

Was the Great Recession unique?

Young adults living with parents during economic downturns, 1967–2013

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Abstract

Since the Great Recession (2007–2009) the number and share of young adults living with parents have risen significantly, leading to widespread belief that young adults are flocking to their parents' home in record number. Did prior recessions similarly lead to an increase in young adults living with parents? Using the Current Population Survey (1967–2013) we model historical changes in the population of 25–34 year olds who lived in the parental home. In addition to individual characteristics, we explore the role of population-level factors such as unemployment rates, housing costs, and growth in the Boomer and Millennial cohorts, owing that population pressures may explain the historical trends. To this end we use decomposition analysis to calculate period differences that are attributable to changing economic effects of recessions and to changing population pressures. Preliminary results suggest that increases in living with parents over the last 40 years are largely attributable to population growth and delays in marriage, and *not* the changing size or effect of unemployment rates across recessions.

Introduction

The Great Recession, which lasted from 2007–2009, was the longest and deepest economic downturn in US history since the Great Depression. Over 8 million jobs were lost and persistently high unemployment and lengthy joblessness dominated the recession and its protracted recovery (Morgan, Cumberworth, and Wimer 2011; Theodossiou 2012). There is widespread belief that, in response to this economic downturn, young adults have been returning to their parents' home in record numbers, which has earned Millennials a reputation for being the boomerang generation that failed to launch (Kaplan 2009; Parker 2012). Since 2007 the number

of 25–34 year olds who lived with parents has risen by more than a million, while the share of young adults who did so has increased from about 12 to 14 percent (US Census Bureau 2013).

Was the Great Recession unique or did other recessions witness similar increases in young adults living with parents? We use the Current Population Survey, Annual Social and Economic Supplement, to track changes in the population of 25–34 year olds who lived with their parents between 1967 and 2013. Our goal is to assess whether the odds of living in the parental household were similar across all economic recessions since 1967, or whether the Great Recession was singularly worse in that regard. Moreover, we will decompose recession periods to better understand the degree to which living with parents is a product of increased economic pressures during different recessions, relative to population-level shifts in the young adult population.

It is important to study living in the parental home because it is intricately tied to the young adult life course: the order and timing in which young adults complete school, secure stable employment, and start families (Goldscheider 2000). Living with parents also delays household formation, which has broader economic implications for the housing industry (Dunne 2012; Painter 2010). Although the Great Recession is forefront in our minds, the United States has experienced seven recessions since 1967. Comparing these economic downturns lets us assess the relative severity of the Great Recession, at least in terms of young adults living in the parental home.

Background

We should expect to see increases in living with parents during economic downturns because returning to the parental home is a safety net for young adults when they face constrained economic and housing opportunities (Allegretto & Lynch, 2010; Dunne 2012;

Shierholz & Edwards, 2011; Theodossiou, 2012). Indeed, a shortage of economic resources is a leading reason why young adults live in another person's household. Economic shocks, such as job loss, hamper residential independence (Mykyta & Macartney, 2012; Elliott, 2011) and increase the likelihood of returning to the parental home or joining another household (Da Vanzo & Goldscheider, 1990; Wiemers, 2010).

Declining earnings and low income also erode the ability of young adults to live on their own (Bell et al., 2007; Card & Lemieux, 2000; Kaplan, 2009) because maintaining an independent residence is expensive (Haurin et al., 1993; Kent, 1992). Hence coresidence with parents helps young adults reduce housing costs and adjust to changing economic circumstances (Ahrentzen, 2003; Lee, 1998; Kaplan, 2009).

In research on the timing of leaving the parental home, Billari and Liefbroer (2007) found that young adults who believed that they would have trouble affording housing—even regardless of their individual economic circumstances—were less likely to leave the parental home. What is more, unemployment rates lower household formation independent of young adults' own employment status, even though employment was the most important predictor of leaving the parental home (Lee and Painter 2012). Because periods of recession and unemployment rates operated independently of employment status, recessions may signal future economic uncertainty, which deters leaving the parental home even after a recession officially ends (Lee and Painter 2012). These findings point to the powerful psychological effects that economic downturns have on living arrangements: it is not economic ability alone that shapes living arrangements, but fears about future economic opportunities.

