu (descriptive statistics and detail for all the variables are provided in Table 1), $μ\_{j}$ refers to regional fixed effects that catch both different cultural identities and economic conditions of Italian regions, $ϑ\_{ij}$ and $ε\_{ij}$ are error terms.

Data have been taken from the 2016 Italian Cupesse survey on youths' unemployment. The sample includes 1,008 young adults aged between 18 and 35 and 529 related parents, that were randomly selected according to age, gender, and place of residence (no region was left out).

To measure the degree of youths' self-sufficiency, we employ three different indicators: 1) *Employment\_status* - youth reported being in paid employment or self-employment in the previous month (dichotomous measure); 2) *Afford\_Basic* - individual’s ability to afford basic necessities such as housing and routine expenses (measured on a 4–point scale, and derived by the mean score across the two items " I was able to pay my bills by myself; I could afford decent housing"); 3) *Afford\_Extras* - individual’s ability to save or spend for items considered beyond necessities (measured on a 4–point scale, and derived by taking the mean score across the two items "I could afford extras for myself [such as trips, hobbies, etc.]; I was able to put money in a savings account). Finally, we use robust standard errors.

Table 1. Descriptive statistics for the selected variables

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** | **Obs.** | **Mean** | **St. Dev.** | **Min** | **Max** |
| employment\_status | 520 | .5115385 | .5003482 | 0 | 1 |
| afford\_basic | 520 | 2.695192 | .9725896 | 1 | 4 |
| afford\_extras | 520 | 2.276923 | .8997142 | 1 | 4 |
| moved\_out | 520 | .3846154 | .4869727 | 0 | 1 |
| employed\_mother | 520 | .3961538 | .4895681 | 0 | 1 |
| Male | 520 | .4596154 | .4988463 | 0 | 1 |
| married\_man | 520 | .0826923 | .2756818 | 0 | 1 |
| married\_woman | 520 | .1134615 | .3174615 | 0 | 1 |
| age1824\_low | 520 | .0442308 | .2058054 | 0 | 1 |
| age1824\_med | 520 | .2230769 | .4167104 | 0 | 1 |
| age1924\_high | 520 | .1057692 | .3078382 | 0 | 1 |
| age2529\_low | 520 | .0211538 | .1440356 | 0 | 1 |
| age2529\_med | 520 | .1211538 | .3266202 | 0 | 1 |
| age2529\_high | 520 | .1480769 | .3555182 | 0 | 1 |
| age3035\_low | 520 | .0115385 | .1068986 | 0 | 1 |
| age3035\_med | 520 | .1365385 | .3436901 | 0 | 1 |
| age3035\_high | 520 | .1884615 | .3914569 | 0 | 1 |
| parents\_med | 520 | .5019231 | .5004778 | 0 | 1 |
| parents\_high | 520 | .1980769 | .3989342 | 0 | 1 |
| parental\_cultural | 520 | 2.078205 | .7016171 | 1 | 4 |

\*\_low=low education level; \*\_med=medium education level (upper secondary school); \*\_high=high education level (university degree); parents\_\*= variable related to survey on parents; parents\_cultural= index of the cultural capital derived from 3 items scored on a 4-point scale (How many times in the last twelve months have you Attended a ballet, classical music concert, the theatre or an opera / visited museums or galleries / finished reading a book)

#### 4. Results

Estimation results are showed in table 2. First of all, as expected, in eq.1 we find a positive and highly significant relationship (p-value<0.001) between the instrument variable (having a mother employed during the adolescence) and the likelihood of moving out of the parental home. F test confirms also the relevance of the instrument used (F test>10). Men seem to be associated to a higher likelihood of leaving the parental home; however, when young adults are married, the likelihood of leaving the parental home is higher for women than men. Moreover, the dependent variable *moved\_out* is significantly associated to the age (reference value is given by young adult aged between 30-35 with a high education level). Younger people are less prone to leave parental home even though they have reached a higher level of education. For the class aged between 25-29, the findings show also a lower likelihood to leave the parental home as soon as education attainments become weaker. Finally, looking at the regional coefficients (details are available upon request), we find that almost all of them are statistically significant and show marked differences. They show a clear-cut North-South dualism, being the mean of coefficients of southern regions (0.17) smaller than the mean of the coefficients of central and northern regions. It highlights, ceteris paribus, a strong different identity background, for which southern families appear less prone (i.e. they need to pay a higher identity cost) to push children out of the parental home.

As regards eq.2, our interest variable *moved\_out* exhibits a positive and statistically significant coefficient (p-value always < 0.05) for all the three different specification of self-sufficiency (*employmeny\_status*, *afford\_basic*, *afford\_extras*). It means that moving out of the parental home is strongly associated to the achievement of a state of self-sufficiency, even when we treat the problem of reverse causal effect between the two variables. Other interesting findings show the difficulty of married women to reach higher status of self-sufficiency or to become employed. Such issue is not significant for married men, meaning that a gender unfair difference arises. Moreover, older youths (aged between 30-35) without a high educational attainment are less likely to be employed. A medium education level also provides a lower level of self-sufficiency, as the ability to afford basic and extras expenditures. Moreover, the coefficient on *parental\_cultural* is positive and statistically significant when we consider *afford\_extras* as dependent variable. It suggests, other things being equal, that families with higher cultural backgrounds (i.e. a culturally oriented identity) provide children with better soft skills, granting an additional advantage in reaching higher working positions. Finally, contrary to what one could expect, regional coefficients are not significantly different from zero. Therefore, ceteris paribus, the different levels of self-sufficiency reached by young adults seem mainly due to the fact that young adults are not enough endowed with the right set of soft-skills that the job market requires. Nevertheless, such issue especially affects families with an inadequate identity to develop the children' skills. Strong family ties keeping children closer to family and delaying their residential emancipation, appear to deteriorate youth's chance in the pathways to self-sufficiency.

