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# ECONOMIC DIFFICULTIES DURING THE TRANSITION INTO ADULTHOOD IN FINLAND: A REGISTER-BASED STUDY

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# ABSTRACT

This dissertation provides an analysis of economic difficulties during the transition into adulthood in Finland by means of four peer-reviewed research articles. More specifically, it identifies and examines prevalence and patterns of economic difficulties among young adults. It also studies how different family and individual factors are associated with the trajectories and transitions related to economic difficulties.

The transition into adulthood is an important and interesting phase of life for many reasons. Young adulthood is a demographically dense period in which several life-course events are experienced, such as school-to-work transition, parenthood, partnership formation, and the leaving of the parental home. In addition to high rates of income poverty and unemployment among young adults, the disadvantages faced during young adulthood may lead to long-term marginalization or social exclusion. Despite the importance of this phase of life is recognised more often than before, research on economic difficulties among young adults remains scarce.

Part of the literature review of this dissertation is devoted to life course research, as well as that on the dynamics of poverty and economic disadvantage. As such, this study is in line with recent arguments advancing that young adults should be studied using a combination of the life-course perspective and longitudinal analysis. The life course perspective provides tools to analyse the lives of individuals by acknowledging that they are affected various factors, including the individual's earlier experiences, agency, other significant individuals (such as parents or friends), as well as historical time and place. A longitudinal perspective helps illustrate which kinds of factors lead into or out of economic difficulties and how long economic difficulties are experienced.

This research is based on Finnish register data. Data from different population register data sources were combined by Statistics Finland. The data is based on a sample of individuals. The cohorts and length of follow-up vary between the articles. Economic difficulties are studied using different kinds of measures related to poverty and economic disadvantage: namely, income poverty, social assistance receipt, and the income-based measure for labour market attachment. Thus, this study has a multidimensional approach to studying economic difficulties among young adults. To analyse economic difficulties during the transition into adulthood, this dissertation employs a versatile set of statistical methods that are typical in life course research—including event-history models, panel regression models, latent class growth analysis, and sequence analysis.

As noted, this dissertation is comprised of four research articles. The first article examines how demographic and employment events are associated with income poverty entries and exits after individuals have left the parental home. A special attention is given to demographic events, i.e. someone leaving or entering the

household. Living in a single-adult household and having one's own children increases the likelihood of experiencing poverty, especially among women. This article also illustrates the factors associated with returning to the parental home. The second article explores how social background and critical life-course factors are associated with the number of months of social assistance per year. Both social background (parental social assistance receipt, parental unemployment, and low parental education) and critical life-course factors (unemployment, living in a single-adult household, the birth of the first child, and having a low education) are important predictors for the annual number of social assistance months. The article also elaborates on the interplay between these factors. The third article analyses social assistance trajectories and their precursors. This article identifies six trajectories based on the annual number of social assistance months: 1) no receipt, 2) transitory, 3) slow exit, 4) occasional, 5) increase, and 6) dependency. Having a low education, parental social assistance receipt, and leaving the parental home at a young age were found to be especially important predictors of membership in trajectories characterised by social assistance receipt. The fourth article focusses on sequences in the school-to-work transition in Finland, Norway, and Sweden. According to the results, these three countries share the same general types of school-to-work trajectories. Five trajectories of school-to-work transition are identified: 1) medium education into work, 2) short education into work, 3) de-standardised and turbulent trajectory, 4) long period of education into work, and 5) the exclusion trajectory. In comparison to the other two countries, a very strong link was found between early parenthood among Finnish women and trajectories leading to labour market exclusion.

Based on the findings of these articles, this dissertation illustrates that young adults in Finland often experience economic difficulties. However, these results also demonstrate that economic difficulties are often transitory. On the other hand, this dissertation also shows that signs of long-term disadvantage or exclusion are already present during young adulthood. This is particularly worrying, since disadvantage during the transition into adulthood can have far-reaching effects.

This study also shows that both the characteristics that do not vary during the transition into adulthood (e.g. social background, gender, and country of birth) and those that can vary (e.g. so-called life-course events) are important in explaining the incidence of economic difficulties. Indeed, having a disadvantaged social background and a low education are particularly strong risk factors among young adults. This study further demonstrates that the consequences and incidence of different life-course events can be influenced by social background, gender, and institutional factors.

As such, this dissertation shows how complex life-course processes are related to the risk of experiencing economic difficulties during the transition into adulthood in Finland. Register data have enabled the analysis of individual life courses by using long follow-up periods and taking social background into account. Thus, this study illustrates the possibilities of employing register data for analysing

poverty and economic disadvantage through both the life-course and the longitudinal perspectives.

# TIIVISTELMÄ

Tässä väitöskirjassa tutkitaan taloudellisia vaikeuksia siirtymän nuoruudesta aikuisuuteen aikana Suomessa. Tutkimuksessa tarkastellaan taloudellisten vaikeuksien esiintymistä ja muodostumista nuorilla aikuisilla. Tutkimuskohteena ovat myös taloudellisiin vaikeuksiin liittyviin siirtymiin ja polkuihin yhteydessä olevat tekijät. Nämä tekijät viittaavat erityisesti perhetaustaan ja yksilön elämänkulun aikana kokemiin tapahtumiin. Tutkimus koostuu neljästä vertaisarvioidusta kansainvälisessä tieteellisessä aikakauslehdessä ilmestyneestä artikkelista.

Siirtymä nuoruudesta aikuisuuteen on monella tapaa merkittävä ja kiinnostava elämänvaihe. Nuorelle aikuisuudelle on leimallista, että sen aikana koetaan useita erilaisia elämänkulkutapahtumia. Tällaisia tapahtumia ovat esimerkiksi vanhempien luota pois muutto, opiskelun aloittaminen ja koulutuksesta valmistuminen, työelämään siirtyminen ja parisuhteen muodostaminen. Lisäksi nuorten aikuisten sekä työttömyys että tuloköyhyys ovat korkealla tasolla. Tutkimukset ovat osoittaneet, että huono-osaisuuden kokeminen nuoressa aikuisuudessa on yhteydessä pitkäkestoiseen huono-osaisuus- tai syrjäytymisriskiin. Vaikka tämän elämänvaiheen merkitystä korostetaan yhä useammin, tutkimukset taloudellisista vaikeuksista ovat olleet melko harvinaisia.

Väitöskirjan johdantoluvussa tutkimusta taustoitetaan aikaisemmalla kirjallisuudella koskien muun muassa elämänkulkututkimusta sekä köyhyyden ja huono-osaisuuden dynamiikan tutkimusta. Tämä tutkimus onkin yhteensopiva viimeaikaisten argumenttien kanssa, joiden perusteella nuoria aikuisia koskevissa tutkimuksissa tulisi hyödyntää sekä elämänkulkunäkökulmaa että pitkittäisasetelmaa. Elämänkulkunäkökulma antaa työkaluja yksilöiden hyvinvoinnin tai huono-osaisuuden tutkimisille siten, että lähtökohtana on, että yksilön elämänkulkuun vaikuttavat monet tekijät: esimerkiksi aikaisemmat kokemukset, oma toimijuus, perheenjäsenet ja muut ihmiset sekä historiallinen aika ja paikka. Pitkittäisnäkökulman avulla voidaan tutkia muun muassa sitä, mitkä tekijät johtavat taloudellisiin vaikeuksiin tai niistä pois, tai kuinka kauan taloudellisia vaikeuksia koetaan.

