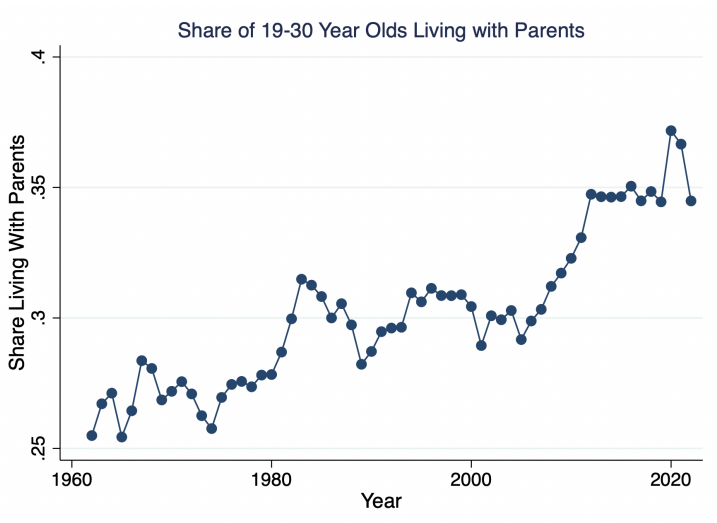


Driven by Unemployment Rates?
The Effect of Early Economic Conditions on
Young Adults' Transition to Adulthood Behaviors

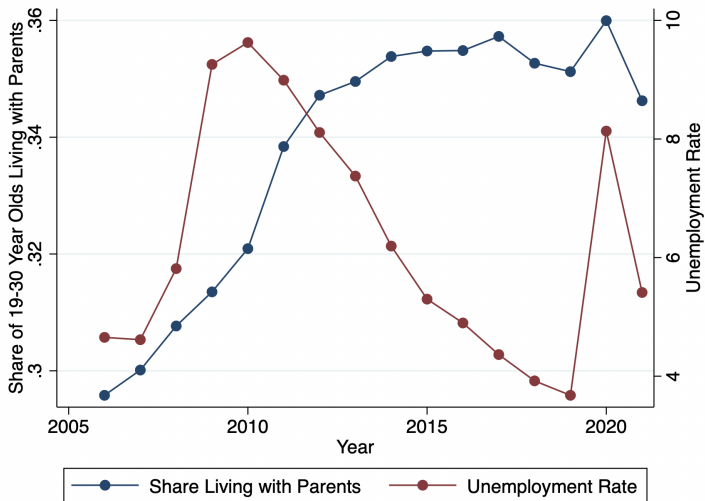
Cesia Sanchez
UC Berkeley

January 6, 2023

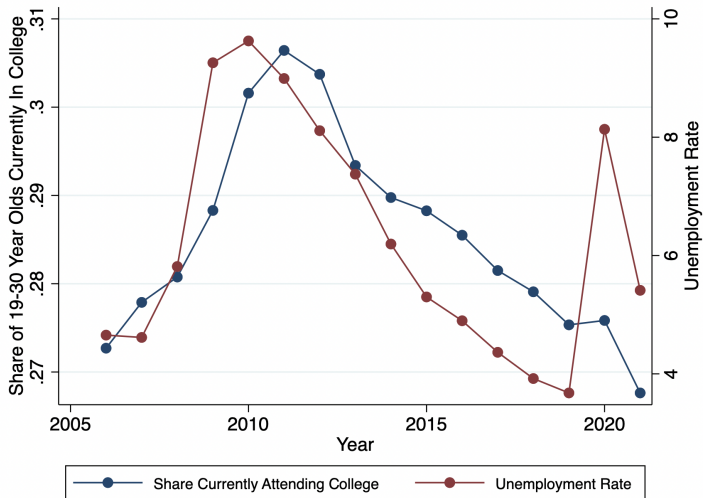
Motivation



Motivation



Motivation



Motivation

- **Question:**
 - Does the unemployment rate faced at age 18 affect the early adult life transitions of young adults? If so, for how long?
- **Hypothesis:**
 - Initial conditions affect early investment decisions and the ability to successfully make early adulthood life transitions
- **Related Literature:**
 - Prior literature highlights the effect on labor market outcomes (Rothstein 2021); (Von Wachter 2020); (Oreopoulos, Von Wachter, and Heisz 2012)

