

KWDI Issue Paper

Study on Transition into Adulthood by Family class : Focusing on Policy Implications

Parents' economic support for their young adult children's employment and marriage

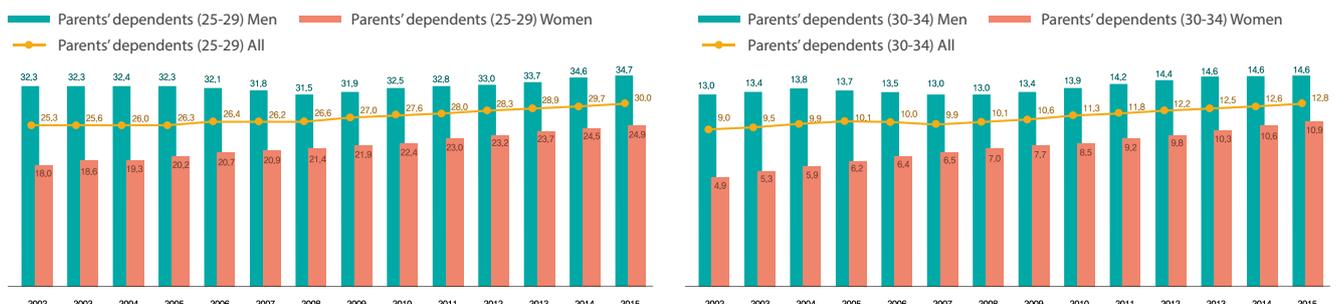
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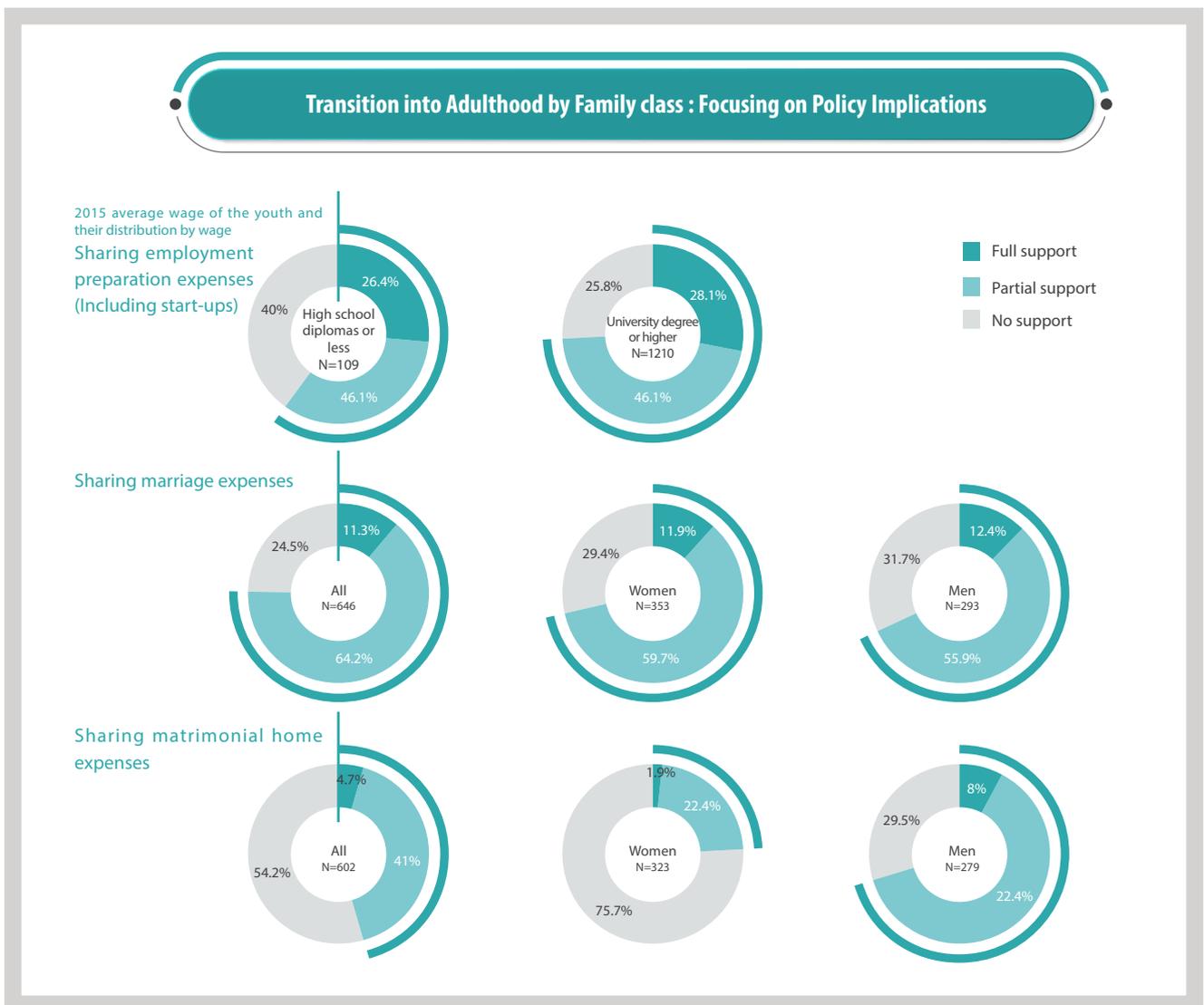
Abstract

