

**Ties that Matter:
Cultural Norms and Economic Behavior in Western Europe**

Prepared for the "Labor Market Institutions and Public Policy Responses: A Symposium to Honor Lloyd Ulman" conference

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1. Introduction

According to the prevailing family structure in Mediterranean Europe, most young adults live with their parents. In Italy, Portugal, Greece and Spain, the share of 18 to 33 year olds living at home is between 70 and 80 percent. In the same Mediterranean countries age at marriage increased and fertility declined. This peculiar demographic behavior contrasts sharply with non-Mediterranean Europe, the US and Canada, where the shares of people living at home range from 10 to 35 percent and fertility did not decline so dramatically. The main thesis of this paper is that this peculiar path in Southern European countries could have been caused by differences in cultural norms, as pointed out by historical analysis as well as sociological evidence. According to sociologists, there are considerable differences in terms of family ties between Northern and Southern European countries. The latter are grouped together as “strong family ties countries” and contrasted with the “weak family ties countries” of Northern Europe and North America (Reher, 1998). “The strength or weakness refers to cultural patterns of family loyalties, allegiances, and authority but also to demographic patterns of coresidence with adult children and older family members and to organizing support for the latter” (p. 206).

These differences in the strength of family ties between generations never disappeared, are part of the cultural heritage of those countries and could have important implications. They could help to explain a puzzling issue of demographic development in Southern Europe: the large drop in the fertility rate of the last twenty years. The same countries with the highest fraction of young adults living at home have the lowest fertility rates. Spain and Italy currently have extremely low fertility rates followed by Greece and

Portugal, while the fertility rates in other countries are much higher. In societies where roommates and cohabitation are rare, no other legitimate path to independence exists other than through marriage. If Southern Europeans leave their family of origin and start their own households later than elsewhere, the immediate result would be that Southern Europe has fewer children per woman than any other developed country. Note also that Southern Europe is characterized by a low rate of out-of-wedlock births, demonstrating the close link between marriage and fertility.

In this paper I will look at the importance of the strength of family ties to study living arrangements, marriage behavior and fertility in Western Europe. Since cultural norms, economic conditions and institutions are country specific, cross-country differences within Europe cannot be exploited to properly identify the relative importance of this culture hypothesis from more traditional economic explanations. In order to make the culture identification, I look at the behavior of second-generation immigrants in the United States. If cultural norms are persistent, then living arrangements, marriage behavior and fertility of immigrants to the United States should parallel their counterparts in the home country. In fact, the United States provides an ideal context for testing this cultural hypothesis since it contains immigrants from all of the Northern and Southern European countries. Moreover, other likely determinants of the economic outcomes in which I am interested in such as labor, housing market conditions and welfare programs can be held constant across different immigrant groups. I also control for local geographic variation in markets and institutions by including state fixed effects.

The results are surprisingly supportive of my hypothesis. The US demographic behavior of immigrants mimics those in Europe across countries. Only 27% of US

natives live with their parents, this proportion is similarly low for the UK (22%) and the Scandinavian nations (18%). On the contrary the fraction is very high for all the Mediterranean countries (with Portugal reaching a level of 61%) and it lies somewhere in between the two extremes for the other European immigrants (Germany, France and the Netherlands). Similarly, in the US, as in the original countries, the fraction of never married young people is much higher for Mediterranean Europe (58% for Italy, 71% and 73% for Greece and Portugal, and 80% for Spain) as opposed to the Northern European countries. Finally, both in the US and in the original countries, the decline in fertility has been associated with an increase in the proportion of people living at home. This duplication of the European pattern in a neutral environment, with the same unemployment benefits, the same welfare code, and the same macroeconomic conditions suggests a major role for the importance of culture in the determination of demographic trends in Western Europe.

While this chapter offers an empirical justification on why cultural norms may have played a major role in the rise of the fraction of youth living at home in Southern Europe and its implications, other scholars have given alternative explanations. Bentolila et al. (2001) focus on high job security. Their empirical results indicate that a father's unemployment status and his probability of being unemployed over the subsequent 12 months lead unambiguously to a higher probability that his children will live independently. Similarly, Fogli (2002) presents a model in which, due to credit market imperfections, granting high job protection to older workers is welfare improving. Children remain with their parents to enjoy household consumption (a public good), thus avoiding the credit constraints they would face if they lived alone and went out to work.