For this reason the Great Recession may have had a stronger effect on the odds of living in the parental home, because it has been the longest and deepest economic downturn since the

Great Depression. Nonetheless, unemployment rates were actually higher during the 1981–1982 recession, when the United States experienced a double-dip recession following an economic downturn in 1980. Past recessions have had different effects on men and women, as well. For example unemployment rates were higher for women than men following the recession in the early 1970s, and remained elevated until the 1980 recession (Şahin, Song, & Hobijn, 2010). During the most recent recession job loss disproportionately affected men (Şahin, Song, & Hobijn, 2010), who were more likely to double up in another person’s household or to live with parents (Mykyta and Macartney 2011; Mykyta 2012). Thus gender is an important factor to consider when comparing the historical effects of economic downturns on young adult living arrangements.

Analytic Plan

For the data analysis we will use the 1967–2013 Current Population Survey, Annual Social and Economic Supplement. The CPS ASEC is an annual, cross-sectional survey of American households that collects information on demographics, labor force participation and living arrangements. The data capture a snapshot of the living arrangements of Americans between February and April of each calendar year. The sample includes all young adults who were 25 to 34 years old at the time of interview. We use this age range to provide a consistent snapshot of young adult living arrangements over the last 40 years. The age range has a practical purpose, as well, in that it minimizes college students living in dormitories. In the CPS respondents are instructed to count these students as though they were living in the parental home.

To determine periods of economic recession, we rely on the dates set by the National Bureau of Economic Research (NBER). Since 1967 the US has experienced seven recessions: (a)

1969–1970; (b) 1973–1975; (c) 1980; (d) 1981–1982; (e) 1990–1991; (f) 2001; and (g) 2007–2009 (e.g., the Great Recession).

- Part I: Descriptive statistics

Looks at historical trends in the number and percent of 25–34 year olds living with parents between 1967 and 2013. We will present these trends separately for men and women, and for the college educated, to gauge how trends in living in the parental home have changed over time.

- Part II: Logistic regression

We will model a series of logistic regressions predicting the odds of living in the parental home across seven recessions between 1967–2013, testing whether the effects of prior recessions were any different from the Great Recession. For individual covariates we will include education, race and ethnicity, age, labor force participation (i.e., employment status, length of unemployment), poverty status (to gauge relative resources), and sex.

For structural covariates, we will include states to control for geographic differences in labor and housing markets; two economic characteristics, namely the national unemployment rate for 25–34 year olds (future uncertainty about the labor market reduces the likelihood of leaving the parental home (Ermisch and Di Salvo 1997; Billari and Liefbroer 2007)) and median annual rental costs (because high rents discourage young adults from leaving the parental home (Haurin et al. 1993)); and two population-level controls, namely the size of the never married population and the young adult population. We include the former because the cultural norm of delayed marriage

may be related to delays in leaving the parental home, the latter because population pressure from cohort size may be related to housing demand and living with parents.¹

- Part III: Decomposition

The last part of the paper will use decomposition, a demographic analytic technique, to compare the Great Recession to other economic downturns. Using this method we can calculate period differences that are attributable to changing economic effects and those that are attributable to changing population composition. For example, was the rise in young adults living with parents a product of worse economic conditions during the Great Recession, or because the population of young adults is larger today? This method also lets us quantify what the changes in the size of the young adult population living with parents would be if prior economic downturns had had the same economic and population conditions as the Great Recession. Decomposition, therefore, lets us assess the unique contribution of the Great Recession to living with parents relative to the other six economic downturns the US has experienced since 1967.

Preliminary descriptives and decomposition

Over the last 40 years the number of young adults living with parents has more than tripled, from 1.7 million to 5.8 million people (Figure 1). The increase represents a rising share of all young adults who live with their parents, from 8 percent to 14 percent, over the same period. The increase has not, however, been uniform. There was a surge in young adults living in the parental home during the 1980s and 1990s, followed by a decade's long lull before it began

¹ Data on unemployment rates come from the CPS and were compiled by the Bureau of Labor Statistics (BLS): <http://www.bls.gov/webapps/legacy/cpsatab10.htm>. Data on rental costs come from the Department of Housing and Urban Development (HUD). Data on the size of the young adult population come from the CPS: <http://www.census.gov/hhes/families/data/historical.html>. And data on the size of the never married young adult population were generated from the sample used in these analyses.

rising again around 2005—notably before the Great Recession. Nor has the increase always followed on the heels of recession. The peaks and troughs do coincide with population shifts, however, such as the cohort aging of Baby Boomers and Millennials: the former entered young adulthood beginning in the early 1980s, while the oldest Millennials began doing so around 2005. Both mark periods of historic increases in young adults living in the parental home.