Tämä tutkimus hyödyntää suomalaista rekisteriaineistoa. Aineisto on yksilötason otosaineisto. Tiedot eri hallinnollisista rekistereistä on yhdistetty Tilastokeskuksessa. Kohortit ja yksilöiden seuranta-ajan pituus vaihtelevat tutkimusartikkeleiden välillä. Taloudellisia vaikeuksia tutkitaan väitöskirjassa kolmen eri mittarin avulla: tuloköyhyys, toimeentulotukiasiakkuus ja tuloihin pohjautuva indikaattori työmarkkinakiinnittyneisyydestä. Täten tämä tutkimus tarkastelee nuorten aikuisten taloudellisia vaikeuksia moniulotteisesti. Lisäksi tutkimuksessa hyödynnetään erilaisia tilastollisia menetelmiä, jotka ovat tyypillisiä elämänkulkututkimuksessa. Käytetyt menetelmät sisältävät muun muassa

tapahtumahistoria-analyysin, paneeliregressiomalleja, latenttien luokkien kasvumallin sekä sekvenssianalyysin.

Ensimmäisessä artikkelissa tarkastellaan, kuinka kotitalouden rakenteeseen ja työskentelyyn liittyvät tapahtumat ovat yhteydessä tuloköyhyyteen päätymiseen ja tuloköyhyydestä poistumiseen nuorilla aikuisilla heidän muutettua pois vanhempiensa luota. Tässä artikkelissa tutkitaan erityisesti sitä, miten muutokset kotitalouden rakenteessa ovat yhteydessä köyhyysriskiin. Asuminen yhden aikuisen kotitaloudessa sekä oman lapsen syntymä kasvattavat riskiä köyhyyden kokemiselle nuorilla aikuisilla. Erityisesti tämä korostuu naisilla. Artikkelissa myös tutkitaan takaisin vanhempien luokse muuttamiseen yhteydessä olevia tekijöitä. Toisessa artikkelissa tutkitaan, kuinka perhetausta ja kriittiset elämänkulkutekijät ovat yhteydessä vuosittaisten toimeentulotukikuukausien määrään nuorilla aikuisilla. Sekä perhetausta (vanhempien toimeentulotukiasiakkuus, työttömyys ja matala koulutus) että kriittiset elämänkulkutekijät (työttömyys, yhden aikuisen kotitaloudessa asuminen, ensimmäisen lapsen syntymä ja matala koulutus) ovat yhteydessä korkeampaan toimeentulotukikuukausien määrään. Artikkelissa tarkastellaan myös perhetaustan ja kriittisten elämänkulkutekijöiden välisiä yhdysvaikutuksia. Kolmannessa artikkelissa tarkastellaan toimeentulotukipolkuja ja eri poluille päätymiseen yhteydessä olevia tekijöitä. Artikkelissa nuorille aikuisille identifioidaan kuusi toimeentulotukipolkua vuosittaisten toimeentulotukikuukausien perusteella. Polut ovat 1) ei toimeentulotukiasiakkuutta, 2) ohimenevä toimeentulotukiasiakkuus, 3) hidas poistuminen, 4) ajoittainen toimeentulotukiasiakkuus, 5) toimeentulotukikuukausien määrän kasvu ja 6) toimeentulotukiriippuvuus. Erityisesti matala koulutus, vanhempien toimeentulotukiasiakkuus ja vanhempien luota pois muutto nuorella iällä ennustivat nuorten aikuisten sijoittumista poluille, joihin toimeentulotukiasiakkuus liittyi voimakkaasti. Neljäs artikkeli keskittyy koulutuksesta työelämään siirtymiseen Suomessa, Norjassa ja Ruotsissa. Tämä vertaileva artikkeli havainnollistaa, että näissä maissa on yleisesti ottaen samankaltaiset koulutuksesta työelämään siirtymistä kuvaavat polut. Tutkimuksessa luokitellaan seuraavat polut: 1) keskipitkä koulutus ennen työskentelemistä, 2) lyhyt koulutus ennen työskentelemistä, 3) epäsäännöllinen, 4) pitkä koulutus ennen työskentelemistä ja 5) syrjäytymispolku. Tulosten perusteella Suomi erottuu Norjaan ja Ruotsiin verrattuna etenkin siten, että Suomessa lapsen saaminen nuorella iällä on naisilla voimakkaasti yhteydessä polkuihin, joissa kiinnittyneisyys työmarkkinoihin on heikko.

Väitöskirjan artikkelit osoittavat, että taloudellisten vaikeuksien kokeminen on tyypillistä nuorilla aikuisilla Suomessa. Kuitenkin artikkelit myös havainnollistavat, että nämä vaikeudet ovat usein lyhytaikaisia. Tästä huolimatta tulokset osoittavat, että pitkäkestoista huono-osaisuutta löytyy jo nuorten aikuisten keskuudessa. Tämä on huolestuttavaa, sillä siirtymän nuoruudesta aikuisuuteen aikana koetulla huono-osaisuudella voi olla kauaskantoisia vaikutuksia.

Tutkimus näyttää, että sekä tekijät, jotka eivät vaihtele (kuten perhetausta, sukupuoli ja syntymävaltio) että tekijät, jotka voivat vaihdella (kuten

elämänkulkutapahtumat) nuoren aikuisuuden aikana, ovat tärkeitä taloudellisten vaikeuksien kokemiseen yhteydessä olevia tekijöitä. Erityisesti huono-osainen perhetausta ja matala koulutus ovat voimakkaita riskitekijöitä. Tämä tutkimus myös havainnollistaa, kuinka elämänkulkutapahtumien esiintyvyyteen ja seurauksiin ovat yhteydessä niin perhetausta, sukupuoli kuin institutionaaliset tekijät.

Kaiken kaikkiaan tämä väitöskirja osoittaa, kuinka monimutkaiset elämänkulkuprosessit ovat yhteydessä taloudellisten vaikeuksien kokemisen riskiin nuoruudesta aikuisuuteen siirtymisen aikana Suomessa. Rekisteriaineisto mahdollisti yksilöiden elämänkulun tarkastelemisen pitkiä seurantajaksoja hyödyntäen. Myös perhetaustan yhteys yksilön elämänkulkuun oli mahdollista huomioida. Täten tämä tutkimus havainnollistaa mahdollisuuksia, kuinka rekisteriaineistoja voidaan hyödyntää tutkimuksissa, joissa köyhyyttä ja taloudellista huono-osaisuutta tarkastellaan elämänkulunäkökulman ja pitkittäisasetelmien avulla.

Asiasanat: Taloudelliset vaikeudet, köyhyys, nuori aikuisuus, elämänkulku, rekisteritutkimus, Suomi

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Vantaa, Finland, March 2019
*Ilari Ilmakunnas*

# Table of Contents

# List of original publications

**I**     **Trigger events and poverty transitions among young adults in Finland after leaving the parental home**
Ilari Ilmakunnas
*Social Science Research* 70, 2018, 41–54

**II**     **Risk and vulnerability in social assistance receipt of young adults in Finland**
Ilari Ilmakunnas
*International Journal of Social Welfare* 27(1), 2018, 5–16

**III**     **Social assistance trajectories among young adults in Finland: What are the determinants of welfare dependency?**
Ilari Ilmakunnas & Pasi Moisio
*Social Policy & Administration*, 2018, Early View

**IV**     **Pathways to Adulthood: Sequences in the School-to-Work Transition in Finland, Norway and Sweden**
Thomas Lorentzen, Olof Bäckman, Ilari Ilmakunnas & Timo Kauppinen
*Social Indicators Research* 141(3), 2019, 1285–1305

# 1 Introduction

The youth population and young adults are very vulnerable to economic difficulties. Indeed, there has long been a trend in which young adults move from being an age group characterised by low poverty rates to that with the highest poverty rates (Kangas and Palme 2000). In addition to unemployment being common among young adults (Eurofound 2014), poverty and unemployment rates in this subgroup have been rising in recent years (Aassve et al. 2013; Chung et al. 2012; OECD 2014). As such, young adulthood is receiving increasing attention as a special phase of life—including that on social exclusion among young adults in Finland (e.g. Aaltonen et al. 2015; Myrskylä 2012; Notkola et al. 2013). Based on a longer tradition of studying child poverty (Iacovou 2009), some have convincingly argued that there is no logic to the belief that the young require lower incomes than other adults in society (Fahmy 2006). Nonetheless, poverty among the youth population and young adults remains an under-researched social problem (Iacovou 2009). Addressing this gap, this study contributes to the literature on economic difficulties among young adults by analysing poverty and economic disadvantage among young adults in Finland.