This is viable because their parents' jobs are secure due to extensive labor market regulations. In a different line of research, Manacorda and Moretti (2006) argue that Italian parents like to have children at home and that a rise in their income makes it possible for them to offer their children higher consumption in exchange for their presence at home. Children prefer to live on their own but are willing to exchange some independence for extra consumption. They estimate the effect of parental income on the probability that children live with their parents, and find that a rise in parents' income significantly raises this probability.

This chapter is also related to a recent literature measuring the importance of culture in the determination of economic outcomes. It includes the impact of culture on development (Tabellini, 2006) and trade (Guiso, Sapienza and Zingales (2005)), the importance of religious beliefs for growth (Barro and McCleary (2003) and 2006), but also microeconomic studies showing that long lasting cultural differences can determine outcome such as fertility, female labor force participation and savings. Antecol (2000), Carroll, Rhee and Rhee (1994) and Fernandez and Fogli (2005) also looked at the behavior of immigrants in the United States to study the importance of culture in the determination of economic outcomes. Antecol (2000) uses labor force participation in the country of origin to study labor market outcomes of immigrants in the US. She finds evidence that culture plays an important role in the determination of the gender gap in labor force participation. She studies first generation immigrants and also pool together second and higher generation, finding a stronger effect of culture for first generation immigrants. Looking at first-generation immigrants in the United States, Carroll, Rhee and Rhee (1994) find no significant impact of culture on saving decisions. Fernandez and

Fogli (2005) show that culture matters for female labor force participation and fertility. The authors study the behavior of second-generation immigrants in the United States, using as proxies for culture past female labor force participation and total fertility rates from the immigrants' countries of origin.

The chapter is organized as follows. In section 2, I review differences in family structures in Western Europe, Section 3 describes the data, lays out the empirical methodology and presents the results. Section 4 concludes.

2. Family structure in Western Europe

Differences in family structures across Northern and Southern Europe have been explained by Reher (1998), who has comprehensively compared historical and current patterns in Europe. In Southern Europe, the influence of Muslims brought about an increased emphasis on kinship and on the vertical relationship between generations. Under this cultural norm, the prolonged stay of children in their parents' home and children's care of their parents in old age are seen as two sides of the same coin: the behavior of a "strong" family. In the North, Germanic tradition and the Reformation contributed to the development of a "weak" family, in which individuals detach themselves from their parents. Parents in these societies tend to rely less on their children to support them in old age.

The divergence in the practices of children: leaving their parents' house before marriage (UK) or only for marriage (Mediterranean Europe) appears to have deep historical roots. In a recent study, Pooley and Turnbull (1997) have estimated that in England between 1850 and 1930, men set up their own households between 2.5 and five

years before marriage and women did so between one and two years before. This situation contrasts to that in Spain, where leaving home before marriage was not only less frequent than in England but also seldom meant that the ties to the parental household were completely severed. Differences between ethnic groups in such patterns have appeared in other historical contexts. In her study of the family in New York State during the 1920's, Weiler (1986) found that: "the immigrants from Southern Europe stressed the value of children as insurance in old age, whereas Americans and West Europeans valued individualism and independence between generations". The phenomenon of staying at home thus does not seem to be based only on economic conditions, but it seems also to be related to the structure of the Mediterranean society. It is likely to persist regardless of economic conditions because it is fundamental to the value system of these countries. The main task of this chapter is to disentangle how differences in cultural norms on the strength of family ties can play an important role in the determination of living arrangements, marriage and fertility behavior in Western Europe.

3. Empirical analysis

The goal of this empirical section is to disentangle the role of "culture" in the determination of the demographic behavior of Western European youth. To identify the role of the importance of family norms, I look at the living arrangements of second-generation European immigrants, who were brought about and educated in the US. By doing this I can observe young adults of different national origins in a virtually identical economic environment. The extent to which people from immigrant families differ from

natives and from each other might constitute a measure of the importance of cultural differences.

a. Data and Empirical Strategy

Table 1 shows living arrangements of several groups of second generation immigrants for the 18 to 33 year-old age group. Living arrangements show considerable dispersion. The fraction of people staying at home is particularly high among immigrants from Greece (49%), Italy (44%), Portugal (61%) and Spain (34%); the same fraction is much lower for the United States, the United Kingdom and the Scandinavian countries, with the other continental countries (France, Germany and Netherlands) lying somewhere in between.

