

Young adults' labor market transitions and intergenerational support in Germany

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Topic

Youths' transition to adulthood has undergone several changes over the last few decades (Berlin et al., 2010; Shanahan, 2000). The path to adulthood has elongated: more time in education, delayed labor market entry, and difficulties in getting established in secure labor market positions have translated in youth increasingly relying on parental support (Swartz et al., 2011).

Research has shown that parents provide considerable support to their children (Fingerman et al., 2020), in several ways, including material transfers (Manzoni, 2016; Schoeni and Ross, 2008; Steinbach et al., 2020), residential support (Manzoni, 2016), instrumental support (Schenk et al., 2010; Steinbach et al., 2020), as well as emotional support (Hämäläinen et al., 2020).

An impressive amount of research looks at various determinants of downward transfers at different points in the life course (Fingerman et al., 2020), but we know little about the influence of young adults' labor market transitions on the support they receive from their parents. As getting a job is a major step toward gaining independence from parents, young adults' labor market transitions are likely to affect the degree of support they receive from their parents.

By investigating how young adults' labor market transitions affect support from parents, we make several contributions to the literature. First, we improve our understanding of intergenerational support by looking at four dimensions of support: material, instrumental, emotional, and residential support. Second, we fill a gap in our understanding of the effect of labor market transitions on intergenerational support by analyzing the effect of different labor market transitions on support. Next to looking at bidirectional transitions between non-employment and employment, we investigate the role of temporary contracts. Third, we look at the moderating role of parental SES and children's gender. Fourth, we use longitudinal data from the German Family Panel (pairfam) and apply a first difference panel estimator with asymmetric effects (Allison, 2019), which offers insights into how different directions of labor market transitions coincide with changes in parental support. This approach also has the advantage of eliminating some of the bias cross-sectional studies usually suffer from, by removing time-constant unobserved heterogeneity and controlling for age and period effects, as well as other time-varying confounders.

Theoretical Background

We draw on two main theoretical models explaining intergenerational support: The multidimensional intergenerational support model and the informal care model. The multidimensional intergenerational support model views support decisions as the result of parental resources, children's needs, and family context (Fingerman et al., 2015). Similarly, the informal care model maintains that the provision of support starts with someone in need of care, and the extent to which caregivers provide support relates to general and normative beliefs, constraints in resources as well as (family) contextual factors (Broese van Groenou and Boer, 2016). Applied to our case, we start from the child's needs and account for parents' resources and beliefs to provide support. More specifically, we maintain that downward transfers will depend on:

(I) *Parents' resources*. Parents can only give support if they have enough resources (Swartz et al., 2011; Fingerman et al., 2015). The better parents' own economic position is, the better they can afford to give their children financial support (Isengard et al., 2018; Schenk et al., 2010). Similarly, providing instrumental support requires having time and giving emotional support requires the emotional capacity to offer advice, as well as the openness to talk about the worries

of their children; depending on their housing resources, parents may be able to provide shared living arrangement to their children.

(II) *Parents' beliefs*. Following the informal care model, general beliefs in terms of feelings of responsibility, due to altruism and role expectations, as well as normative beliefs, based on norms of solidarity and reciprocity, determine parental willingness to support children (Broese van Groenou and Boer, 2016). Similarly, norms of filial responsibility (Silverstein et al., 2006) and age norms (Hartnett et al., 2013; Swartz et al., 2011) are relevant for support.

(III) *Children's needs*. Contingency theory suggests that the most potent cause of transfers is whether there is a need due to recent events or crises, such as changes in partnership or health (Eggebeen and Davey, 1998). Children's needs for support depend on their (in)ability to independently support their necessities and desires given their own resources. Next to health, children's labor force status and related income influence children's needs (Hartnett et al., 2013).

