EXTENDED ABSTRACT FOR THE EUROPEAN POPULATION CONFERENCE

THE ISOLATION OF THE UNEMPLOYED ACROSS EUROPEAN HOUSEHOLDS: 1998-2011

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ABSTRACT

As a result of the recent economic crisis, Europe is witnessing record high levels of unemployment accompanied by an increase in poverty rates. The consequences of unemployment go beyond the individual and affect the households through the loss of a breadwinner. Nevertheless, the structure of the household and the employment status of its members may soften or exacerbate the job loss. Household structures varies to a great extent across European countries, highlighting diverse cultural legacies and family ties in different regions. For instance, the high levels of parental co-residence among young adults in Southern Europe may contribute to soften the impact of the high rates of youth unemployment that characterize the region. In this paper, we develop a measure of unemployment that takes into account the household context of the unemployed, both in terms of composition and employment status of its co-residents. We distinguish between isolated and non-insolated unemployed based on whether they co-reside only with other unemployed or with employed household members. Hence, our measure of unemployment is sensitive to the level of isolation of unemployed across households. We refer to it as Isolation sensitive Unemployment rate (IsU). We assume that isolated unemployed are at a higher risk of social exclusion. We use data from European Union Labour Force Survey (EU-LFS) for 30 European countries from 1998 to 2011 to analyze the varying levels of isolation of the unemployed by age and sex.

Introduction

As a consequence of the recent global economic crisis, unemployment rates all over Europe have been on a rise since 2008, although the onset and the austerity varied to a great extent. Table 1 below presents the evolution of the unemployment rates over the last decade. It can be seen that unemployment rate for the EU 28 countries rose from 7.1 in 2008 to 10.5 in 2012. The severity varies among the countries, reaching 25 percent in Spain and Greece.

Table 1. Unemployment rate by sex and age groups - annual averages

	2000	2004	2008	2012
EU 28	8,9	9,3	7,1	10,5
EU 15	8,5	9,1	7,6	11,3
Belgium	6,9	8,4	7,0	7,6
Bulgaria	16,4	12,1	5,6	12,3
Czech Republic	8,8	8,3	4,4	7,0
Denmark	4,3	5,5	3,5	7,5
Germany	8,0	10,5	7,5	5,5
Estonia	13,6	9,7	5,5	10,2
Ireland	4,2	4,5	6,4	14,7
Greece	11,2	10,5	7,7	24,3
Spain	11,7	10,9	11,3	25,0
France	9,0	9,3	7,8	10,2
Croatia	15,8	13,8	8,4	15,9
Italy	10,0	8,0	6,7	10,7
Cyprus	4,8	4,6	3,7	11,9
Latvia	14,3	10,6	7,7	15,0
Lithuania	16,4	11,3	5,3	13,4
Luxembourg	2,2	5,0	4,9	5,1
Hungary	6,3	6,1	7,8	10,9
Malta	6,7	7,2	6,0	6,4
Netherlands	3,1	5,1	3,1	5,3
Austria	3,6	4,9	3,8	4,3
Poland	16,1	19,1	7,1	10,1
Portugal	4,5	7,5	8,5	15,9
Romania	6,8	8,0	5,8	7,0
Slovenia	6,7	6,3	4,4	8,9
Slovakia	18,9	18,4	9,6	14,0
Finland	9,8	8,8	6,4	7,7
Sweden	5,6	7,4	6,2	8,0
United Kingdom	5,4	4,7	5,6	7,9
Iceland		3,1	3,0	6,0
Norway	3,2	4,3	2,5	3,2

Source: Eurostat

In addition to the cross country differences across Europe, the extent to which different groups of the society are affected by the crisis diverges substantially. Recently, youth unemployment and increasing youth poverty has been more on the European agenda. However, in our study we adopt a life cycle perspective instead of focusing solely on the youth unemployment. We explore the age dimension of

unemployment within a family framework in order to reveal the importance of co-dependence in the household and the changing family context for individuals throughout their life courses. We focus on the relationship between isolation levels of unemployed individuals and their co-residence practices across Europe.

Our main hypothesis is that isolation levels of the unemployed co-residing with other family members who are employed will be lower. On the contrary, unemployed individuals co-residing also with other unemployed individuals will be more isolated. High isolation levels mean high concentration of unemployed people in particular households leading to unequal distribution of unemployed within the society and to increased levels of social exclusion. We try to answer the following questions: What are the main family\household characteristics and co-residence practices of the unemployed across Europe? What are the main age groups of unemployed who are more codependent and more isolated? Has the level of isolation increased over the last decade?