Figure 1 shows a surprisingly high correlation between the fractions of people living at home in their original countries and among immigrants. The correlation is so high that it makes it very difficult to argue that the main cause for staying with parents relies only on unfavorable economic conditions. If poor employment possibilities cause staying at home, one should not observe the peculiar behavior of Mediterranean descendants in the United States. All immigrant groups should have the same living arrangements when facing the same economic conditions. There should then be no correlation between living arrangements in the US and in the original countries.

Living arrangements among immigrants tend to replicate almost exactly the pattern of the country of origin in a virtually identical environment in terms of economic conditions. This duplication is a clear indication that culture matters in the determination of living arrangements. It should be noted that the proportion of second generation immigrants living with their parents in the US is slightly lower compared to the original

country, which is not surprising since second generation immigrants live in an environment in which the social norms are different from those in the country of origin.

I implement my empirical analysis using data from pooled 1994-2005 Current Population Survey. The March Current Population Survey includes- starting with 1994- questions on the place of birth of each individual and his or her parents. I restrict the definition of “second generation” to native-born individuals whose father was an immigrant (this requirement substantially expands the second-generation group relative to the alternative of requiring two immigrant parents”).¹

The primary source of identification in this empirical section consists of studying living arrangements, marriage behavior and fertility among 18-33 year old individuals, paying attention to the effects of the country of origin.

I estimate the following linear probability model:

$$s_i = \alpha + \sum_k \beta_k M_{ik} + \delta X_i + \varepsilon_i, \quad (1)$$

where

s_i equals 1 if the young adult lives with her/his parents and is zero otherwise,

M_{ik} is equal to 1 if i belongs to the immigrant group k and is zero otherwise,

and

X_i is a set of control variables, to be described later.

In this model, the parameter β_k is regarded as a country-specific cultural effect, since the excluded group is given by the natives. A significant coefficient of 0.13 for the

¹ I also look at the case in which both parents have the same ethnicity (which strengthens the role of family stricture, with higher sample means). I do not use this definition in running the regressions, since it reduces substantially the number of observations.

ethnicity k , for example, means that compared to natives, 13% more immigrants in the United States belonging to ethnicity k stay at home with their parents.

b. Living arrangements, marriage and fertility in Western Europe

In Table 2, I report the coefficients of the basic OLS regression of living arrangements (defined as a dummy equal to 1 for whether young adults are living with their parents) on the father's country of origin dummies, and the associated standard errors. I include dummies for Italy, Spain, Portugal, Greece, France, Germany, Netherlands, Ireland, Poland, the United Kingdom and Scandinavian Europe². Native born Americans are the excluded group. The regression controls for a male dummy, a quadratic in age, state dummies (to control for local geographic variation in labor market and institutions) and two metro indicators, education and per-capita family income³.

The results in Table 2 suggest that the probability of living at home in the US has been higher for those of Southern European origin. The estimated β_k coefficients are individually positive and significant at the 1% level for all the Southern European countries, except for Spain (there are few observations for the Spanish group), indicating significant evidence for a “cultural effect” on living arrangements.⁴

Is there any other impact of this peculiar demographic behavior? If Mediterranean youth tend to postpone all the stages of adult life (including getting married and having children), the immediate result would be that Southern Europe has fewer children per

² I combine data for Denmark, Finland, Norway and Sweden because each single country has very few observations.

³ Per capita family income is defined as total family income divided by the number of family components. For the CPS data sets I converted the reported income information from the 11 samples into 1995 dollars prior to pooling the data

⁴ A test of equality of coefficients also shows that Southern European coefficients are statistically different from other immigrant groups.

woman than other developed countries. Note also that Mediterranean countries are different from the Anglo-countries because of their very low rates of out-of-wedlock birth (Table 3). With the exception of Portugal, all Mediterranean countries have a very low fraction of out-of-wedlock births (from 3 to 11%). In contrast, in Scandinavia it is close to 50%, and in the US and UK in the mid 30's (32 and 37% respectively). Fertility and marriage in Mediterranean Europe continue to be closely tied. Since it is not yet common for births to occur outside of marriage, the rise in the age of marriage, which in turn depends on the length of time youth stay at home with their parents, had much greater impact on the fertility rates in Mediterranean Europe than in Anglo countries. These simple observations are consistent with the main hypothesis of this paper. Since the fraction of adult youth living at home is much higher in Mediterranean Europe and women are having their first child in Southern Europe very late compared to developed countries elsewhere (the median age is 30 compared to 26 in the UK) then fertility has considerably declined.