- The youth have encountered difficulties in learning, employment, and marriage.
 - The number of youth financially relying on their parents has consistently risen. From 2002 to 2015, the share of parents' dependents among health insurance subscribers aged 25 to 34 continuously jumped.
 - Ages 25 ~ 29: 25.3% in 2002 → 30.0% in 2015
 - Ages 30 ~ 34: 9.0% in 2002 → 12.8% in 2015
 - A delay in young adult children's economic independence leads to the extension of parents' economic support and an increase in the burden of supporting their children.



[Figure 1] Changes in the share of parents' dependents among national health insurance subscribers aged 25 to 34

- Parents' economic support for their young adult children by the time of transition into adulthood
 - (Education Period) College tuition: no support → 13.3%; partial support → 28.7%; full support → 58.0%. Parents are deemed to bear the burden of paying for their children's university education.
 - (Employment Period) Parents' support for employment preparation: 6 out of 10 (those with high school diplomas or less); 7 out of 10 (university graduates or those with higher levels of degrees). After completing their highest level of education, 7 out of 10 adult children are financially supported for their living until they are employed.
 - (Marriage Period) 75.5% of women and 68.3% of men are financially supported for their marriages. On the other hand, 24.3% and 70.5% of women and men, respectively, are financially supported to buy their matrimonial homes.



The youth have encountered difficulties in education, employment, and marriage

- ▶ Young adult children do not have means for independent living, therefore financially relying on their parents. A delay in their economic independence leads to the extension of their parents' financial support and an increase in the burden of supporting their children.

The issues facing the youth should be handled at the individual and family level

- ▶ This is because costs and investment (university tuition, pre-employment costs, living expenses after the employment, marriage expenses, and so forth) for young adult children's transition into adulthood should be borne by their parents and families.
- ▶ The deeper economic polarization causes differences in economic support for young adult children by the class of parents or families.

This paper is designed to identify the size of the youth aged 25 to 34 financially relying on their parents and to look into changes therein. Also, this study reviews mutual economic support between young adult children and their parents, as well as differences in parents' economic support for their young adult children by family class

A. Size of the youth economically depending on their parents

- ▶ From 2002 to 2015, the share of parents' dependents among health insurance subscribers aged 25 to 34 continuously climbed.
 - Ages 25 to 29: 25.3% in 2002 → 30.0% in 2015
 - Ages 20 to 34: 9.0% in 2002 → 12.8% in 2015



Note: In case the family members of the self-employed insured are their children and if the dependents of the employees insured are their children, all the family members subjected to medical benefits are added up.

Source: "2002-2015 Health Insurance Premiums DB," National Health Insurance Service, Source Data: Lee Cheol-seon, Kim Young-ran, et al. (2016), Appendix 1: Based on the size of the youth aged 19-34 according to National Health Insurance Eligibility; Refer to the table for specific numbers.

[Figure 2] Changes in the share of parents' dependents
in National Health Insurance among the youth aged 25 to 34

B. Economic support for the youth transitioning into adulthood – Analysis of the Korean Labor and Income Panel Study

Purpose

- ▶ To look into the economic support (downward and upward transfers) that the youth receive from the parents or offer to their parents by life stage (students, job seekers, non-regular and regular employees, etc.).