Roadmap

- **Data**
 - ACS and BLS
- **Empirical Approach**
- **Summary Statistics**
- **Results**

Data Description

- **Data Sources:** American Community Survey (ACS) - repeated cross sectional data to construct a synthetic panel for young adults; Bureau of Labor Statistics (BLS) provides early economic conditions and contemporaneous unemployment rate
- **Sample:** young adults between the ages of 19 to 30 throughout the years 2006 and 2021 in the U.S. economy

Empirical Approach

$$Y_i = \sum_{a=19}^{30} \beta_a D_i^a * UR_{s,(c+18)} + \pi UR_{s,t} + \rho \mathbf{X}_i + \gamma_a + \psi_c + \delta_s + \zeta_t + \epsilon_i$$

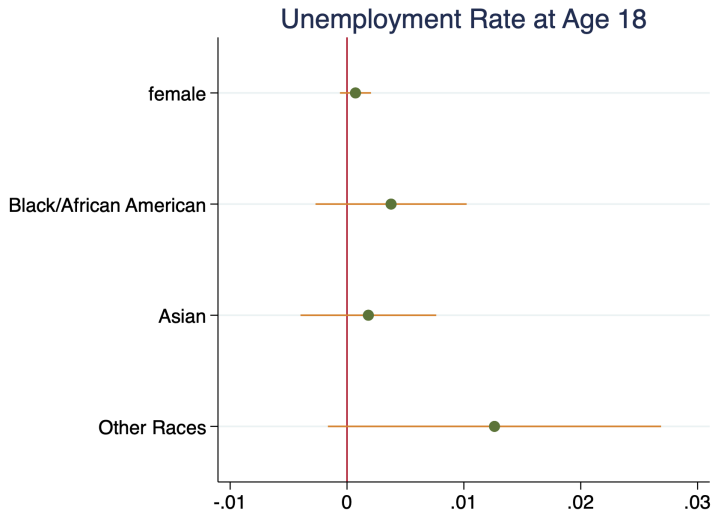
- Y_i represents outcomes of interest: living with parents, living in group quarters, ever having been married, attended college, currently in college, migrating from state of birth, parents moving young adult from state of birth
- D_i^a is a dummy indicator for current age of young adult
- $UR_{s,(c+18)}$ is the early market condition
- $UR_{s,t}$ is the contemporaneous unemployment rate
- \mathbf{X}_i is a vector of controls: gender and race
- γ_a is an age fixed effect
- ψ_c is a cohort fixed effect
- δ_s is a state fixed effect
- ζ_t is a time/survey year fixed effect

Summary Statistics

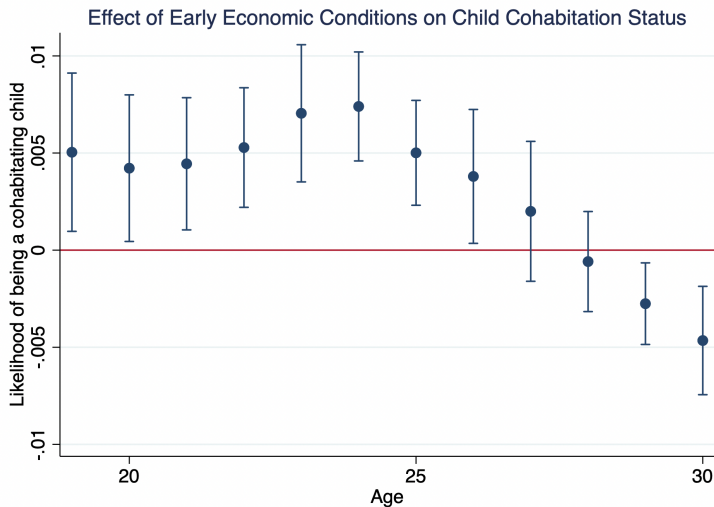
Table 1. Summary Statistics

	Mean	SD	p10	p90
Birth Year	1989.19	5.74	1981	1997
Entry Year (Age 18)	2007.19	5.74	1999	2015
Age	24.40	3.52	20	29
Unemployment Rate (State, %)	6.26	2.30	3.74	9.79
Unemployment Rate at Age 18 (State, %)	6.12	2.13	3.85	9.35