What makes young adulthood such an interesting and important phase of life? Firstly, young adulthood is a demographically dense period in which several life-course events are experienced (Rindfuss 1991; Shanahan 2000; also see chapter 2.4 of this thesis regarding the characteristics of the transition into adulthood). Typical life-course events of young adulthood include school-to-work transitions, parenthood, the formation of partnerships, and leaving the parental home. Secondly, failures and setbacks during this period may lead to long-term marginalization (Bäckman and Nilsson 2016; Bell and Blanchflower 2011; Kieselbach 2004). This process is related to so-called 'scarring effects', in which experiences of disadvantage increase the risk of future disadvantage (Bäckman and Nilsson 2016; Bell and Blanchflower 2011; Scarpetta et al. 2010). Additionally, changes to an individual's class position are relatively rare after the age of 35 (Erikson and Goldthorpe 1992), emphasizing the significance of young adulthood.[1]

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[1] The characteristics of socioeconomic attainment tend to stabilise after the age of 30 (Gregg et al. 2013).

Since young adults potentially have a long work career ahead of them, the impact of marginalization can last for decades. Consequently, social exclusion among young adults is also an important question from the perspective of finance of the welfare states. Thirdly, young people are very sensitive to the effects of economic recession (Eurofound 2014), a fact that has received growing attention since the recent economic downturn. Moreover, increases in workforce flexibility have also been found to have a particularly strong impact on young people (Standing 2011).

This thesis uses a framework of the life course perspective and literature on poverty dynamics to analyse young adult disadvantage. As the life course perspective suggests (see chapter 2 of this thesis), individuals do not experience their lives as a disconnected set of years, but as a continuous lifetime of experiences (Hirschl and Rank 2015). This advances the need for a longitudinal perspective in which individuals are analysed and followed over time. Recent arguments have suggested that a combination of the life course perspective and longitudinal data is needed for developing policy proposals regarding young adults (Berrington et al. 2017). A longitudinal perspective is important for a variety of reasons. First, it is easy to argue that it is more harmful for an individual to be poor (or otherwise disadvantaged) for several years than it is to be poor for only a year. Indeed, being poor for several years may trigger further social problems (e.g. Whelan et al. 2003). Thus, while cross-sectional information is useful in revealing which population subgroups are the most vulnerable or how common a specific social problem is, a longitudinal perspective helps to illustrate which kinds of factors lead into or out of a social problem—such as poverty, for example—and how long economic difficulties are experienced.

Following individuals over time opens up new research questions. Numerous scholars have emphasised that studying the dynamics of poverty should have a more prominent role. Bane and Ellwood (1986) argued that in order to understand poverty, it is important to know what kinds of events lead to poverty. Moreover, studying poverty dynamics is about complementing the question of 'How many?' with questions like 'How severe is the poverty?', 'How long poverty lasts?', 'Which kinds of events are associated with poverty exits and entries?', and 'Does poverty reoccur?' (Cellini et al. 2008; Walker 1998). David Ellwood (1998) goes even further, arguing that the static analysis of poverty results in our merely treating the symptoms of poverty, whereas dynamic analysis leads us to its causes and consequences. By acknowledging that poverty has a dynamic character, poverty can be understood as occurring in spells, which usually have a beginning and an end. Such a perspective is thus significant in shaping how we regard and form policies intended to alleviate poverty (Walker 1998).

The life course perspective provides the ability to adapt new approaches to analysing economic difficulties. The life course perspective enables the analysis of

how social relations, networks, experiences, agency, and social context affect the trajectories and transitions that individuals experience. Individuals experience development in different life domains (e.g. education, family formation) simultaneously, which is also important in regard to the incidence of economic difficulties. This allows for analysis, such as how the changes in family formation patterns are associated with an individual's risk of poverty. By considering individual life courses as a whole unit, the possibilities of longitudinal data can be utilised in a comprehensive way.

Despite the recent growth of interest in young adulthood as a special phase of life, the well-being of young adults, and longitudinal research, there is still a lack of research combining these viewpoints. While it is well established that the prevalence of economic difficulties is relatively high during young adulthood, less is known about the longitudinal patters of economic difficulties among young adults and how family background and different life-course factors are associated with economic difficulties among young adults. For instance, some have argued that there has been a lack of empirical analyses focussing on the events that lead to poverty among young adults (Aassve et al. 2006). Meanwhile, much more is known about trajectories related to family formation, for instance, than about trajectories related to individuals' experience of economic difficulties. Furthermore, less is known about the interplay between social background and other structural factors and critical life-course factors than about the independent role of these factors.

The primary aim of this dissertation is to analyse what kinds of patterns of economic difficulties can be found during the transition into adulthood in Finland. This thesis uses Finnish register data to analyse how different family and individual factors are associated with the trajectories and transitions related to economic difficulties among young adults. A multidimensional approach is employed to analyse economic difficulties since different measures related to poverty and economic disadvantage are used: namely, income poverty, social assistance receipt, and an income-based measure for labour market attachment. As such, the four research articles comprising this dissertation can be seen as being complementary. In order to analyse economic difficulties during the transition into adulthood, this thesis employs a versatile set of statistical methods that are typical in life course research, including event-history models, panel regression models, latent class growth analysis, and sequence analysis. In general, the empirical approaches can be seen as exploratory or descriptive. This dissertation's literature review is particularly interested in life course research and the dynamics of poverty and economic disadvantage. These two themes suit each other well, particularly insofar as the life-course perspective provides the tools necessary to analyse transitions

and trajectories—i.e. dynamics—while taking various explanatory factors into account.

This dissertation provides an analysis of economic difficulties during the transition into adulthood in Finland by means of four peer-reviewed research articles. The order of these articles is influenced by the life-course approach, the literature on which has discussed how the transitions and life events constitute the building blocks of trajectories (see Elder and Shanahan 2006). The first two articles are more closely linked to the transitions and short-term changes involved in the risk of experiencing economic difficulties. The final two articles focus on trajectories by analysing the long-term patterns of economic difficulty during young adulthood. The first article examines how demographic and employment events are associated with income poverty entries and exits. The second article studies how social background and critical life-course factors predict the number of annual months of social assistance. The third article studies social assistance trajectories and their precursors. The fourth article focusses on sequences in school-to-work transition in Finland, Norway, and Sweden.

# 2 Analysing the transition into adulthood using the life course perspective

Life course research refers to a research perspective which takes into account that individual development, as well as individual experiences and well-being are affected by their earlier experiences, other significant individuals (such as parents or friends), historical time and place, and expectations for the future (Elder et al. 2003; Elder and Shanahan 2006). It can be regarded as a theoretical orientation for studying individual lives, human development, and aging (Elder and Shanahan 2006). Although human agency is also regarded as an important aspect of human development (e.g. Elder and Shanahan 2006; Elder et al. 2003), the life course perspective considers how social relations, networks, experiences, and social context affect the trajectories and transitions that an individual experiences. Life course literature pays special attention to earlier life stages because earlier events and experiences play an important role in the occurrence of various life-course events, as well as the ability to control the effects of these events (Elder et al. 2003). The concept of life course contingency (Diewald and Mayer 2009, 7) holds that future states and events are always a result of prior life history (e.g. experiences, resource allocation, choices, and turning points). In defining the life course perspective, Kuh et al. (2003: 778) note that '*its purpose is to study the contribution of early life factors jointly with these later life factors to identify risk and protective processes across the life course*'. There has been a strong view, especially among epidemiologists, that the life course perspective specifically refers to how early life factors affect later life outcomes (e.g. adult disease) (e.g. Kuh and Ben-Shlomo 2004; Kuh et al. 2003).