[Figure 1]

Preliminary decomposition analysis shows that the historic rises in living with parents is largely attributable to changes in the composition of the young adult population, not to changes in unemployment rates or the cost of rental housing across recessions (Table 1). For example, the share of young adults living with parents would be *no* different if prior recessions had had the same unemployment rates or the same rental housing costs as during the Great Recession (in the top panel of Table 1, under composition, neither coefficient is significant for unemployment rate or rental housing). In fact, the effect size of rental housing was *smaller* during the Great Recession (bottom panel of Table 1, under coefficients), suggesting that the effect of expensive housing on living with parents was more strongly felt during prior economic downturns than during the Great Recession.

[Table 1]

Had prior recessions experienced the same growth in the young adult population as during the Great Recession, then the mean share of young adults living with parents would have been 1.79 percentage points *lower* during those prior recessions (Table 1). In other words, a slower rate of growth during the 2000s acted as a break on young adults living with parents during the Great Recession. This is not altogether surprising: the young adult population grew by

an average of 1.1 million people each year during the 1970s and 1980s, compared with a growth rate of 288,000 per year since 2005.

What contributed to the rise of living with parents during the Great Recession was a continued delay in marriage among young adults. Had the same proportion of young adults been never married during prior recessions as during the most recent one, then the share living with parents would have been about 4.45 percentage points *higher* in earlier economic downturns (top panel of Table 1). Thus the relatively earlier ages at marriage during the 1970s and 1980s acted as a brake on living with parents during that period, whereas later ages at marriage in the 2000s accelerated the share of young adults living with parents.

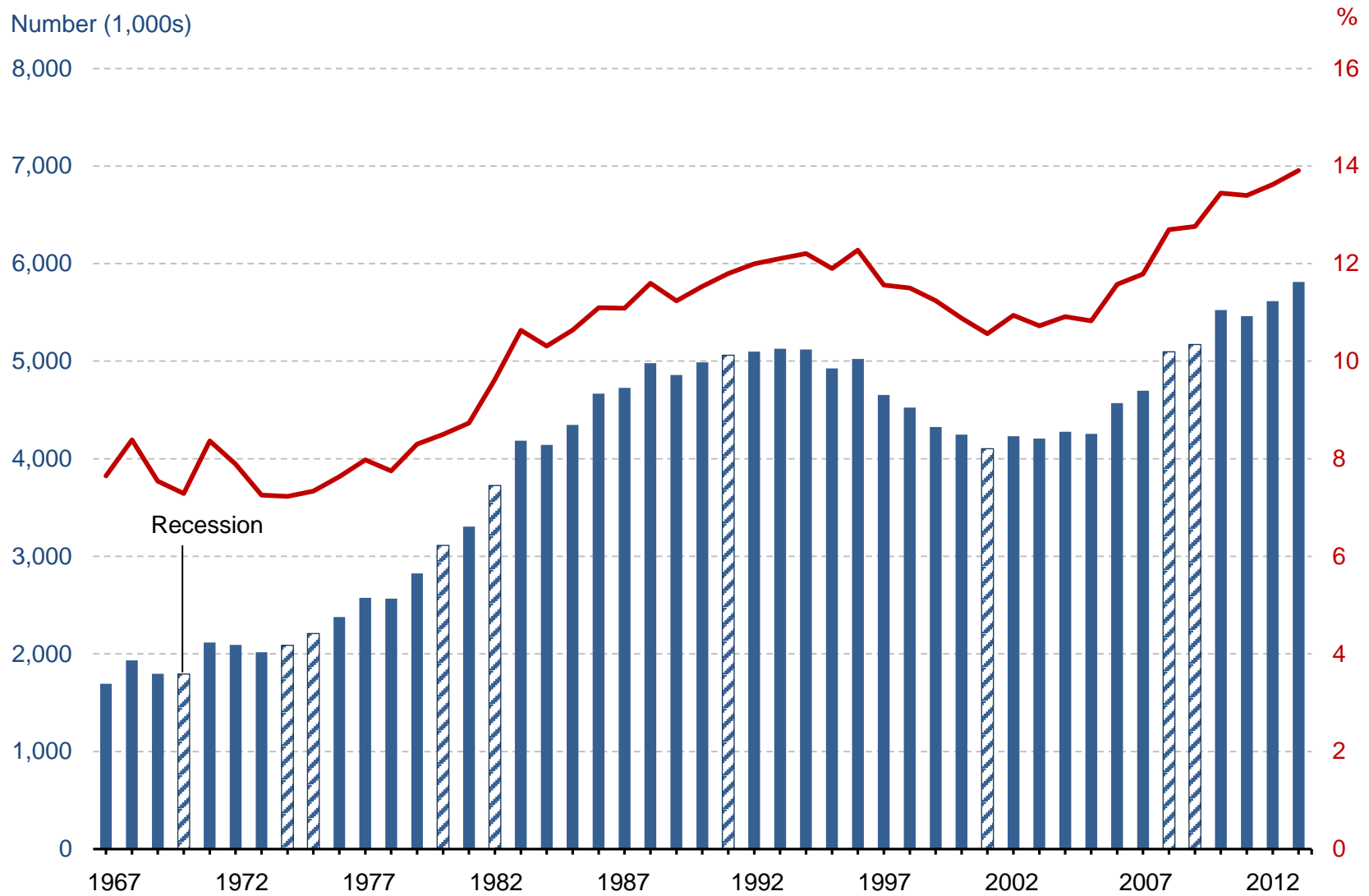
In sum, the preliminary analyses suggest that two population changes contributed to the historic rise in living with parents: during the 1970s and 1980s it was upward pressure from population growth, as the Baby Boom aged into young adulthood, that fueled living with parents; during the 2000s it was growth in the never married population that spurred further increases in living with parents. Notably, the size and effect of unemployment rates did not act any differently during the Great Recession than they did during prior economic downturns. We will build on this analysis by adding in logistic regressions comparing the changing odds of living with parents across recessions, and decompose cohort trends (for Boomers and Millennials) in addition to recession periods.