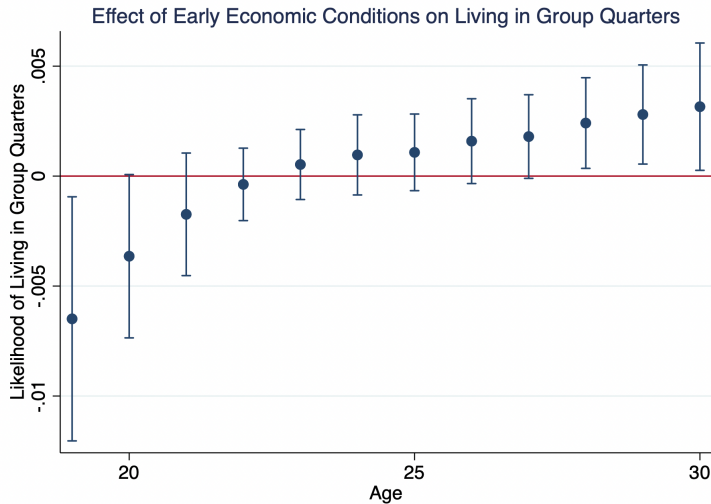
Treatment not correlated with observables



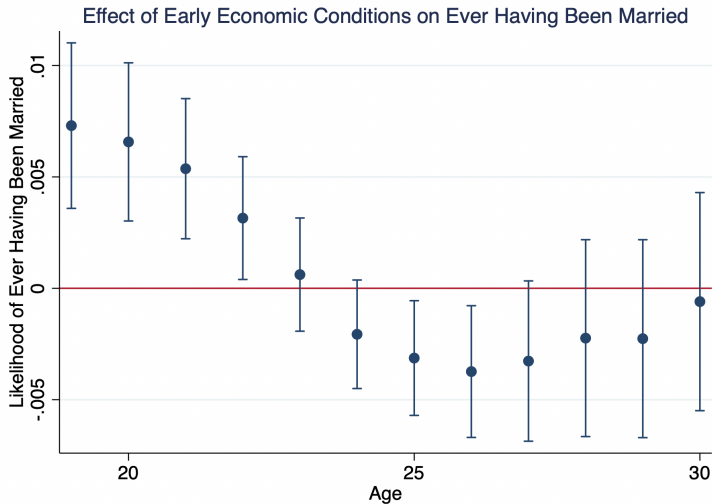
Impact on Residential Outcomes: *Living with Parents*



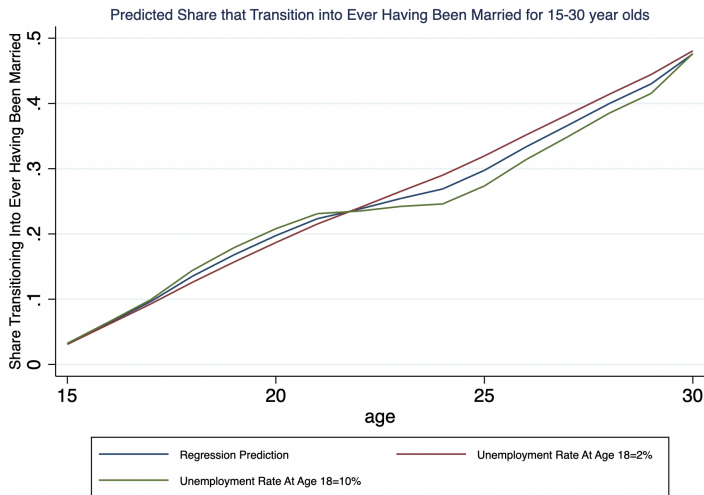
Impact on Residential Outcomes: *Being a Group Quarter Tenant*