Regardless of the various common elements in the life course literature, the life course perspective should not be understood as a theory but as a perspective or paradigm for analysing human development (Alwin 2012; Elder and Shanahan 2006; Mayer 2009). This perspective gained ground during the 1960s, when it emerged as an answer to major social changes and challenges, the aging population, and the rapid growth of longitudinal datasets (Elder et al. 2003; Elder and Shanahan 2006). While the life course research has become increasingly

popular over recent decades (Mayer 2009), there have been several differences between North American and European scholars in utilising it (Marshall and Mueller 2003). North American writers have been productive in describing and introducing the main principles of the life course perspective, as well as in bringing aging and later life into life course research. Meanwhile, European scholars have emphasised the role of social and environmental (especially state) factors in shaping individual life courses (Marshall and Mueller 2003).

There has been a great interest in pathways of social risks, accumulation of risks, and the role of sensitive periods (such as foetal development or childhood) in epidemiology and the sociology of health (Ilmakunnas et al. 2017; Kuh et al. 2003; Kuh and Ben-Shlomo 2004). The life course perspective is well-suited to analysing these kinds of questions. In fact, health researchers have been among the most active users of the life course perspective (Mayer 2009). However, there is a wide range of research showing how childhood living conditions also are associated with other forms of well-being in young adulthood (for examples from the Nordic countries, see: Bäckman and Nilsson 2011; Hyggen 2006; Ringbäck Weitoft et al. 2008; Ristikari et al. 2018; Wiborg and Møberg 2010). The life course perspective is particularly useful for longitudinal analyses. Indeed, it developed simultaneously with the evolution of longitudinal datasets (Marshall and Mueller 2003). The life course perspective is often used in the analysis of different kinds of life-course events or processes that accumulate over time. It also provides tools to explain and analyse individual change over time and the mechanisms that affect the well-being of individuals. Observing an individual's position or well-being at a single point of time results in the neglect of previous positions, transitions, and changes in various life domains. The life course perspective enables the analysis of events and social roles while taking into account that they are embedded in the social structure and historical change (Elder and Shanahan 2006).

Since the core of the life course perspective is analysing individual lives within their local and broader context, there has been an emphasis on complexity rather than simplicity (Billari 2005). This is especially true during young adulthood, when several life course events are experienced and diversity between individual lives is clearly visible. Indeed, the life course perspective has been fruitful and widely used, particularly in empirical analyses of the transition into adulthood (Billari 2005). Moreover, instead of being viewed as a discrete set of experiences, the transition into adulthood is increasingly regarded as an integral part of a biography, reflecting early experiences and shaping later life experiences (Shanahan 2000). Young adulthood is an interesting and important life stage to be studied using the life course perspective since it can be regarded as critical for understanding the accumulation of advantage and disadvantage over the entire course of life (Settersten 2007).

## 2.1 The concept of life course

Various definitions of the concept of life course have been suggested in the extant literature (see Alwin 2012). The concept of 'life course' refers to the '*age-graded sequence of roles, opportunities, constraints, and events that shape the biography from birth to death*' (Shanahan and Macmillan 2008: 40). In social research, life course is understood as the '*embedding of individual lives into social structures and social institutions primarily in the form of their partaking in social positions and roles at the levels of social interaction, organizations, and subsystems of the society*' (Diewald and Mayer 2009: 6). Some definitions emphasise the role of transitions and trajectories, holding that transitions and trajectories are interlocked within and across life stages (e.g. Elder 1985).

These definitions share several common features, emphasizing the dynamic perspective for analysing individual lives. According to these definitions, individual life courses are developed over time and should thus be analysed accordingly. The life course perspective views lives as age-graded sequences of various social roles. Ultimately, the definitions of life course perspective advance that the transition into adulthood be studied longitudinally.

However, it must be noted that 'life course' is not a synonym for 'life cycle' (Alwin 2012; Elder and Shanahan 2006). According to Duane Alwin (2012), life cycle refers to age-related stages through which individuals pass, as well as the stages of sexual reproduction. Individual are born, mature, and eventually die. Meanwhile, sexual reproduction refers to the cycle in which an individual is expected to leave the parental home, find a partner, and have children. These children then leave the parental home and the cycle continues, with each generation expected to reproduce and continue it (Elder and Shanahan 2006). The concept of the life cycle is also insensitive to the temporal location of events and matters of timing (Elder and Shanahan 2006). As such, although these concepts are sometimes used interchangeably, these concepts have distinguishable conceptual differences.

There are also important concepts within the life course perspective, the most significant of which are the concepts of transition and trajectory. Trajectory links states across successive years (Elder and Shanahan 2006). Each trajectory is marked by sequences of life events and transitions, providing a dynamic view of individual achievements and behaviour (ibid.). Trajectories highlight long-term patterns of stability and change (George 1993). An individual has a specific trajectory (e.g. labour market trajectory, family trajectory etc.) in various life domains. However, the term 'trajectory' is used for comparing both inter-individual processes (trajectory being an aggregation of individual processes) and intra-individual processes (trajectory as a part within the life course) (George 2009). Life course research often focusses on processes that develop over time. The

accumulation of (dis)advantage has gained particular attention (Bask and Bask 2015; Dannefer 2003; DiPrete and Eirich 2006). These processes can be seen as a systematic tendency for inter-individual divergence in given characteristics with the passage of time (Dannefer 2003). Although cumulative processes have patterns of path-dependence, the course of accumulation can change due to events, crucial institutions, and changing life conditions (O'Rand 2009). While the term 'pathway' is often used as an equivalent for the term 'trajectory', their definitions differ. Indeed, 'pathway' refers to the sequences of social positions between institutions and organizations (Elder and Shanahan 2006). Thus, the term 'education pathway' refers to typical ways of proceeding through the education system. While some pathways are related to chances for upward mobility, others block promising routes irrespective of one's efforts (Elder and Shanahan 2006).

Transitions are closely related to trajectories since each transition is embedded in a trajectory (Elder et al. 2003; Kuh et al. 2003). A transition can be defined as movement between discretely defined statuses or social roles (Kuh et al. 2003) or as a change between an initial and destination status (Brzinsky-Fay 2014). Examples of typical transitions analysed in life course research include the birth of the first child, graduation, entering education or the labour market, and partnership dissolution. These transitions are often referred to as life course events. A significant event resulting in a change in the direction of a trajectory can be regarded as a turning point (Kuh et al. 2003). The consequences of a life course transition or event depends on their timing in an individual's life. Indeed, the same event can have different effects on two individuals depending on when they experience the events. Whether an event is experienced early or late is determined by when other individuals experience the same event, as well as by normative expectations. Furthermore, the age at when an event is experienced can be important. Other temporal concepts in life course research include timing, sequencing, duration, and spacing (Settersten and Mayer 1997). Timing refers to the age when a specific transition is experienced. Sequencing refers to the order in which transitions are experienced. Duration means the time spent in any given state. Finally, spacing refers to the amount of time between transitions. (Settersten and Mayer 1997.)

This interest in time also links the life course perspective to the concepts of cohort and period effects. The life course perspective emphasises that individual life courses are affected by the historical times and places in which they are experienced. For instance, birth year locates the individual according to historical time and related social changes (Elder and Shanahan 2006), and each birth cohort experiences particular historical experiences and life opportunities. When only those born in a specific historical stage or year experience a certain kind of social change, it is possible to discuss a 'cohort effect'. Meanwhile, the term 'period

effect' is applicable when social changes affect several consecutive birth cohorts. In other words, the effect is relatively uniform across the population.