Children's labor force status is one of the major determinants of their personal financial resources, which is expected to influence their needs of support and hence the level of financial support from parents (Hartnett et al., 2013; Swartz et al., 2011). Financial support can take the form of direct material assistance as well as support through co-residence. Co-residence can be seen as a form of indirect financial support as it likely decreases children's living and rent expenses due to economies of scale and sharing fixed costs (Isengard et al., 2018). As labor market transitions have immediate and direct impact on one's financial situation, children's needs will decline when they get a job. Parents' general and normative beliefs to financially support their children may also decline as reaching adult role via employment indicates independence and success (Hammersmith, 2019; Swartz et al., 2011). In the case of residential support, we assume another mechanism is at play. Moving out of the parental home might also be a consequence of taking up a new job if the new job gives young people reason to realize their preference to leave parental home or if the experience of the new job enhances the intention to move out (Jacob and Kleinert, 2008). It may also be that the geographical distance to the new job requires the children to move to another place (South and Lei, 2015). Losing a job reduces children's available resources and their needs of material and residential support (McGarry, 2016; Swartz et al., 2011). Children's needs for emotional support depend on the circumstances they are facing. Unemployment has negative effects on health and subjective well-being (Wanberg, 2012). Theoretically, this has been related to the loss of economic (e.g. income) and psychosocial rewards of employment (e.g. social activity, contacts, identity, status) (Nordenmark and Strandh, 1999). Whereas these effects are well documented for unemployment, there is some indication that they apply to other forms of non-employment as well (Flint et al., 2013). In general, it can be expected that the detrimental effects of non-employment increase the need of emotional support from parents. Employment transitions, however, may have reversed effects on instrumental support. Children's needs for instrumental support depend on their time resources. Getting a job decreases time available for household and care chores, which in turn increases children's needs for instrumental support. In contrast, losing a job is expected to reduce the need for instrumental support, as children have more time for housework and care work.

Getting and losing a job may carry asymmetric effects. Although job loss may increase children's needs, parents may be less willing to increase their support. According to a normative perspective on life course transitions and parental support, parents may react negatively towards children's setbacks in terms of non-normative life course transitions such as employment losses (Hammersmith, 2019; Kalmijn and Graaf, 2012; Liefbroer and Billari, 2010). Children may also be reluctant to ask for parental support in general. In terms of financial support, they may be able to compensate the job loss better with their savings if they previously worked.

The effect of transitioning from non-employment to employment may vary depending on the type of contract. Compared to temporary contracts, permanent contracts carry a wage premium and higher employment security early in the career (Gebel, 2010). Getting a job with permanent contract should reduce children’s need for material support and residential support more strongly than in case of jobs with a temporary contract. Starting a permanent contract job may also ease leaving the parental home, as the higher and more secure financial rewards make it easier to afford renting or even buying an own flat or house (Gousia et al., 2021; Wolbers, 2007). Combined with the higher economic uncertainty, this is expected to translate into higher needs of emotional support. The stronger burdens of temporary jobs compared to permanent jobs may also translate into stronger needs of instrumental support to deal with household and care duties. There is also empirical evidence that temporary jobs require more efforts in terms of overtime work (Engelland and Riphahn, 2005), which may contribute to challenges of fulfilling household and care duties.

Research has documented differences in parental support by gender and by parental background. In this study, we conceive gender and parental background as moderating variables and ask whether the effects of labor market transitions on transfers differ by such factors.

Data & Method

We draw on longitudinal data from wave 2-8 from the “Panel Analysis of Intimate Relationships and Family Dynamics” (pairfam v11.0), which collected longitudinal information on intergenerational transfers (Brüderl et al., 2020). We focus on respondents age 18 to 35 from cohorts 1981-83 and 1991-93 and apply the first-difference panel estimator to an analytical sample of 9,414 cases over 4,511 respondents with 11,900 person-year observations.

We account for the multidimensionality of intergenerational transfers by looking at material, emotional, instrumental, and residential support. For material, emotional, and instrumental support we create a continuous measure of intensity starting from a frequency answer scale ranging from 1 (never) to 5 (very often). We measure residential support with a binary measure of incidence capturing whether young adults live with their parents (value 1) or not (value 0).