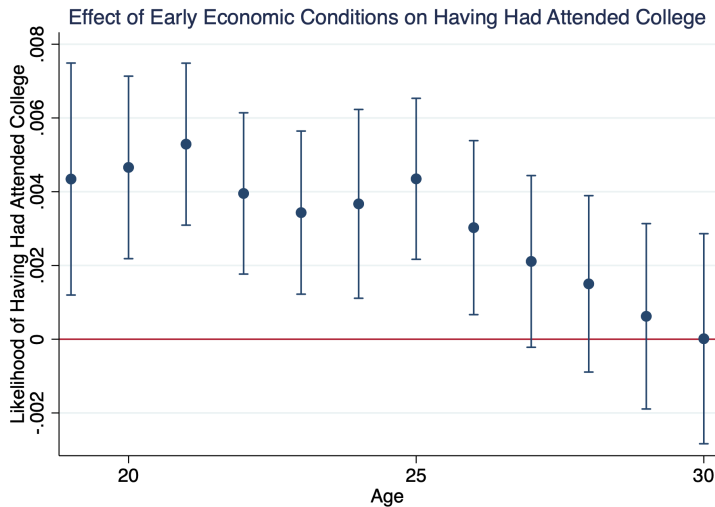
Impact on *Ever Having Been Married*



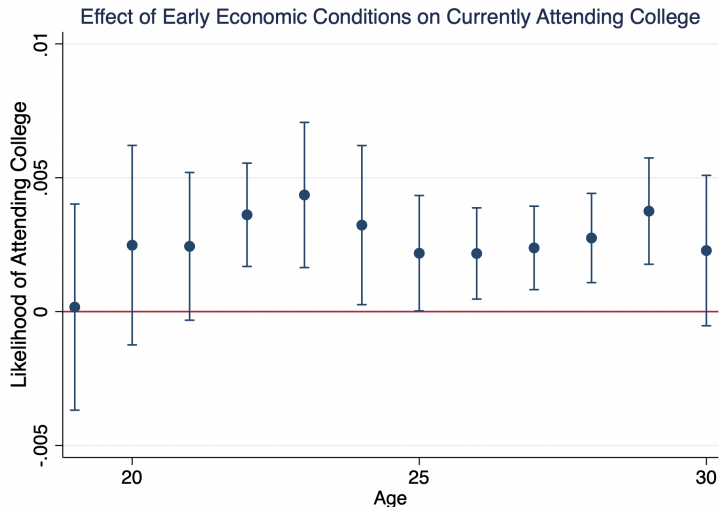
Impact on *Ever Having Been Married*



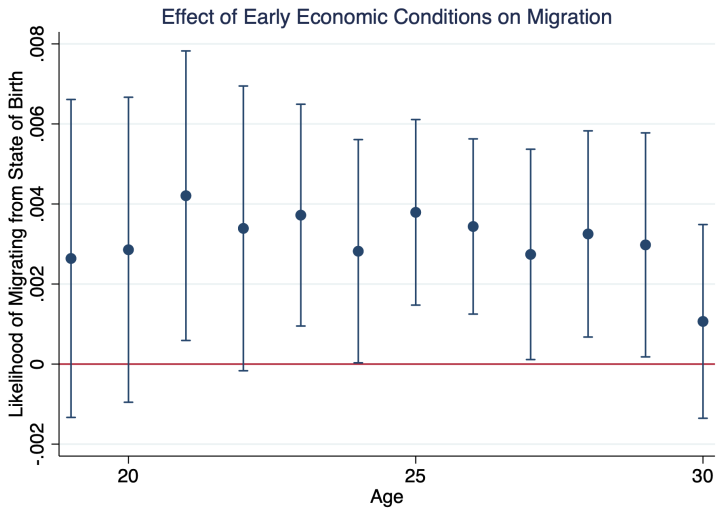
Impact on *College Attendance*



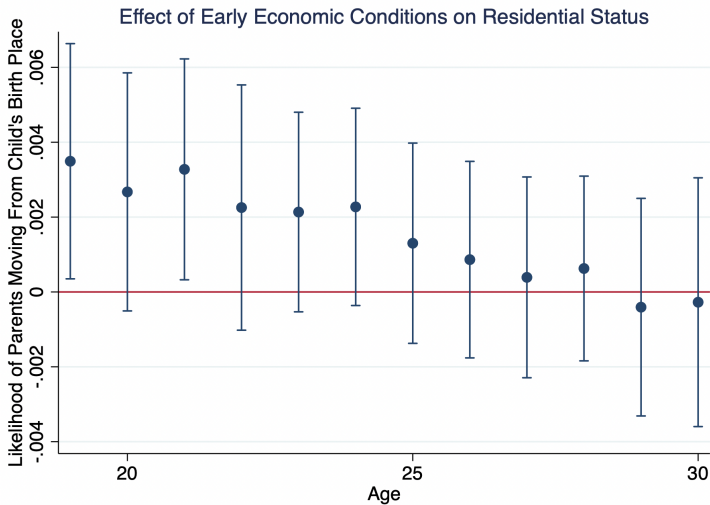
Impact on *Currently Attending College*



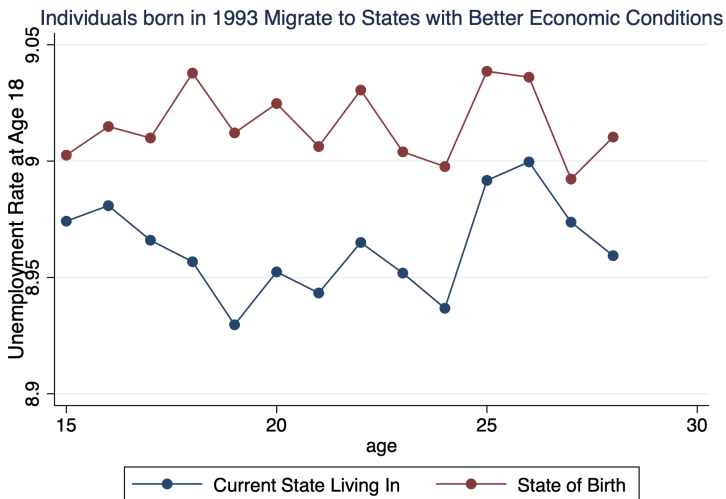
Impact on *Migration*



Impact on *Migration*

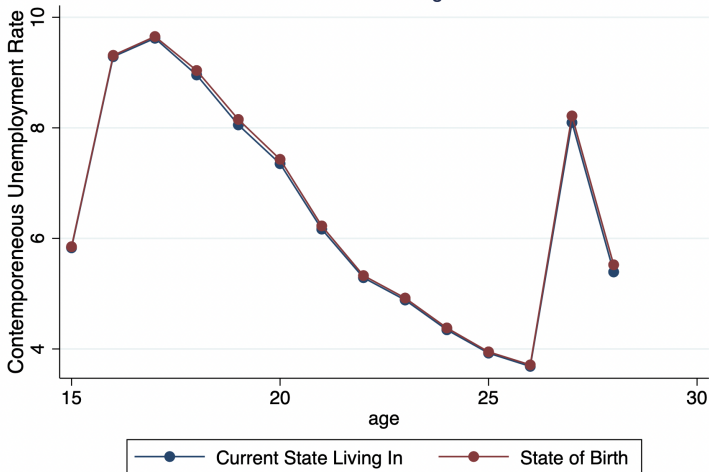