## 2.2 Theoretical approaches to analysing economic difficulties using the life course perspective

This section discusses theories that are useful when analysing economic difficulties from the life course perspective. Although the life course perspective should not be seen as a theory (see page 6), studies utilising the approach have applied different theories that provide the tools necessary for analysing and interpreting factors which may affect the likelihood of experiencing economic difficulties during the life course. All of the theories discussed here consider human development over time. One reason to highlight the theories used in life course studies is that there is no comprehensive theory in the literature on poverty dynamics (Cellini et al. 2008).

The life cycle hypothesis (Andress and Schulte 1998) is based on the theory developed by Seebohm Rowntree (1901), whose ground-breaking study on poverty in York demonstrated that poverty risks were higher in specific phases of life. According to Rowntree's (1901) study, the risk of poverty was highest during childhood, when building a family, as well as in old age. The risk of poverty was lower during youth when a young person earned their own living, and after their own children had left the home. Thus, there was cyclical variation in poverty levels over the life cycle. Since new social risks—such as uncertainties in the labour market, the aging of the population, and growing family instability (Bonoli 2005; Taylor-Gooby 2004)—and the welfare state retrenchments have affected the balancing of needs and resources over the life course, a new interest in life-cycle analyses of poverty emerged at the end of the twentieth century (Dewilde 2003). Olli Kangas and Joakim Palme (2000) found that while there were still signs of cyclical nature of poverty in the 1990s, there had been also significant changes in comparison to the findings of Rowntree's study. Notably, there had been a universal decline in poverty among the elderly. (Kangas & Palme 2000). Moreover, in Nordic countries, the poverty rates of families with children had decreased to the levels of families without children (ibid.). With respect to this thesis, an interesting finding was that high rates of poverty existed among young adults. This constituted a reversed of the pattern identified by Rowntree. Kangas and Palme (2000) thus concluded that the expansion of the welfare state resulted in a transformation of the Rowntree-type poverty cycle.

Despite its demonstrability, the traditional family-cycle approach has been criticised as inflexible, period-dependent, and culturally biased (Dewilde 2003). For instance, it fails to recognise the role of labour market events and is typically analysed using cross-sectional data (Dewilde 2003). As such, there was a demand

for more dynamic analyses of poverty. Meanwhile, a purely descriptive analysis of poverty does not provide satisfying explanations of why some are affected by poverty while others are not (Dewilde 2003). Thus, the life course perspective is useful.

Two major research strands can be identified in the analyses of social stratification using the life course perspective (Gabriel 2015). The first of these emphasises the role of social structures in the emergence of inequalities and how individual life courses affect inequalities in the process. This is also known as the traditional social stratification framework (Vandecasteele 2011). The second strand emphasises the role of life-course events in the emergence of inequalities, and is typically referred to as the biographization or individualization framework (e.g. Leisering and Leibfried 1999).

One structural approach to utilising the life course perspective is the so-called 'stratification of the life course' model, which is interested in how the state, market, and family influence individual life courses and create social differentiation between groups and individuals (Dewilde 2003). It primarily focusses on how the social system affects the characteristics and situations of individual (ibid.). The 'stratification over the life course' model, on the other hand, focuses on growing intra-cohort differentiation (ibid.). This model is interested in the longitudinal development of the behaviour and well-being of individuals. An influential theory within this model is the so-called cumulative (dis)advantage model (Dannefer 2003; DiPrete and Eirich 2006; O'Rand 2009). According to the cumulative (dis)advantage model, early inequalities accumulate over the life course. Therefore, initial inequalities can result in larger differences between individuals over the course of life. The so-called 'Matthew-effect' is conceptually close to cumulative disadvantage. Originally coined by Robert Merton in 1968 (Merton 1968),[2] the 'Matthew-effect' refers to the dynamic process which generates inequality between individuals (Bask and Bask 2015). Bask and Bask (2015) have argued that the concept of cumulative (dis)advantage refers to the outcome of the individual process, while the 'Matthew-effect' focusses on the process itself.

There are various processes through which (dis)advantage can cumulate. It can be seen as a process in which disadvantage gradually accumulates over the life course on the one hand, or as a 'chain of risks' on the other. In the chain of risks model, one bad experience or exposure tends to lead to another risk factor (Kuh et al. 2003). These chains can include mediating and modifying factors. If each social risk increases the risk of a negative outcome in a cumulative fashion, this can be

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[2] The term 'Matthew-effect' comes from the bible, specifically the Gospel of Matthew: 'for unto every one that hath shall be given and he shall have abundance; but from him that hath not shall be taken away even that which he hath'.

called as an additive effect. A chain of risks can be regarded as close to the description of social exclusion, in which one form of disadvantage leads to another in a spiral of precariousness (Paugam 1995). Typically, the cumulative (dis)advantage model expects that disadvantage is experienced during the early stages of the life course.

While biographisation, democratization, and individualization theories have several unique features, they all share a similar perspective on individual life courses and their development (see Andress and Schulte 1998; Beck 1992; Beck and Beck-Gernsheim 2002; Leisering and Leibfried 1999). Indeed, these theories emphasise that societal changes—such as those to family structure and working life—will increase the likelihood of an individual experiencing poverty. Moreover, according to these theories, traditional norms and regularities (such as the classical stratification process) have lost their power, while lifestyles and individual biographies have become more open and diverse. In such thinking, individual decisions are viewed as more important than they were previously. Based on the premise that poverty is a result of various life-course events and the likelihood of experiencing these events is relatively uniform across social groups, the argument is that it has become more difficult to distinguish different poverty profiles. For instance, poverty would not be any more typical among lower social classes. In line with the theory, most poverty spells in Europe are short (e.g. Fouarge and Layte 2005; Oxley et al. 2000).

However, there are also theories and findings emphasizing that both structures and different kinds of life course events should be considered simultaneously. According to the status attainment model, status attainment involves intergenerational (social status transferred across generations) and intra-generational (social status acquired within one's lifetime) processes that follow patterns of social stability and mobility in society (Blau and Duncan 1967; DiPrete and Eirich 2006; Grusky and Ku 2008). Moreover, several recent studies have argued that both structural and life course factors should be considered when analysing poverty or social assistance receipt (Groh-Samberg and Voges 2014; Lorentzen et al. 2012; Pintelon et al. 2013; Vandecasteele 2011, 2015). It has also been evidenced that a disadvantaged social background can increase the incidence of various social risks and risky life-course events (Bäckman and Nilsson 2011; Pintelon et al. 2013), as well as how the effects of these risks and events can be stronger among those with a less advantageous social background. The latter can be described as the 'social imprint' of social background (Bäckman and Palme 1998). It has been argued that taking into account both time-invariant factors (such as social background) and time-varying factors (such as changes in family formation, education, or employment trajectories) is vital to understanding and

identifying mechanisms resulting in risks and vulnerabilities among young adults (Berrington et al. 2017).

## 2.3 Welfare states and the transition into adulthood

### 2.3.1 The welfare state and the life course

The welfare state plays an important role in shaping individual life courses. The developmental process in which individual life courses are seen to be increasingly regulated by social institutions and governments is referred to as the institutionalization of the life course (Settersten 2009). The central premise of the institutionalization theory is that 'welfare-state-type' life-course patterns have emerged because an increasing number of people are influenced by the welfare state. Arguing that the life course is institutionalised by the welfare state, Leisering and Leibfried (1999) advanced that social policies can also be regarded as life course policies and that policies influence life courses through specific normative models. According to Leisering and Leibfried (1999), the welfare state produces and sustains specific temporal structures of life though institutional definitions of events, phases, episodes, and transitions linked to individual expectations and 'life plans'. While institutions start as social constructions, shared belief systems and taken-for-granted realities change their nature (Settersten 2009). Social institutions and policies are sources of support and protection for individuals at different points in life (ibid.).[3]

Some have examined how the welfare state is associated with the transition into adulthood. For instance, it has been suggested that cross-national differences in transition into adulthood patterns can be explained by institutional variation between countries (e.g. Breen and Buchmann 2002). Several factors have been identified as shaping the transition to adulthood, namely the welfare regime, nature of the educational system, and labour market regulation (Breen and Buchmann 2002). As such, this argument maintains that transition into adulthood is influenced by institutions which establish a set of opportunities and constraints that shape the actions of young people (Buchmann and Kriesi 2011; Vogel 2002). Constraints and

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[3] Since it has been argued that different institutional settings produce different life-course patterns, it is hardly surprising that the various transition patterns have been categorised. There are several terms for these classifications, such as transition regimes (Walther 2006) or life course regimes (Leisering and Leibfried 1999). While some of these classifications or typologies take differences in the characteristics of welfare states into account (e.g. social security and social services), others concentrate on the characteristics of school-to-work institutions and transition patterns, for example. With respect to country classifications related to transition patterns among young adults, see Isoniemi (2017).

pressures created by the structures of the transition system can increase individual risks in young adulthood (Walther 2006). However, cushioning mechanisms can increase the space for subjectively meaningful transitions (ibid.).