We focus on the prevailing divergence across Europe in terms of varying family characteristics, co-residence experiences, intergenerational family ties and family safety nets. We develop a methodology to decompose the varying influence of the support from spouses, parents and children co-residing in the same household in a European context to highlight the differences in Europe.

While in Northern and Central Europe, individual values and the consequent weaker family ties prevail, in Southern Europe traditional family relations surpass the individual (Reher, 1998). Co-residence practices vary to a great extent in Europe as a consequence of various long standing institutional and cultural factors. The differences between countries are reinforced by their transfer through generations highlighting the considerably path-dependant characteristic of co-residence behavior.

The age at which children leave parental home differs substantially across Europe. Some adult children never leave home and continue to live with their parents due to extended periods of education or economic uncertainties, while some come back following failed attempts of starting a family of their own and others take care of their elderly parents (Isengard and Szydlik, 2012). In Northern Europe leaving parental home is associated with individuals' acquisition of maturity and desire for independence, but in Southern societies marriage and stability appear to be the main

driving forces (Reher, 1998). Differences experienced into poverty entry for the young people in Europe can be partly attributed to the different destinations of young people after leaving parental home (Aassve *et al*., 2007).

In Southern Europe, employment plays a more influential role in home leaving decisions of young, while in Northern Europe it does not have much of an influence as a consequence of the generous welfare regimes of these countries (Aassve *et al*., 2002). In Southern Europe, weak welfare systems and lack of support mechanisms for the unemployed serves to reinforce the importance of family. In Southern Europe, family not only serves to help young people find jobs, but also youth unemployment can be endured by the society more easily owing to the role of the family (Dalla Zuanna, 2001).

In addition to the diverging welfare regimes, variant levels of economic insecurity, poverty and inequality across Europe are crucial factors in explaining the different intergenerational co-residence patterns in Europe (Isengard and Szydlik, 2012). For instance, perceived job security at the household level is a very important determinant for the home leaving decisions of the young. An increase in children's own job insecurity decreases the probability of home leaving for the young, while the effect of an increase in the fathers' job insecurity is in the opposite direction (Becker *et al*., 2010). While poverty levels of young people rise dramatically after their parental home in Northern Europe, in Southern Europe the change is more modest which can be explained by the low poverty rates among the overall population in contrast to the high poverty rates among young people who have just left home in Northern Europe, while the opposite being the case in Southern Europe (Aassve *et al*., 2006).

Despite the significant variance in intergenerational co-residence practices across Europe and the prevailing north-south divide, recent findings show that intergenerational relations still remains to play fundamental role in the contemporary Europe (Hank, 2007). Europe witnessed converging demographic behavior regarding fertility or family formation and dissolution during last decades as a consequence of the second demographic transition. However, the ongoing divergence in terms of family and household patterns and stable national patterns still prevail across Europe (Kuijsten, 1996; Billari and Wilson, 2001). We aim to shed a new light on the close

relationship between the divergent co-residence patterns and employment levels within households across Europe. We adopt a household perspective, as shown by previous research that it is more relevant to interpret employment and worklessness within a household framework instead of relying solely on traditional individual based measures (Gregg and Wadsworth, 2001).

Data and Methodology

We use the EU-LFS data for the period 1998-2011, since detailed household level information is available. EU-LFS provides us with comprehensive demographic information for all age-groups and detailed information about the labour market participation of the population 15 and over. Labour market participation status of individuals over 15 can be reached in employed, unemployed, inactive and compulsory military service ILO working status distinction.

For our analysis, we use the already generated household variables for the partners, children and parents co-residing in the same household. Also variables about the total number of employed/unemployed/inactive adults are included in our analysis. However, our purpose is to explore the household context from a more detailed perspective. Therefore, we create new variables to explore the effects of the employment status of the spouses/partners/children separately. These variables enabled us to measure the isolation levels of the unemployed individuals across Europe taking into account every single co-residing member of the household.

We also define a new measure of unemployment that we call 'isolation sensitive unemployment rate' to capture the externality generated by the unemployed people living in the same household with the employed individuals. For a given society, the classical measure of unemployment is defined as the total number of unemployed individuals divided by the sum of employed and unemployed individuals in the same society.

$$U = \frac{\sum_h u_h}{\sum_h (e_h + u_h)}$$

Where e_h is the total number of employed individuals and u_h is the total number of unemployed individuals in the society. We formulate our new measure in order to capture the externalities arising within households. We replace u_h with the term $u_h\gamma(r_h)$ in the numerator. Hence, our new isolation sensitive unemployment rate (IsU) can be written as:

$$IsU = \frac{\sum_h u_h\gamma(r_h)}{\sum_h (e_h + u_h)}$$

Where,

$$r_h = \begin{Bmatrix} \frac{e_h}{u_h} \; for \; u_h > 0 \\ 0 \; otherwise \end{Bmatrix}$$

r_h is the ratio of employed individuals to unemployed individuals in households or the number of employed individuals per each unemployed individual in a household. γ is a decreasing function of r_h taking values between 0 and 1. Therefore, $\gamma(r_h)$ captures the positive externality created by the employed individuals co-residing in the same household.