Analyzed Data and Targets

- ▶ (Analyzed data) Data from the 9th (2006) to 18th (2015) Korean Labor and Income Panel Studies
- ▶ (Analyzed targets) Singles aged 19 to 39 living independently and their parents

Results

- ▶ General characteristics of the youth subjected to analysis
 - The share of 4-year university graduates is deemed to be high, many of whom have living parents.
 - The share of wage earners is as high as 89.8%, whose monthly income is mostly between KRW 1 million and KRW 2 million.
 - Considering the youth's life stage classified into students, job seekers, non-regular employees, and regular employees, the shares of regular employees, non-regular employees, job seekers, and students are estimated at 58.4%, 26.2%, 9.0%, and 6.4%, respectively.
- ▶ In terms of inter-generational transfers of economic support, 48.4% replied that there are only upward transfers while 24.4% answered that there are no inter-generational transfers. 20.6% responded that there are downward and upward transfers while 6.7% said that there are only downward transfers.



- ▶ Characteristics of inter-generational transfers of economic support, by the life stage of the youth (regular employees, non-regular employees, job seekers, and students)
 - No inter-generational transfers: the following order applies: students – job seekers – non-regular and regular employees.
 - Only downward transfers: the above order applies.
 - Only upward transfers: the share of regular employees is deemed to be the highest.
 - In case there are inter-generational transfers of economic support, the share of regular employees is higher than those of the other groups. The youth, who are regular employees, are deemed to be more likely to offer financial support to their parents. However, there are many cases where parents provide economic support to their adult children who are regular employees.
 - ⇒ This implies that it may act as a factor to enforce the solidification of social class through resource transfer among generations.
- ▶ The average amount of inter-generational transfers of economic support
 - The average amounts of downward and upward transfers are estimated at KRW 3.602 million and KRW 1.945 million. The former is bigger than the latter.
 - The amount of downward transfers tends to rise when young adult children are in their early 20s and 30s. Young adult children aged 31 are deemed to receive KRW 10.14 million, which is higher than figures for any other age groups. This is deemed to relate to wedding costs.

<Table 1> Average amounts of inter-generational transfers of economic support

(Unit: KRW 10,000)

Age	Downward transfers	Upward transfers	Age	Downward transfers	Upward transfers
Average	360.2	194.5	29	489.6	151.3
19	24.0	100.7	30	455.5	149.0
20	74.0	322.0	31	1014.0	177.6
21	480.0	195.0	32	208.0	195.1
22	241.7	224.7	33	465.6	278.2
23	114.6	150.9	34	530.6	253.4
24	87.0	133.0	35	159.5	178.1
25	425.2	295.2	36	347.0	244.6
26	215.1	156.7	37	104.2	227.2
27	271.7	156.0	38	121.4	228.8
28	137.2	147.1	39	146.4	247.5

Sources: 9th to 18th Korean Labor and Income Panel Studies, Korea Labor Institute.

- ▶ Elements that affect inter-generational transfers of economic support
 - Gender, age, individual income, and parents' income.
 - Sons receive more financial support from their parents than daughters.
 - The older they are and the more income they earn, the less support they receive.
 - The higher income their parents earn, the more likely they are to offer economic support to their young adult children.
 - On the other hand, only individual income has statistically significant effects on upward transfers.

C. Survey and analysis of downward transfers

Purpose

- ▶ To identify the status of downward transfers; to look into the size of downward transfers and differences therein by parents' social class at the times of college education, employment, and marriage
 - ▶ Size of downward transfers by the time of transition into adulthood
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Participants: 1,403 men and women aged 30 to 34

Results

- ▶ The size of economic support by different stages of transitioning into adulthood
 - ① **During education**
 - University tuition: no support → 13.3%; partial support → 28.7%; full support → 58.0%. University tuition is deemed to be generally paid by parents.
 - Language training abroad and student exchange programs: A small percentage of participants experienced the programs and related costs were usually paid by their parents.
 - ② **Time of employment**
 - All of the employed: (Those with high school diplomas or less) 'receive no support' → 40.0%; 'receive support' → 60.0%. Six out of ten participants were financially supported.
(Those with college degrees or higher) 'receive no support' → 25.8%; 'receive support' → 74.2%. Seven out of ten participants were financially supported.
 - In case they are employed after completing their highest level of education, seven out of ten participants are financially supported by their parents for their living expenses, regardless of their level of education, until they are successfully employed. This also applies to the unemployed.

- Those with high school diplomas or less and with college degrees or higher, who are unemployed, are financially supported for their living expenses for 87 months and 51 months on average, respectively.

<Table 2> Financial support for employment (including start-ups) preparation: the employed

(Unit: persons, %)

Highest level of education	No support	Partial support	Full support
Those with high school diplomas or less (N=109)	44 (40.0)	37 (33.6)	29 (26.4)
College students or those with higher levels of education (N=1,210)	312 (25.8)	558 (46.1)	340 (28.1)

Note: These figures are rounded off to the nearest unit. Therefore, the original sum and the figures added up by item may be a little different.