Education is a typical example of how institutions constrain the life course (e.g. Brzinsky-Fay 2007; Quintini and Manfredi 2009). Various institutional and structural arrangements in education and the labour market create different national 'logics', resulting in varied patterns of school-to-work transition (Raffe 2008). Broadly speaking, '*institutions of education, training and employment provide resources and temporal orientations for passing through transitions and thus have the power to modify the structure of the life course*' (Heinz 2014: 240). For instance, the age at which compulsory education starts is typically set by the government. Similarly, institutions define the order through which to proceed in the education system.

## 2.3.2 Differences between welfare states

In his seminal book, Gøsta Esping-Andersen (1990) categorised welfare states into three regimes: 1) liberal regime, 2) conservative or conservative-corporatist regime, and 3) social democratic regime.[4] Later, it was suggested that the Mediterranean countries constitute a separate regime (Ferrera 1996). It should be kept in mind that while some systems—such as social insurance programs, for instance—can be important for the population in general, they may not be as relevant to young adults due to eligibility issues (e.g. due to lack of work experience). Thus, welfare states have also been analysed from the perspective of how they influence the transition into adulthood. For example, based on social security, as well as education and training, Andreas Walther (2006) identified the following country categories to describe the transition into adulthood: 1) universalistic transition regime, 2) liberal transition regime, 3) employment-centred transition regime, and 4) sub-protective transition regime. As it can be seen, Walther's (2006) typology follows those of Esping-Andersen (1990), as well as Gallie and Paugam (2000). In this section, the differences between welfare states are briefly discussed. The interest is also in policies that can be important for the transition into adulthood. Country-level differences in school-to-work transition and family formation are discussed in chapters 2.4.2 and 2.4.3.

Guaranteeing universal benefits at more generous levels and universally provided public services can be seen as one of the key characteristic of the social democratic regime (Esping-Andersen 1990). Other characteristics include benefit recipiency not being dependent on individual contributions and employment rates

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[4] For a review of other regime classifications, as well as for criticism received by Esping-Andersen's typology, see Arts and Gelissen (2002).

among women being relatively high (Arts and Gelissen 2002; Esping-Andersen 1990). Nordic countries are typically seen as examples of so-called social-democratic welfare states. Generally speaking, the Nordic welfare states support the experimentation of young adults in their transition to adulthood. An important reason is that *'young people are not primarily conceived as dependents'* (Breen and Buchmann 2002: 299). Nordic countries are characterised by collective social responsibility (Walther 2006). For instance, in Finland and Sweden 18-year-olds can receive social assistance regardless of their living arrangements and socioeconomic situation of their parents (Kauppinen et al. 2014; Stephens and Blenkinsopp 2015). Nordic countries also support young adults in their housing costs (Breen and Buchmann 2002; Stephens and Blenkinsopp 2015). Moreover, the state supports young adults by means of affordable education (Breen and Buchmann 2002) and Nordic countries are characterised by their comprehensive school systems (also see section 2.4.2).

In the liberal regime the role of state intervention is low, as is the level of benefits, which are constrained by time limits and conditional upon active job search (Breen and Buchmann 2002; Esping-Andersen 1990). Furthermore, social benefits are often means-tested. The roles of individualism and the market are emphasised in this regime. (Arts and Gelissen 2002; Esping-Andersen 1990.) This regime includes countries such as Ireland, the United Kingdom, and the United States. With regard to the transition into adulthood, individual rights and responsibilities are valued in these countries (Walther 2006). Moreover, the low level of housing benefits for young adults incentivises individuals to stay at home (Stephens and Blenkinsopp 2015). Additionally, education and training options for unemployed young adults are short-term in nature and often lack quality standards (Walther 2006).

More generous benefits being based upon principles of insurance contribution is among the key characteristics of the conservative regime (Esping-Andersen 1990). In particular, occupational status is important and the welfare state has an emphasis to uphold status differences (Breen and Buchmann 2002; Esping-Andersen 1990). This decreases the redistributive impact of the system (Esping-Andersen 1990). Lastly, the conservative welfare states can be described as family oriented (Breen and Buchmann 2002). This regime includes continental European countries, such as Austria, France, and Germany. The characteristics of this regime influence young adults and their possibilities. For instance, young people are not automatically entitled to benefits if they have not paid enough in social insurance contributions (Walther 2006). In Germany, for example, parents are responsible for their children until the age of 25 and young adults who leave the parental home before this age do not necessarily receive housing benefits (Stephens and Blenkinsopp 2015). In these countries, schools allocate occupational careers and

social positions in different segments. Moreover, vocational training has an important role and is relatively standardised (also see section 2.4.2).

The Mediterranean European countries (such as Italy, Portugal, and Spain) can be seen as constituting their own regime (Ferrera 1996). Family, relatives, and informal work play a significant role in these countries (Breen and Buchmann 2002; Walther 2006). The overall level of benefits is low and family is expected to give financial support (Breen and Buchmann 2002). Generally speaking, it can be said that the welfare state's intervention into the welfare sphere is relatively limited in this regime. Additionally, the social protection systems are highly fragmented. (Arts and Gelissen 2002; Ferrera 1996.) As expected, the characteristics of this regime affect the lives of young adults. As young people are not entitled to social benefits, precarious employment is common among young adults (Walther 2006). As such, this transition regime does not provide choice, flexibility, or security (Walther 2006). This can also be seen in the family formation patterns, for instance (see chapter 2.4.3).

## 2.4 Characteristics of the transition into adulthood

### 2.4.1 General remarks

This study places specific emphasis on the transition into adulthood as an important phase in the life course of an individual. Before discussing the characteristics of this life stage, it is necessary to discuss the definitions of young adulthood. In general, the transition into adulthood is understood as the transition from adolescence when the individual gradually adopts different kinds of adult roles (Gauthier 2007). In the literature, several age definitions have been used for young adulthood—including, for example, 18–24, 18–30, 18–35, and 15–30. Similarly, different definitions are applied in this research.

In the social policies and legislation of many countries, an individual is seen as an adult at the age of 18 (Furstenberg et al. 2008; Isoniemi 2017). Nonetheless, it is impossible to define a specific age at which a person can be called an adult since the transition into adulthood is individualised and fluid (e.g. Fussell and Furstenberg 2008). A possible means of determining whether an individual can be classified as an young adult is examining when individuals experience transition-to-adulthood markers such as leaving the parental home, entering the labour market, forming a partnership, and having a child (Shanahan 2000)). Individuals typically experience these markers between the ages 18 and 34 (Isoniemi 2017). Another developmental stage between adolescence and young adulthood has been suggested (Arnett 2000). Known as emerging adulthood, this stage is characterised by leisurely and long-lasting explorations of identity, lifestyles, and career

possibilities (Arnett 2000).[5] However, the concept of emerging adulthood has received criticism (Bynner 2005; Côté 2014). John Bynner (2005), for example, has argued that the traditional routes to adulthood still exist and that inequality among young adults affects the likelihood of exploring during the transition from adolescence to young adulthood.