30 countries included in our analysis are Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Germany, Estonia, Finland, France, Greece, Hungary, Iceland, Italy, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovenia, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom.

Preliminary Results

In this section, we present our preliminary results about the co-residence patterns of unemployed individuals in four figures. We chose to focus on Spain and Netherlands since they are representatives of different family structures in Europe. Our results are presented separately for males and females and for the year 2011.

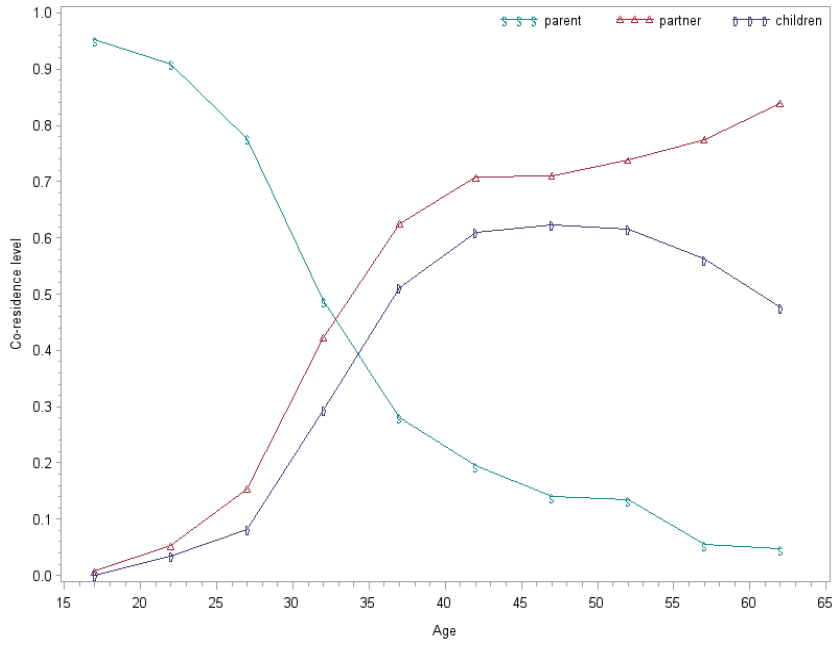

Figure 1. Co-residence Levels of Unemployed in Spain in 2011 for Males (15-65)

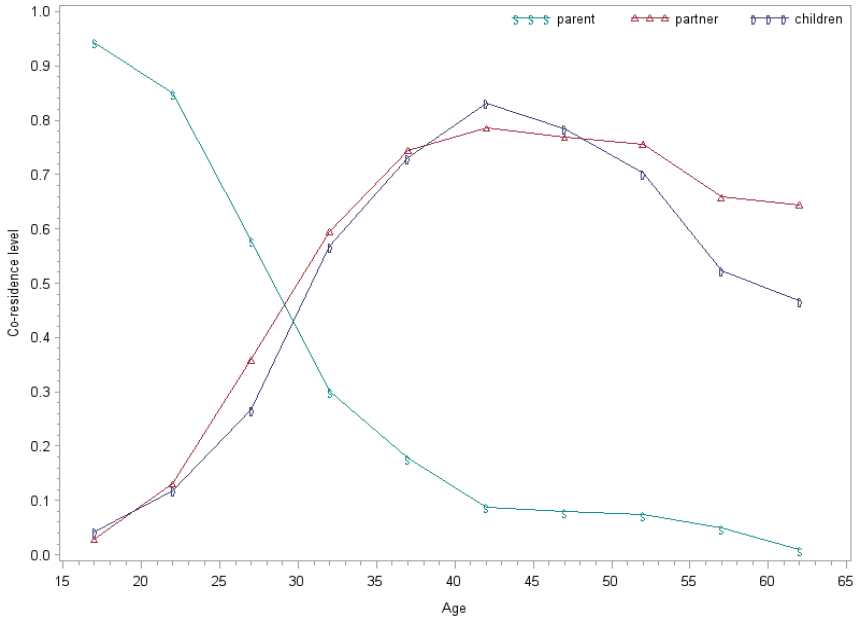

Figure 2. Co-residence Levels of Unemployed in Spain in 2011 for Females (15-65)

Figure 1 and Figure 2 present the levels of co-residence with spouses, parents and children for the unemployed people in Spain for males and females in 2011. We can clearly see that young unemployed Spanish men live longer with the parents compared to unemployed Spanish women. This is because even if they are unemployed, women enter into a partnership and start co-residing with a partner at

earlier ages, while for men being employed is a more important factor for leaving parental home and co-residing with a partner. Co-residence with parents is higher for older Spanish males compared to Spanish females which can be attributed to the common practice that men return to parental home after dissolution of a union. It is also observed that co-residence with children is higher for women for all ages as expected.