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Figure 1. Number and percent of young adults, 25–34 year olds, living in the parental home (CPS 1967 – 2013)



Note: Recession bars show the years in which the survey was conducted during an economic downturn.

**Table 1. Preliminary decomposition analysis:
Young adults living in the parental home by recession period (CPS 1967 – 2013)**

	Coefficient			
Great Recession and recovery, 2007-2013	13.31	***		
All other recessions, 1967-2001	9.91	***	% of total	
Difference	3.40	***	difference	% of group
Composition (Endowments)	3.08	***	90.76	100.00
Size of young adult population	-1.79	***	-52.81	-58.19
Size of never married population	4.45	***	130.99	144.32
Unemployment rate	-0.11		-3.14	-3.46
Cost of rental housing (in 2013 dollars)	0.24		6.92	7.63
Living in metro area	0.14	***	4.12	4.54
Age 30 - 34 (ref = 25-29)	0.06	***	1.66	1.83
Unemployed	0.09	***	2.69	2.96
Not in labor force	-0.05	***	-1.52	-1.67
Male	0.04	***	1.18	1.30
College graduate	-0.23	***	-6.80	-7.49
Enrolled in college	0.02	*	0.70	0.77
Black (ref = white)	0.05	***	1.61	1.78
Hispanic (ref = white)	0.02		0.54	0.59
Other (ref = white)	0.09	***	2.57	2.83
Coefficients	0.31		9.26	100.00
Size of young adult population	14.01		412.42	4,452.57
Size of never married population	4.35		127.98	1,381.67
Unemployment rate	-0.56		-16.62	-179.44
Cost of rental housing (in 2013 dollars)	-12.05	*	-354.72	-3,829.65
Living in metro area	-0.11		-3.32	-35.87
Age 30 - 34 (ref = 25-29)	-0.55	*	-16.23	-175.17
Unemployed	-0.01		-0.34	-3.65
Not in labor force	0.61	**	18.01	194.42
Male	-0.54	***	-15.82	-170.75
College graduate	-0.26	*	-7.65	-82.55
Enrolled in college	-0.09	**	-2.53	-27.32
Black (ref = white)	-0.11	*	-3.36	-36.23
Hispanic (ref = white)	0.20	**	5.99	64.63
Other (ref = white)	0.09	*	2.52	27.24
Constant	-4.65		-136.79	-1,476.81

* p < .05; ** p < .05; *** p < .001