Figure 2 shows a dramatic correlation between the change in fertility from 1975 to 1997 and the fraction living at home in 1997 by country. The graph also distinguishes two groups of countries. One group is characterized by only a small decline in fertility with a low fraction of young adults living home. The other group (Southern Europeans and the Irish), which experienced a large drop in fertility is characterized by a high fraction of young adults living at home. The increase in the proportion of people living at home offers a good explanation for the huge decline in fertility in Southern European countries.

If leaving home late is such an important reason behind the decline in fertility in Southern European countries, one should also observe the same pattern among second-generation Mediterranean immigrants in the US. Since Mediterranean second-generation immigrants live at home for a long period of their life and postpone marriage, they should have experienced a higher drop in fertility compared to other immigrant groups. In Figure 3, I plot the correlation between the change in fertility and the change in living arrangements for second-generation European immigrants in 1998. With the exception of France and Netherlands, which experienced a very high increase in fertility compared to the original country, the decline in fertility is associated with an increase in the proportion of people living at home, reflecting almost exactly the same pattern of the country of origin.

I also collect data on the fertility behavior among second generation immigrants in the US, trying to confirm the evidence coming from the simple correlations. I use the fertility supplement of the Current Population Survey. Unfortunately there are only three years for the fertility supplement, therefore the number of observations for each European country is much lower. In order to have a sufficient number of observations for each group I define a dummy for Southern European and Catholic countries, one for Western Europe, and one for Northern European countries plus the United Kingdom. We would expect a lower level of fertility for the Mediterranean-Catholic group, compared to the natives. The results are presented in Table 4. As it is apparent from the table, fertility is significantly lower in the Mediterranean-Catholic group as opposed to the natives and the other immigrants, confirming the trend observed in the original countries.

Finally, I look at the marital status among second-generation European immigrants. In the US, as in the original countries, the fraction of married young people declined substantially only among Southern European second-generation immigrants (Table 5). The fraction of never-married young adults (belonging to the age group of 18-33 years old) is substantially higher for the Mediterranean group (58% for Italy, 71% and 73% for Greece and Portugal, and 80% for Spain) compared to the Northern European group, the US and the UK (56%, 49% and 53% respectively.) These results are confirmed when I run the regression of young adults never married. In Table 6, I regress a dummy variable for “never married” young adults on ethnicities dummies and the usual controls. The results in this regression confirm what is evident from Table 5: the fraction of “never married” young people among Mediterranean European immigrants is much lower than the natives and the other immigrant groups (the probability of being never married is significantly higher for Southern European countries).

Living arrangements, fertility and marriage behavior by country of origin mimic the European pattern. This surprising duplication is inconsistent with the explanations given so far in the literature and relying only on economic interpretations such as high housing costs and labor market conditions. In contrast, the alternative hypothesis proposed in the paper is consistent with all these stylized facts.

4. Conclusions

The family is one of the most important socio economic institutions in our society, but family structures vary dramatically across nationalities. In Southern Europe, where family ties are strong, youth tend to stay at home for a very long period of their life,

postponing all the stages of adult life, such as getting married and having children. It is important to understand the nature of this peculiar path. Several stylized facts suggest that the economic explanations given so far are not sufficient to interpret the phenomenon. There is, in consequence, need for another hypothesis. That other hypothesis, which has also been partially suggested by sociologist, centers on the notion that youth are living with their parents because of differences in cultural norms across countries. The US living arrangements of second-generation immigrants mimic those in Europe across countries. For Mediterranean youth, for whom the social norm is to live with their parents before marriage, we also observe a higher fraction of never married people and a lower level of fertility.

As a final remark, the goal of this paper is not to prove that cultural origin is the only determinant of living arrangements in Western Europe. Economic and cultural interpretations are so clearly interrelated that it is often not possible to identify their effects and no single approach is in principle satisfactory. The lack of social policies and the weakness of family policies constitute important elements together with rising uncertainty in a very difficult labor market. This paper should be read as a way of isolating the importance of culture in the determination of this peculiar pattern: its only goal is trying to prove that there are some commonly held attitudes in the Mediterranean culture which are different from those in other European countries and which must be taken into consideration if we want to study in more depth the peculiar demographic behavior in an European context. My interpretation should then be seen as complementary and not substitute compared to the others given in the literature.