Our independent variables of interest are labor market transition indicators based on information on the employment status at two consecutive biennial waves. In our first-difference panel design, we look at employment transitions at the level of cases, i.e. respondents being observed at two consecutive biennial waves. Out of the 9,414 cases of our analytical sample, we record 1,556 transitions from non-employment to employment and 656 transitions from employment to non-employment. 3,613 cases remain non-employed and 3,594 cases remain employed.

To analyze the effect of employment transitions on transfers, and to test whether the effect of transitioning from non-employment to employment is different in absolute value from the effect of transitioning from employment to non-employment, we apply a first difference estimator with asymmetric effects for each of the four outcome variables (Allison, 2019):

$$\Delta y_{it} = \beta_1^+ lfs_{it}^+ + \beta_1^- lfs_{it}^- + \Delta u_{it} \quad (1)$$

where the positive component lfs_{it}^+ is a binary dummy variable which equals 1 if the person changed from non-employment at $t-1$ ($lfs_{i,t-1}=0$) to employment at t ($lfs_{i,t}=1$) and 0 otherwise. The negative component lfs_{it}^- is a binary dummy variable which equals 1 if the person changed from employment at $t-1$ ($lfs_{i,t-1}=1$) to non-employment at t ($lfs_{i,t}=0$) and 0 otherwise. In Section 5.3 and 5.4, we used more differentiated labor market transition indicators.

The FD estimator is implemented by estimating a linear POLS on the first-differenced equation (1) with panel-robust standard errors to account for potential heteroscedasticity and serial correlation in first-differenced error terms (Brüderl and Ludwig, 2015; Wooldridge, 2010).

In order to make the strict exogeneity assumption $E(u_{it} | lfs_{is}, x_{2,it}, \dots, x_{K,it}, d_{W4}, d_{W6}, d_{W8}) = 0$ more plausible, we add first-differenced time-varying control variables $\Delta x_{2,it}, \dots, \Delta x_{K,it}$ and period dummies d_{W4}, d_{W6}, d_{W8} .

In an additional step, we add interaction effects of labor market transitions with gender and parental background to account for effect heterogeneities. We specify the moderator variables as binary indicators for the gender of the respondent (female vs. male) and the highest parental education degrees (1=general upper secondary, vocational upper secondary, lower tertiary and higher tertiary education; 0=else).

Last, we analyze the effect of becoming employed differentiating between temporary and permanent contracts. While permanent employment is defined by open-ended contracts, temporary employment involves contracts of a predefined limited duration.

Preliminary findings

Preliminary findings show the effects of young people's labor market transitions on support from parents differ according to the type of support. Effects are pronounced for material support and confirm a reduction in material support when young people transition to employment, as well as an increase in material support when they transition to nonemployment. The effects on material support are stronger for men than for women and for young people from higher SES background compared to those from lower SES. For residential support, becoming employed matters more for support than becoming nonemployed; specifically, we find a decrease when becoming employed but no higher co-residence when becoming nonemployed, with the only exception of those from low SES backgrounds. Contrary to material support, results show no evidence for statistically significant differences in the effects on residential support by gender or parental SES.

Emotional support is not majorly affected by labor market transitions, with the exception that emotional support declines for transitions from employment to unemployment specifically and when sons (but not daughters) got employed. While the great majority of our results show a clear tendency of parents to respond to the financial needs of their children, emotional support seems to be less contingent on labor market transitions, revealing intergenerational closeness, irrespectively of important changes in employment status.

Instrumental support only increases for men who became employed and for women who transitioned out of employment. We do not find major differences in the effects of transitioning from nonemployment to different contract types. In view of labor market flexibilization and high prevalences of temporary contracts among young people in Germany, this is an important discovery. Our findings clearly show that the labor market divide and inequality across types of contracts is less relevant when it comes to parents's reactions in their support behavior to young people's transitions to employment.

Our results have implications for how changing labor market dynamics may affect parental support over the life course, as well as for how they may contribute to the reproduction of social inequalities. Given the unequal access to jobs, findings that employment transitions are associated with intergenerational material support flows suggest that families act as safety nets. In the context of a retrenching welfare state, the fact that the family plays an increasing role as safety net raises concerns about those whose families are unable to help.

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