Source: The survey of downward transfers conducted for this study.

**<Table 3> Parents' support for their adult children's living at the time of employment
(including start-ups): the employed**

(Unit: persons, %)

Highest level of education	No support	Partial support	Full support
Those with high school diplomas or less (N=79)	26 (32.5)	29 (36.4)	24 (31.1)
College students or those with higher levels of education (N=842)	246 (29.2)	319 (37.9)	277 (32.8)

Note: 1) Excluded are those who are employed before completing their highest level of education.

2) These figures are rounded off to the nearest unit. Therefore, the original sum and the figures added up by item may be a little different.

Source: The survey of downward transfers conducted for this study.

► Size of downward transfers by the time of transition into adulthood

③ Time of marriage

- Wedding costs (women): receive no support → 24.5%; receive support → 75.5%
(men): receive no support → 31.7%; receive support → 68.3%. The share of women receiving support is higher than that of their male counterparts.
- Matrimonial home (women): receive no support → 75.7%; receive support → 24.3%
(men): receive no support → 29.5%; receive support → 70.5%.
- Sons are found to be more frequently financially supported to make their matrimonial homes than daughters.

<Table 4> Parents' financial support for their adult children's wedding

(Unit: persons, %)

Item	Gender			Statistics
	No support	Partial support	Full support	
All (N=646)	72 (24.5)	188 (64.2)	33 (11.3)	x ² =4.947 df=2 p=.084
Women (N=353)	184 (28.4)	385 (59.7)	77 (11.9)	
Men (N=293)	112 (31.7)	197 (55.9)	44 (12.4)	

Note: The figures are rounded off to the unit. Therefore, the original sum and the figures added up by item may be a little different.

<Table 5> Parent's financial support for their adult children's matrimonial homes

(Unit: persons, %)

Item	Gender			Statistics
	No support	Partial support	Full support	
All (N=602)	327(54.2)	247(41.0)	29(4.7)	x ² =129.408 df=2 p=.000
Women (N=323)	244(75.7)	72(22.4)	6(1.9)	
Men (N=279)	82(29.5)	174(62.5)	22(8.0)	

Note: These figures are rounded off to the nearest unit. Therefore, the original sum and the figures added up by item may be a little different.

Source: The survey of downward transfers conducted for this study.

► Downward transfers by parents' social class

① During education

- (Cross tabulation) The more assets the parents have and the higher the parents' economic position is (when their adult children are 20 years old), the higher the share of adult children receiving financial support from their parents.
- (Binomial logit) The share of adult children receiving financial support from their parents is higher when the mother has 'a high school diploma or less' than when the mother has 'a college degree or higher.' The percentage of adult children receiving financial support from their parents is higher when parents' monthly income is less than KRW 2 million than when parents' monthly income is KRW 4 million or more. When parents' assets are valued at KRW 500 million or more, the share of adult children receiving financial aid for college education from their parents rises.

② Time of employment

- (Cross tabulation) The father's level of education, parents' assets, and parents' economic position are found to have statistically significant effects on support for adult children's employment.

- (Binomial logit) Parents' economic position is found to have effects on support for adult children's employment. In other words, middle-and-high-income parents offer more support for their adult children's employment than low-income parents.

③ Time of marriage

- (Cross tabulation) In the case of men, only parents' assets are found to have statistically significant effects on wedding cost-related downward transfers. On the other hand, in the case of women, parents' level of education and their economic level are found to have statistically significant effects on the aforementioned variable, showing that elements having effects on the variable differ by gender.
- In the case of men (as in the case of the above variable), only parents' assets are found to have statistically significant effects on making matrimonial homes. In the case of women, parent's income and economic position are found to have effects on this variable.
- (Binomial logit) In the case of men, there are no parents' characteristics that have statistically significant effects on wedding cost-related downward transfers. Only the income of adult children is found to have effects on the variable. In the case of women, there are no elements that have statistically significant effects on the variable. The share of young adult children receiving financial aid from their parents to make matrimonial homes is higher when parents' assets are valued at 'KRW 500 million or more' than when they are valued at less than KRW 100 million. The share of men receiving financial aid from their parents to make matrimonial homes is found to be higher than that of their female counterparts. However, in case the respondents themselves are employed or if their income is high, the aforementioned share is found to drop.