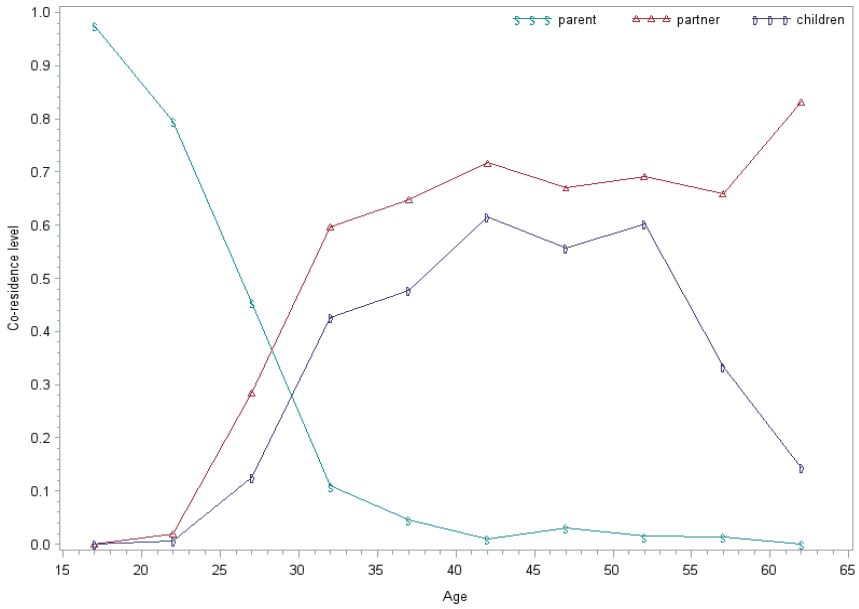

Figure 3. Co-residence Levels of Unemployed in Netherlands in 2011 for Males (15-65)

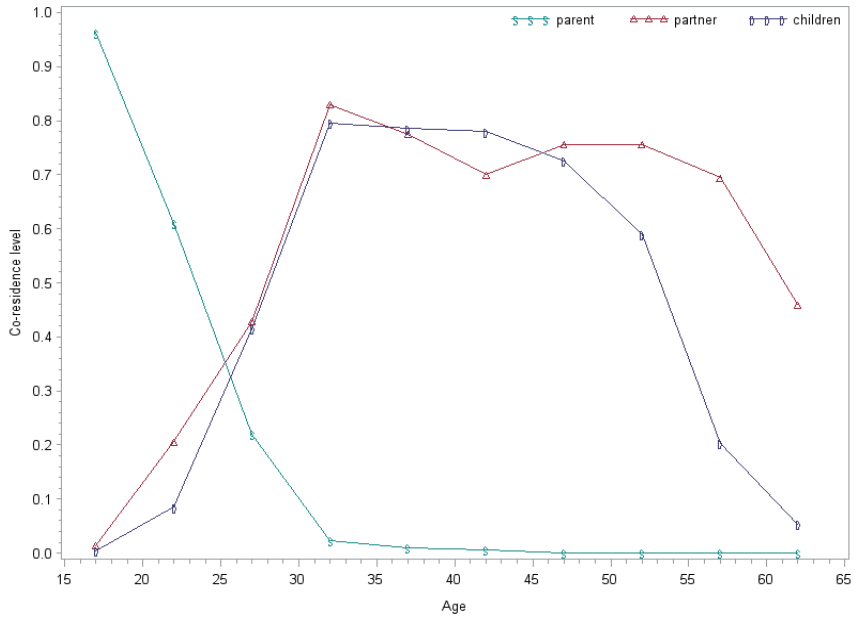

Figure 4. Co-residence Levels of Unemployed in Netherlands in 2011 for Females (15-65)

In Figure 3 and Figure 4, our results for Netherlands are presented. In Netherlands, co-residence with parents declines faster for females compared to males as well. However, the difference between the two genders is more modest compared to Spain. Also, the decline is sharper and earlier in Netherlands for both genders, highlighting the fact that young people in Netherlands leave the parental home at earlier ages. Consequently, co-residence with a partner is experienced at earlier ages in Netherlands both for males and females. Likewise, in Netherlands too, female co-residence with children is higher than what is observed for males. However, co-residence with children at the older ages is a lot lower in Netherlands compared to the levels in Spain.

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