Impact on *Migration*



Impact on *Migration*

Individuals born in 1993 Migration Behavior



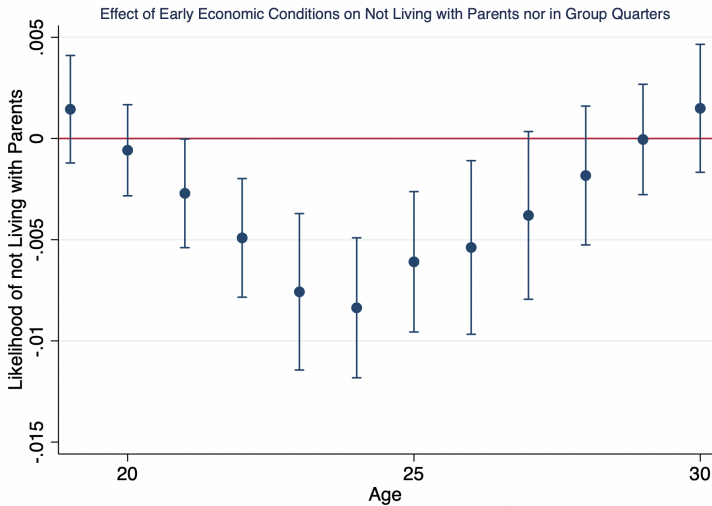
Conclusion

- Early adult life transitions are impacted by the scarring of early economic conditions
- Effects persists throughout the first decade into adulthood
- Future work examines the effect on parents' retirement decisions via an IV approach; testing mechanisms for early adult transition behaviors