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Policy suggestions

Policy direction

- ▶ Youth unemployment and employment instability in Korea are issues facing not only young adults but also their parents. Therefore, youth guarantee policies to solve this comprehensive problem is needed
- ▶ Youth guarantee policies should include policies for fast employment and the prevention of long-term unemployment, financial aid for tuition (, etc.) at the time of university education, financial assistance at the time of marriage, public aid for the youth from low-income and vulnerable classes, and so forth

- ▶ Youths subject to youth guarantee policies should include job seekers, those who delay graduation, young adults whose income is not sufficient, as well as the unemployed. They are likely to financially depend on their parents. Parents' financial support for their young adult children is found to differ by parents' social class
- ▶ Depending on parents' income and assets, financial support for their young adult children during their university education years and employment preparation is found to differ in size. Therefore, in order to provide sufficient financial aid to the youth from low-income families, who can hardly expect economic assistance from parents, we propose "Financial Aid for the Youth's Living Expenses (tentative name)" that is designed to support the youth as a whole from vulnerable brackets.

Propose the introduction of "Financial Aid for the Youth's Living Expenses (tentative name)" to financially support the youth during their university education years and employment preparation.

- ▶ Germany's BAfeG program is similar in the sense that free tuition is offered. Moreover, during the period of the program, about 1/2 of living expenses are covered for free
- ▶ At present, the successful employment package system provides similar assistance but only links to job-seeking activities. As a result, the youth can not receive aid during their university education years and employment preparation. Moreover, only university students are subject to "Financial Aid for Tuition and Living Expenses"

(Tentative name) Financial Aid for the Youth's Living Expenses

- Content: A certain level of financial aid or interest-free loans for their tuition, employment preparation costs, living expenses, and so forth are offered to the youth who are yet to be employed
- Target youth: Young adults who are 18 years old or older and 34 years old or younger and whose parents' income and assets fail to reach a certain level
- Policy suggestion: Improve existing policies (successful employment package, university scholarships, loans for tuition and living expenses, and so forth)
- Related Ministries: Ministry of Employment and Labor and Ministry of Education

Propose crafting “plans to consider parents’ income when selecting newlyweds who are qualified to receive financial aid for housing expenses” to support the youth of marriageable age

- ▶ Parents’ financial aid is found to soar when their adult children reach marriageable age. This study also shows that parents’ assets (, etc.) have significant effects on their financial assistance for making matrimonial homes. On the other hand, the current financial aid for newlyweds’ housing expenses is only based on the income of soon-to-be-married couples
- ▶ As a result, it is possible for newlyweds to fail to receive financial aid for housing expenses, as well as parents’ financial assistance. In case parents’ assets or income is a certain level or less, their adult children need to be given additional points when choosing newlyweds who are qualified to receive financial aid for housing expenses. To this end, it is necessary to revise the current system for offering newlyweds financial assistance for housing expenses

Plans to reflect parents’ income when offering newlyweds financial aid for housing expenses

- Content: The current system for offering newlyweds financial aid for purchasing houses or preparing security deposits is based on the income of soon-to-be couples. This needs to be revised to give additional points to newlyweds whose parents’ income fails to reach a certain level
- Target: Soon-to-be couples whose parents’ income or assets fail to reach a certain level
- Policy suggestion: Improve existing policies (system for offering newlyweds financial aid for making matrimonial homes)
- Related Ministry: Ministry of Land, Infrastructure, and Transport

Develop training and program for middle-aged parents

- ▶ It is difficult to request parents not to provide financial aid to their adult children. Therefore, they need to be educated to save for their later years (, etc.) when offering financial assistance to their children
- ▶ At present, there are programs such as parenting education by life-cycle, and visitation programs but they focus on soon-to-be parents, pregnant women, women of childbearing age, or parents having infants and preschool and school-age children. On the other hand, there are few training programs for middle-aged parents or parents having young adult children
- ▶ Therefore, training courses and programs for middle-aged parents should be established and developed to offer information on ‘relationships with children,’ ‘plans for their old age,’ and so forth

Training for middle-aged parents

- Content: Offer information on 'relationships with children,' 'plans for their old age,' and so forth to middle-aged parents having young adult children
- Target: Middle-aged parents
- Policy suggestion: Improve existing policies (increase the age of parents subjected to parents education, developing related programs)
- Related Ministry: Ministry of Gender Equality and Family

Responsible Ministries: Youth Employment Team, Ministry of Employment and Labor; Housing Welfare Planning Team, Ministry of Land, Infrastructure, and Transport; Family Policy Team, Ministry of Gender Equality and Family.