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TABLE 1
 YOUNG ADULTS LIVING WITH THEIR PARENTS
 18- TO 33-YEAR-OLDS (MEANS)
 SECOND-GENERATION IMMIGRANTS
 CURRENT POPULATION SURVEY 1994-2000

Sample	Living at home
Portugal	. 6099
Greece	. 4901
Italy	. 4413
Spain	. 3410
Ireland	. 3383
Poland	. 3231
France	. 3267
Germany	. 2864
Netherlands	. 3095
Scandinavian Europe*	. 1857
UK	. 2267
USA	. 2753
Sample size	163,076

*Scandinavian Europe includes Denmark, Finland, Norway and Sweden

TABLE 2
 YOUNG ADULTS (18- TO 33-YEAR-OLDS) LIVING WITH THEIR PARENTS
 SECOND-GENERATION IMMIGRANTS, CPS 1994-2000

	Living at home
Portugal	. 1390*** (. 0319)
Italy	. 1219*** (. 0184)
Greece	. 0825** (. 0290)
Spain	. 0470 (. 0613)
Ireland	. 0445 (. 0296)
Poland	. 0217 (. 0316)
France	. 0063 (. 0411)
Germany	-. 0180 (. 0207)
Netherlands	. 0122 (. 0494)
Scandinavian Europe	-0. 281 (. 0381)
UK	-. 0408* (. 0244)
Male	. 1221*** (. 0022)
Less than B.A.	.0472*** (.0057)
B.A.	.0541*** (.0047)
Unemployed	.0717*** (.0055)
Out of labor force	.0788*** (.0029)
Per-capita family income	.0000*** (.0000)

a. Scandinavian Europe includes Denmark, Finland, Norway and Sweden.

b. Robust standard errors in parentheses.

c. Sample size is 163076.

d. Other covariates included in the regressions are 50 state indicators, 3 metro indicators (urban, rural and metro), and a quadratic term for age.

e. Per-capita income is defined as the total family income divided by the number of family members. I convert the reported family income data from the seven CPS samples from current dollars into constant-1995 dollars prior to pooling across years.

TABLE 3
BIRTHS OUT OF WEDLOCK (AS A % OF ALL BIRTHS)

Country	Births out of wedlock
Iceland	65
Sweden	54
Norway	49
Denmark	46
France	39
Britain	37
Finland	37
US	32
Austria	29
Ireland	27
Portugal	20
Netherlands	19
Germany	18
Belgium	15
Spain	11
Italy	8
Greece	3

Source: Eurostat Yearbook, 1999.

TABLE 4
NUMBER OF CHILDREN EVER BORN TO A WOMAN
SECOND-GENERATION IMMIGRANTS
CPS FERTILITY SUPPLEMENT (1995, 1998, 2000)

	Fertility
Southern Europe, Ireland and Poland	-.112** (.0514)
Western Europe	-0.093 (.0864)
Scandinavian Europe and the UK	.1813 (.1275)
Age	.2717*** (.0133)
Age squared	-.0031*** (.0002)
Less than diploma	.9165*** (.0176)
Diploma	.5333*** (.0114)

- a. Scandinavian Europe includes Denmark, Finland, Norway and Sweden. Southern Europe include Greece, Italy, Portugal and Spain.
b. Robust standard errors in parentheses.
c. Sample size is 41931.
d. Other covariates included in the regressions are 50 state indicators, 3 metro indicators (urban, rural and metro), and a quadratic term for age.

TABLE 5
 PERCENTAGE OF NEVER-MARRIED YOUNG ADULTS, 18- TO 33-YEAR-OLDS,
 SECOND-GENERATION IMMIGRANTS

CPS 1994-2000	
US	52. 85
Portugal	72. 68
Greece	70. 83
Italy	58. 95
Spain	79. 63
Ireland	56. 19
Poland	64. 83
France	60. 27
Germany	55. 68
Netherlands	38. 46
Scandinavian Europe *	55. 88
UK	48. 90
<u>Sample size</u>	<u>163076</u>

*Scandinavian Europe includes Denmark, Finland, Norway and Sweden.