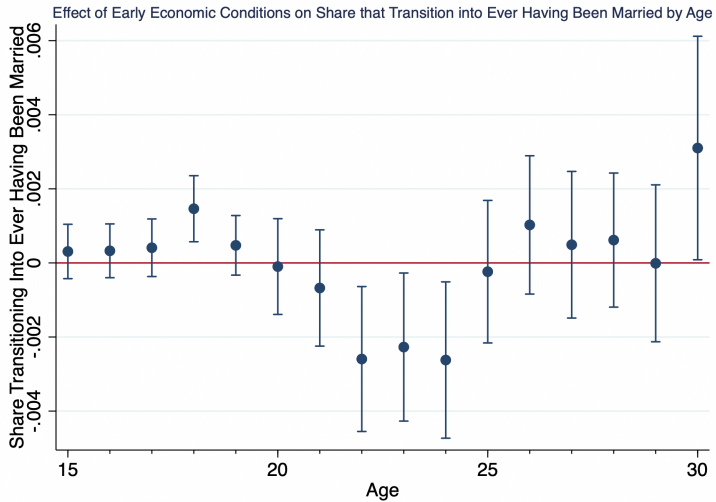
THANK YOU!!!

Research has been supported by the NBER – Fellowship Program
in Retirement and Disability Policy Research