Earlier research has identified trends in the development of the transition into adulthood. In the nineteenth and in mid-twentieth century, the transition to adulthood became more temporally organised and predictable, and was characterised by a clear structure of transition markers that followed one another (Modell et al. 1976). However, this transition is no longer as rapid or well-structured as it used to be (Lesnard et al. 2010). Rather, it has become more protracted (Billari and Liefbroer 2010; Furstenberg 2010). For instance, the expansion of the educational system has increased the average age of completing education (Buchmann and Kriesi 2011). Also, many of the other typical transition markers are postponed (Billari and Liefbroer 2010). Studies have shown that the transition into adulthood in contemporary society occurs later than before, takes longer, and is less predictable and straightforward than it once was (Furlong 2013; Isoniemi 2017). Furthermore, several studies have claimed that it is has become more difficult for young individuals to achieve economic and psychological autonomy (Settersten 2007).

Life course transitions among young adults are widely studied in the fields of demography, sociology, social policy, and economics. This is largely due to fact that the occurrence and frequency of life events is very dense during this period (e.g. Rindfuss 1991; Shanahan 2000). Thus, a life course approach is typically utilised since becoming an adult is seen as a passage of status involving several role and status changes (Buchmann and Kriesi 2011). In this process, different transition markers are more important than others. For instance, moving from dependency to independence is a major part of the process of becoming an adult in the lives of most young individuals (France 2008). Leaving the parental home, cohabitation or marriage, becoming a parent, education completion, and labour market entry can be seen as the 'Big Five' transitions in becoming an adult (Schulenberg and Schoon 2012; Settersten 2007). With respect to life course events, research on the transition into adulthood in Europe has been divided into two research streams: the first examines school-to-work transitions, while the other focusses on family formation (Buchmann and Kriesi 2011).[6]

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[5] Emerging adulthood refers to the period between the ages 18 and 25 (Arnett 2000).

[6] Since the transition into adulthood has often been studied with a focus on the school-to-work transition and family formation, some have argued that other social, economic, and psychological dimensions should also be taken into account (Gauthier 2007).

In general, different institutional and cultural settings seem to produce different life course patterns among young adults (see chapter 2.3 about the welfare state and the transition into adulthood). Despite similar trends in transition into adulthood patterns in European countries, however, the convergence between countries has been limited and clear differences remain (Billari and Liefbroer 2010; Sobotka and Toulemon 2008). The following sections discuss the general characteristics and trends related to school-to-work transition and family formation. Also, country-level differences are discussed. In the following sections, the focus is especially on Nordic countries, which are typically regarded as having a specific transition into adulthood pattern or trajectory (Billari and Liefbroer 2010; Buchmann and Kriesi 2011; Isoniemi 2017; Lesnard et al. 2010).

## 2.4.2 The school-to-work transition

School-to-work transition refers to the entrance of young individuals into the labour market, particularly the process through which students move from education into the working life. The school-to-work transition is an important phase since a smooth ingress to the labour market impacts labour market supply, prevents the loss of human capital, and provides life perspectives and independence to young individuals (Brzinsky-Fay 2014). The transition from school to work can be difficult for individuals for a variety of reasons, such as low educational qualifications or lack of work experience. Furthermore, difficulties in the school-to-work transition can have long-lasting effects (Bäckman & Nilsson 2016).

There has been some discussion regarding how development has resulted in more complex school-to-work transition processes. Although completion of education and entry into the labour market are still relatively intertwined (Buchmann and Kriesi 2011), there have been changes in this transition process as a result of prolonged educational processes and increasing flexibility in the labour market (Brzinsky-Fay 2014; O'Reilly et al. 2015). Young adults often combine schooling with part-time jobs or their periods of employment are interrupted by spells of inactivity (Quintini et al. 2007). Increased flexibility in the labour market is evidenced in the situation of young adults in numerous ways. Indeed, the protracted entry of young adults into the labour market may be caused by problems in finding and keeping a job (Eurofound 2012). Moreover, temporary or part-time work, precarious work, unemployment, and underemployment are common among young adults in Europe (European Commission 2017; Quintini et al. 2007). Precarious work refers to the experience of increasing distance from the standard level of income, job security, and common social integration (Heinz 2014). Underemployment refers to high rates of unemployment; typical employment in part-time, temporary or marginal jobs; and over-qualification among young

working adults (Roberts 2009). These examples show how the prolonged transition into adulthood may be closely related to the opportunities and constraints set by welfare states and labour markets (Lesnard et al. 2010).

Finland and other Nordic countries have common characteristics with respect to education and the school-to-work transition. Shared characteristics among Nordic countries include: 1) a low proportion of people who do not progress after compulsory schooling and 2) significant proportions of upper-secondary school leavers with vocational qualifications (Brzinsky-Fay 2007; Gangl et al. 2003). Additionally, public tertiary education expands the educational choices open to young adults in these countries (Buchmann & Kriesi 2011). A significantly high proportion of youth population (16–24-year-olds) is enrolled in education in Nordic countries (Ferragina et al. 2015). In a comparison of 14 countries, only Denmark and the Netherlands had a higher proportion of youth in education than Finland (Ferragina et al. 2015).[7] The lowest proportions of youth in education were in the United Kingdom, Austria, and Italy (ibid.). It should be taken into account, however, that young adults tend to enter tertiary education at a relatively higher age in Nordic countries, especially in comparison to Anglo-Saxon countries (Breen and Buchmann 2002).

The literature on school-to-work transition often discusses the roles of vocational education and labour market regulation. Vocational training predominantly occurs in schools in countries like Finland and Sweden, resulting in their having a different dual system to countries like Germany (Breen and Buchmann 2002). In other words, there is no clear institutional link between vocational training and employers in Finland (Breen 2005). In Southern European countries, the role of vocational education is weak (Breen and Buchmann 2002; Walther 2006). With regards to labour market regulation, employment protection in Finland has been classified as being high in comparison to many other European countries (Breen 2005). Denmark differs from other Nordic countries in that it has a lower level of employment protection (Breen 2005), while its apprenticeship systems are closely integrated with labour market institutions (Cedefop 2018). In general, it has been found that strict employment protection legislation and product market regulation are associated with delayed school-to-work transitions (Barbieri et al. 2018; de Lange et al. 2014). However, the quality of entry-level jobs may be higher in systems with labour and product marker rigidities (Barbieri et al. 2018). In contrast, vocationally oriented educational systems are connected with more rapid school-to-work transitions (Barbieri et al. 2018; de Lange et al. 2014). Thus, it has been suggested that a combination of strict employment protection and high

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[7] The analysis of Ferragina et al. (2015) included the following countries: Austria, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

vocational orientation – resembles the combination found in Finland – could prove a useful strategy (Barbieri et al. 2018).

### 2.4.3 Family formation

Important life course transitions related to family formation among young adults include the birth of the first child, leaving the parental home, and the formation of their first partnership (Buchmann and Kriesi 2011; Shanahan 2000). Indeed, these transitions are particularly common during young adulthood. Thus, family formation refers to the process of becoming an independent adult on the one hand, and the process of having a partner and/or one's own children on the other.

There have been more signs of de-standardization in the family formation process than in the school-to-work transition. De-standardization refers to the process in which different states or events are experienced by a small part of the population or occur at more dispersed ages over a wider range of durations (Elzinga and Liefbroer 2007). In general, family formation processes have become more dissimilar, while age variation has increased (Buchmann and Kriesi 2011; Elzinga and Liefbroer 2007). The literature has pointed out several consistent findings with respect to trends in family formation patterns (Buchmann and Kriesi 2011): namely, 1) the strong tendency to delay union formation and parenthood until the completion of education, and 2) the increasing disconnection of family events. An example of the latter is that marriage and parenthood are more decoupled than they used to be (Buchmann and Kriesi 2011; Sobotka and Toulemon 2008). Additionally, destinations after leaving the parental home are more diverse than before (Buchmann and Kriesi 2011). However, de-standardization is related more to stronger inter-individual variation than turbulence within individual trajectories (Elzinga and Liefbroer 2007).