Table 2. Estimation results

|  |  |  |
| --- | --- | --- |
|   | **FIRST STAGE** | **2SLS - SECOND STAGE** |
| **Dep. Variable** | *moved\_out* | *employment\_status* | *afford\_basic* | *afford\_extras* |
|   | coeff. | t | coeff. | z | coeff. | z | coeff. | z |
| *employed\_mother* | .1228354 | 3.21\*\*\* |   |   |   |   |   |   |
| *moved\_out* |  |  | 1.001012 | 2.24\*\* | 2.516974 | 2.64\*\*\* | 1.838367 | 2.14\*\* |
| *Male* | .0937678 | 2.34\*\* | -.0518737 | -0.73 | .0613197 | 0.39 | .0926863 | 0.68 |
| *married\_man* | .2823389 | 4.04\*\*\* | -.1785107 | -1.11 | -.4548492 | -1.35 | -.3783899 | -1.25 |
| *married\_woman* | .5631206 | 10.94\*\*\* | -.5907408 | -2.20\*\* | -1.0808 | -1.88\* | -1.032452 | -2.01\*\* |
| *age1824\_low* | -.3047344 | -3.61\*\*\* | -.1618707 | -0.74 | .7228004 | 1.64 | .7418568 | 1.87\* |
| *age1824\_med* | -.3462456 | -5.87\*\*\* | -.1560652 | -0.83 | .3532509 | 0.87 | .299569 | 0.80 |
| *age1824\_high* | -.3163617 | -4.42\*\*\* | -.1518662 | -0.90 | .3095878 | 0.84 | .1729654 | 0.50 |
| *age2529\_low* | -.3783083 | -3.32\*\*\* | .0140321 | 0.06 | .616672 | 1.12 | .523768 | 1.01 |
| *age2529\_med* | -.2071354 | -2.85\*\*\* | -.1171583 | -0.84 | -.0851169 | -0.26 | -.0263133 | -0.09 |
| *age2529\_high* | -.1111049 | -1.59 | -.0843728 | -0.77 | .1163931 | 0.48 | .1398932 | 0.64 |
| *age3035\_low* | .0103069 | 0.07 | -.6594003 | -3.06\*\*\* | -.3242956 | -0.50 | -.2907534 | -0.57 |
| *age3035\_med* | .0682198 | 1.10 | -.2790961 | -3.33\*\*\* | -.3812116 | -2.21\*\* | -.3752253 | -2.23\*\* |
| *parents\_med* | -.035084 | -0.85 | .0019554 | 0.03 | -.0549528 | -0.43 | -.060818 | -0.53 |
| *parents\_high* | -.0627058 | -1.12 | -.0394925 | -0.54 | .0090911 | 0.05 | -.0761463 | -0.51 |
| *parental\_cultural* | .0157664 | 0.61 | .0261417 | 0.68 | .101102 | 1.23 | .1719913 | 2.41\*\* |
| *Regional dummies* | YES | YES | YES | YES |
| *N. of observations* | 520 | 520 | 520 | 520 |
| *adj. R square* | 0.3874 |   |   |   |   |   |   |   |

\*Significant at 10%; \*\*significant at 5%; \*\*\*significant at 1%.

#### 5. Conclusions

The underlying hypothesis running across the paper is that families do matter in the process of residential, economic and social emancipation of young people. This means that the way families behave and what families think has a bearing on the track followed by young people when it comes to develop their own life plan. The paper has focused on whatever is required to perform effectively in the labour market. It might very well be the case that family norms come to affect the length of time young people take to develop their own transition to economically independent life. The empirical exercise conducted in the paper shows that living too close to the family, to the extent of not leaving the family home until late, will not help young people finding a job and reaching economic self-sufficiency. Conversely, those families that let their children leave the family home early in their adult life will see them develop much quicker an economically independent life.

The theoretical underpinnings of these results are grounded in a choice model where family identities play a crucial role. The choice model takes for granted that families intend to hold on to their identities no matter whether this is beneficial or not to a timely emancipation of their children. Whenever that behaviour turns out to be detrimental to their children, families in the general case are prepared to put up with the disadvantages of having to support their children for longer than is desirable. To persuade families to free their children from having to stick to the family habits and internal norms a massive reduction of the costs associated to renouncing their identities will be required.

Provided delayed residential emancipation of young people is taken to signal non-pro-market family identities (i.e. those identities hardly capable of pushing young people onto the track of self-sufficiency) the empirical analysis confirms that families and their identities do matter in the process of economic and social emancipation of young people. It follows that further investigation is required to understand what could make families trade their identities with better provision of soft skills to their children.

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