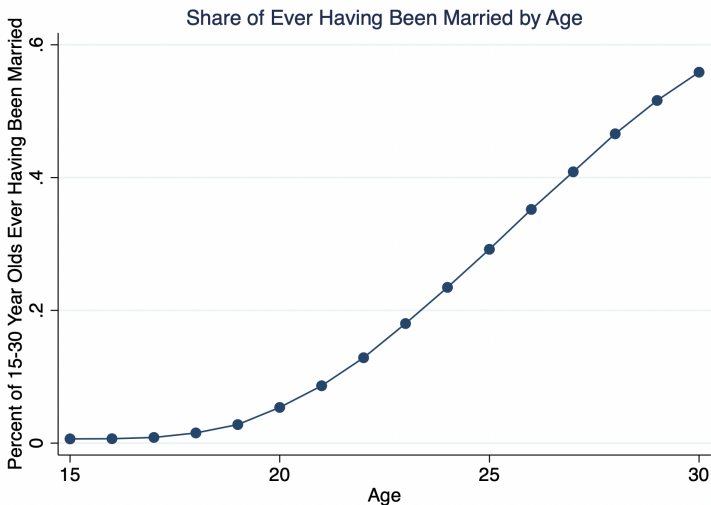
Results



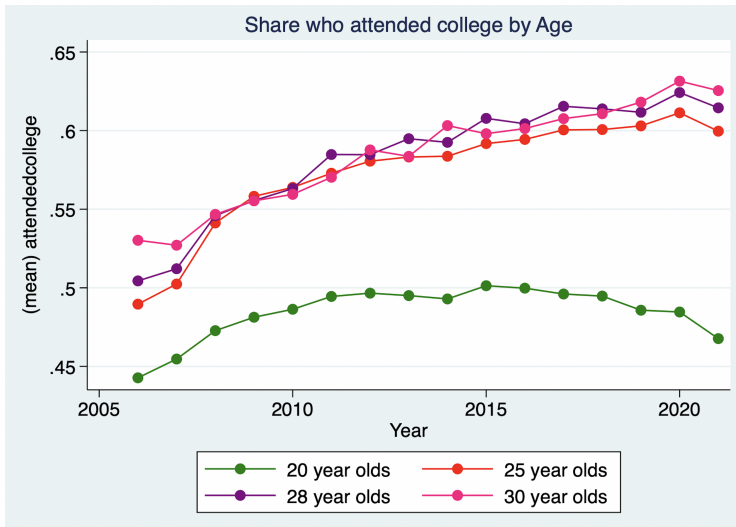
Results



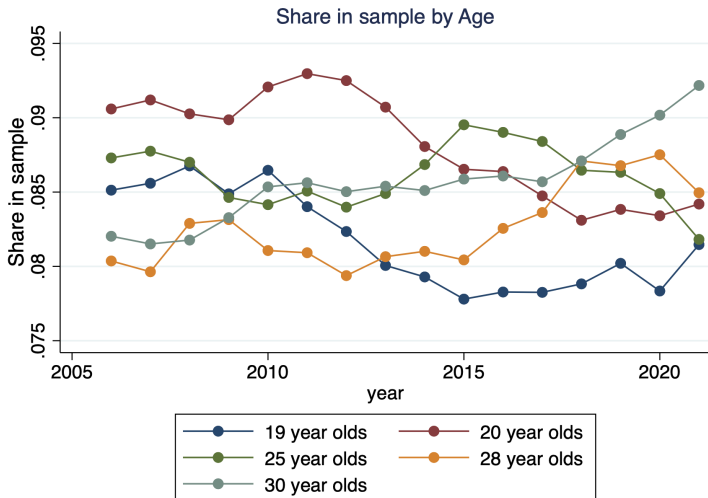
Results



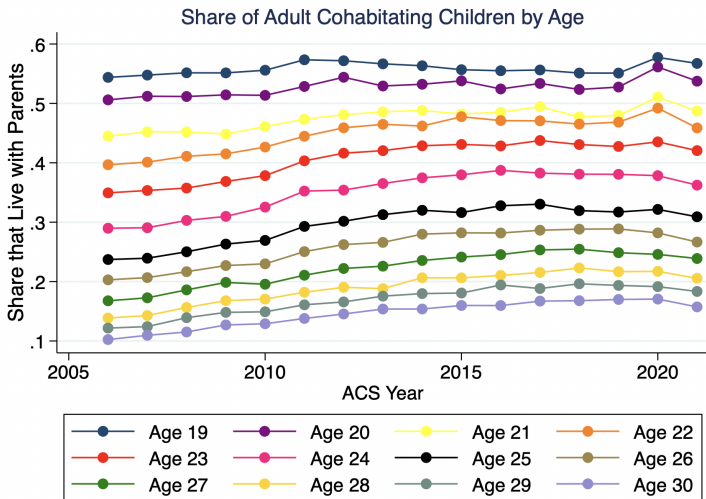
Share Having Had Attended College



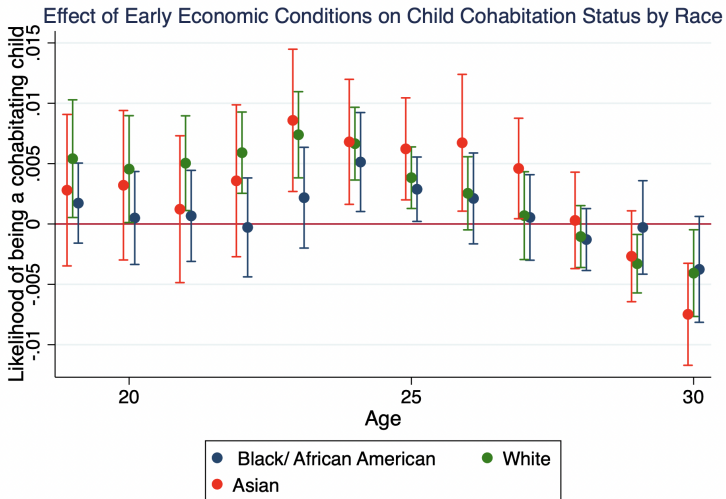
Share in Sample by Age Group



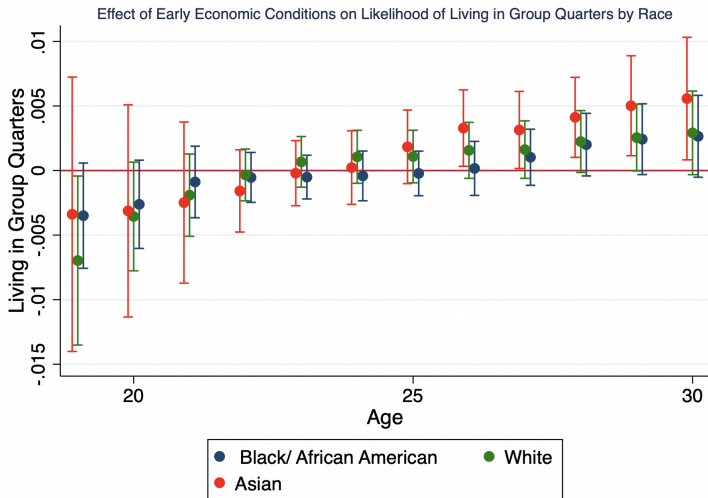
Share in Sample by Cohabitation Status