TABLE 6
 NEVER-MARRIED YOUNG ADULTS (18- TO 33-YEAR-OLDS),
 SECOND-GENERATION IMMIGRANTS, CPS 1994-2000 AND CENSUS 1970
 DEPENDENT VARIABLE: DUMMY VARIABLE FOR A NEVER-MARRIED YOUNG ADULT

CPS 1994-2000	
Portugal	.1038*** (.0349)
Italy	.0098 (.01949)
Greece	.1148*** (.0312)
Spain	.1224** (.0629)
Ireland	-.0045 (.0380)
Poland	.0668* (.039)
France	.0088 (.0663)
Germany	.0157 (.0252)
Netherlands	-.1513** (.0698)
Scandinavian Europe	.0628 (.0637)
UK	-.0697** (.0329)
Male	.1096*** (.0027)
<i>Education</i>	
Less than B.A. (up to 12 th grade in the Census data)	.315*** (.0084)
B.A. (some college in the Census data)	.1604*** (.0079)
<i>Labor-market status</i>	
Unemployed	.1570*** (.0056)
Out of Labor Force	.1182*** (.0033)
Per-capita family income	0.00*** (.000)

- a. Scandinavian Europe includes Denmark, Finland, Norway and Sweden.
 b. Robust standard errors in parentheses.
 c. Sample size is 163,076 for CPS 1994-2000 and 393,141 for Census
 d. Other covariates included in the regressions are 50 state indicators, 3 metro indicators (urban, rural and metro), and a quadratic term for age.
 e. Per-capita income is defined as the total family income divided by the number of family members. I convert the reported family income data from the seven CPS samples from current dollars into constant-1995 dollars prior to pooling across years.

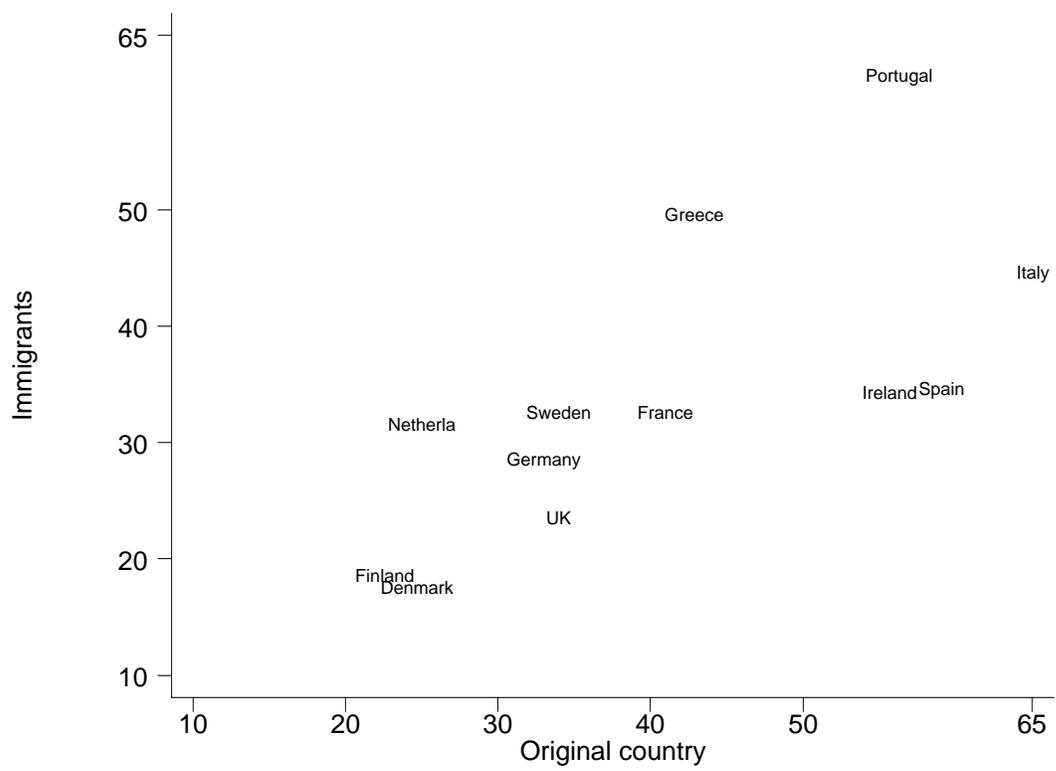


FIGURE 1
 The Share of People Living at Home among 18- to 33-Year-Olds (1997)
 The Correlation between Immigrants and their European Counterparts