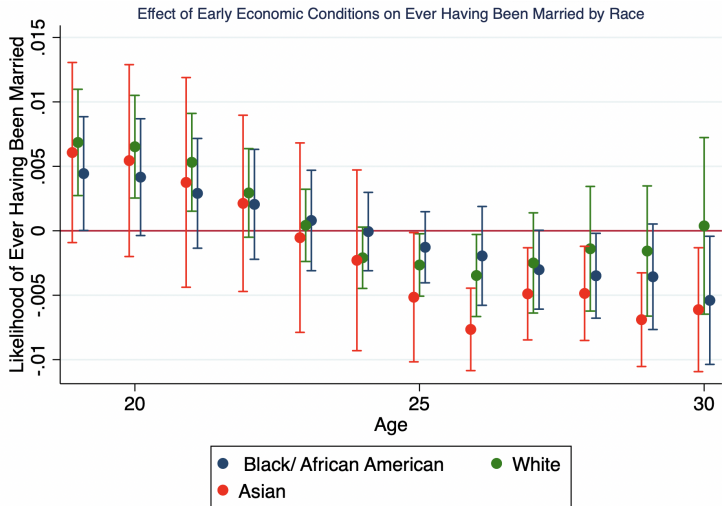
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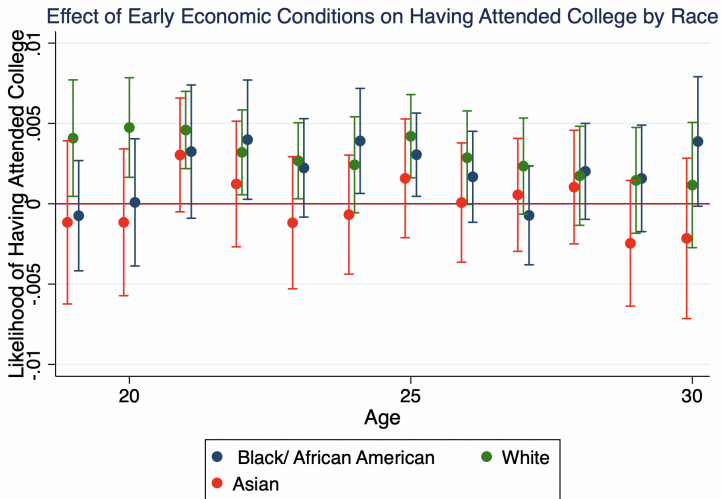
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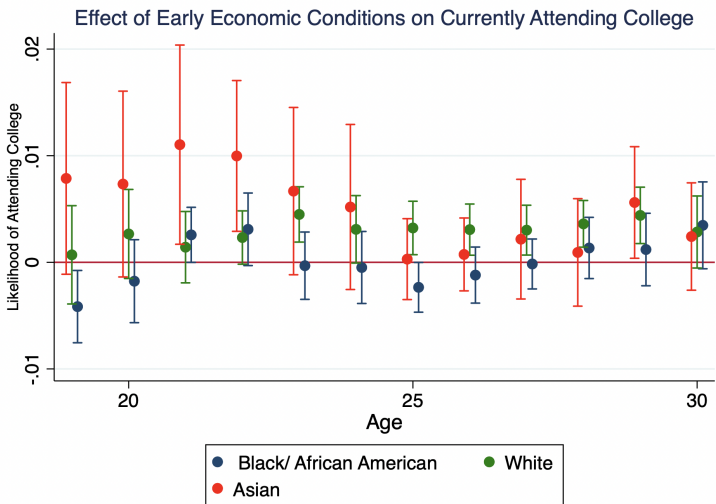
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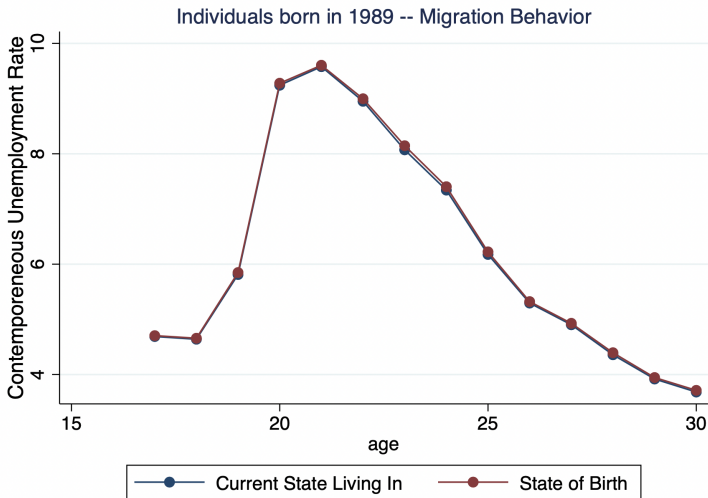
Results



Results



Results



Results