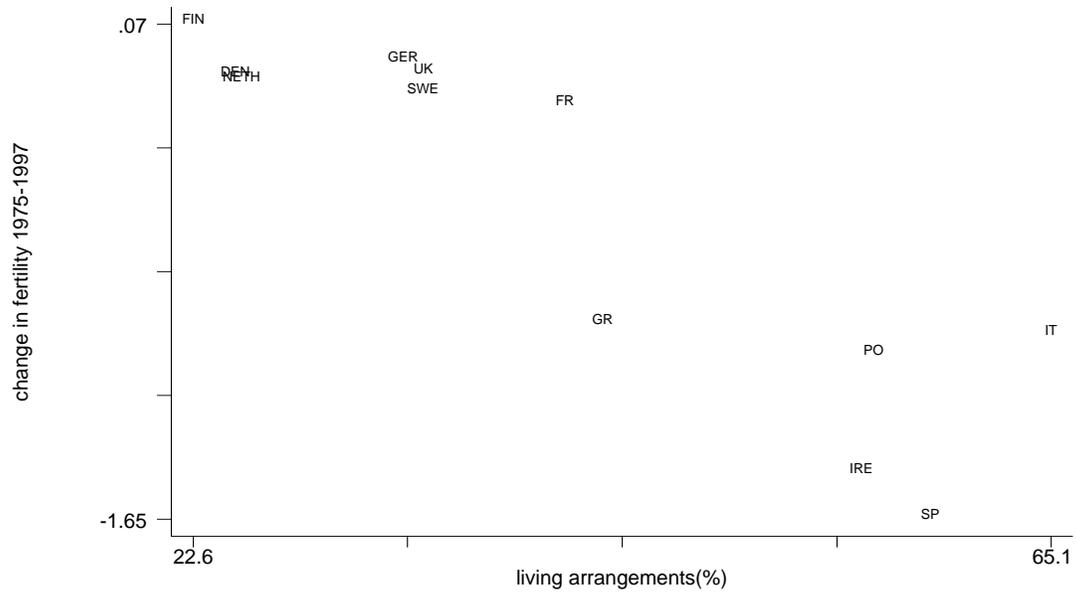


FIGURE 2
The Correlation between Changes in Fertility and in Living Arrangements for Selected European Countries

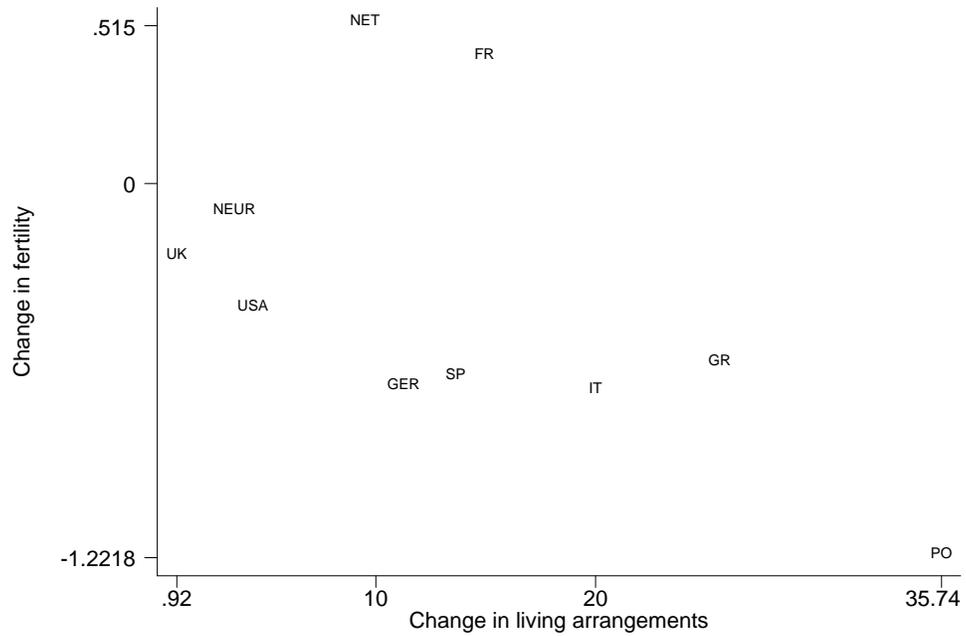


FIGURE 3
The Correlation between Changes in Fertility and in Living Arrangements for Second-Generation Immigrants