Nordic countries also have common characteristics with respect to household structure and family formation. Young adults in Nordic countries are the earliest to leave the parental home in Europe (Aassve et al. 2013; Buchmann and Kriesi 2011). For instance, in Southern European countries, it is common that young adults only move when they can guarantee themselves an adequate standard of living (Ayllón 2015; Mendola et al. 2009). Consequently, young adults in Southern Europe tend to be the oldest to leave the parental home in comparison to other European countries (Iacovou and Skew 2010). Among those who have left the parental home, it is more common to live in a single-adult household in Northern and Western Europe than elsewhere in Europe (Sobotka and Toulemon 2008). A prolonged period of living in a single-adult household after moving from the parental home is typical in Nordic countries. However, due to the relatively early age at which they out of the parental home, young adults start living with a partner

earlier in Northern and North-western countries than elsewhere in Europe. In Southern and Eastern European countries, leaving the parental home and partnering occur close each other. While childbearing occurs relatively late in the Nordic countries, it occurs even later in Italy and Spain. (Iacovou and Skew 2010.)

# 3 Economic difficulties: a multidimensional approach

This study employs a multidimensional approach to examine economic difficulties during the transition into adulthood. In general, different definitions and concepts can be used to analyse and measure economic difficulties. Two concepts are used in this thesis: namely, poverty and economic disadvantage. The differences between these concepts are particularly evident in the operationalization of the measures of poverty and economic disadvantage.

## 3.1 Poverty

The concept of poverty has received significant attention from both the public and academia. Indeed, the concept has been defined several times. Although relatively distinguishable, all of these concepts play a meaningful role in analyses of poverty. In general, poverty has increasingly been seen as a multidimensional social problem, particularly from the 1990s onwards (Atkinson et al. 2002; Nolan and Whelan 2011; Nolan and Whelan 1995, 2007).

Poverty can refer to a variety of conditions and dynamics, including: material need (lack of essential goods, deprivation, low standard of living), economic circumstances (lack of resources, economic inequality, persistent economic deprivation), social relationships (dependency, lack of rights, exclusion), and moral imperatives (serious hardship) (Spicker 2007). Some scholars have classified the various definitions of poverty into two or three categories: namely, absolute, relative, and subjective (Giddens 2001; Goedemé and Rottiers 2011; Ruggles 1990). Absolute poverty is based on a definition stating that individuals experience poverty when they have less than an absolute minimum. Relative poverty refers to situation in which an individual has less than others in society. Subjective poverty refers to an individual feeling that they do not have enough to manage.

Relative approaches to poverty have gained ground over the past decades, especially in Europe. The emphasis on the relative concept of poverty in the European Union can be seen as evolving from two sources (European Commission

2004a): 1) the whole population of Europe is meant to share the benefits of high average prosperity; 2) minimal acceptable living standards are largely dependent on the general level of social and economic development, which varies across countries.

Peter Townsend is well-known for his contributions to the concept of relative poverty (see Townsend 1962, 1979, 1985). Townsend defines people or families as being in poverty when *'they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities'* (Townsend 1979: 31). Townsend's approach emphasises that people have needs which can only be defined by virtue of obligations, associations, and customs related to other members of society. When the incomes of individuals shrink below a particular level, they stop fulfilling certain social obligations, customs, or activities (Townsend 1985). Needs and capabilities are socially created and thus need to be identified and measured accordingly (ibid.). The definition of poverty used by the European Union follows that developed by Townsend (see European Commission 2004b).

Townsend (1987) also emphasises deprivation as a social problem that needs to be distinguished from the concept of poverty. Deprivation is about '*disadvantage relative to the local community or the wider society or national to which and individual, family, or group belongs'* (Townsend 1987: 125). Deprivation refers to conditions—physical, environmental, and social states—rather than resources, and thus differs from the concept of poverty. Townsend also distinguishes between material and social deprivation (Townsend 1987). Where material deprivation refers to not having material goods, facilities, or amenities, social deprivation refers to not having access to ordinary social customs, activities, and relationships. As such, Townsend's concept of deprivation refers to the level of conditions or activities experienced, while his definition of poverty refers to the incomes and other resources that are directly available (Townsend 1987). What follows from Townsend's definitions, albeit somewhat controversially, is that while a person can be deprived without being poor, the same person cannot be poor without being deprived (Halleröd 1998).

Economist Amartya Sen has emphasised that poverty should primarily be seen as absolute (Sen 1983). For instance, an individual's starvation and hunger are forms of poverty regardless of what the relative measures say. Sen argues that poverty has an 'irreducible core of absolute deprivation' that is not captured by relative approaches (Sen 1981, 1983). Moreover, Sen (1983) also argues that poverty should be analysed in terms of capabilities. Capabilities refer to a person's

ability to live a good life, defined in terms of valuable functionings to which that person has effective access (ibid.). Functionings refer to states of 'being and doing' (such as having shelter). Sen's (1983) well-known example is that possessing a bike (commodity) is distinguishable from bicycling (capability). In the Sen's thinking, poverty is not simply a matter of being relatively poorer than others, but of not having certain basic opportunities of material well-being (lack of minimum capabilities). The conversion of incomes into capabilities varies according to social circumstances and personal features. Thus, Sen also agrees that societal context is relevant to measuring poverty (Sen 1985). As such, it has been argued that Sen's concept of absolute poverty differs from typical absolute definitions (Townsend 1985).

This thesis regards poverty as a relative concept. Therefore, poverty is understood as a state of having less than what is considered acceptable in the society in which individuals live (cf. Townsend 1979). In this thesis, the society refers to Finland. The majority of studies analysing poverty in Europe adopt a relative perspective. Moreover, it has been argued that absolute definitions are always relative to some degree (Ringen 1988). In this study, poverty is primarily seen as a lack of resources (cf. Halleröd 2000)—an understanding in line with the most common definitions of poverty, which emphasise that individuals experience exclusion from ordinary living patterns, customs, and activities due to a lack of resources (e.g. Townsend 1979). This dissertation's approach can also be regarded as an objective approach to poverty. Indeed, some of the most well-known poverty researchers have argued that the objective, rather than subjective, situation should be the starting point when assessing the poverty status of an individual (e.g. Atkinson 1987; Sen 1981; Townsend 1987).

## 3.2 Economic disadvantage

Disadvantage can generally be regarded as referring to a lack of well-being. An individual can experience disadvantage in one dimension of well-being, but not another. Dimensions of well-being can be related to various factors, including health, physical or mental well-being, labour market status, subjective well-being, or a lack of economic resources. Additionally, different kinds of disadvantage correlate with one another (e.g. Bask 2016; Berg 2017; Bäckman and Nilsson 2011). Disadvantages are often seen as being related to a lack of resources (e.g. Johansson 1970)—a tradition followed by this thesis, which concentrates on economic disadvantage. As such, economic disadvantage is seen and measured as a lack of economic resources and thus closely linked to economic difficulties.

Nordic countries have a long tradition of research on well-being, a body of scholarship that has developed several common characteristics: namely, 1) well-

being is seen as a construct of various dimensions, 2) well-being is understood as based on an individual's resources, 3) emphasis is placed on objective measures of disadvantage, and 4) on associations with policies related to well-being (Rauhala et al. 2000: 196–197). A common approach in well-being research is the analysis of the lack or shortage of well-being (Rauhala et al. 2000). In Finland, a transition from research on well-being to research on poverty and disadvantage occurred between the 1980s and 1990s (Niemelä and Saari 2013). In many ways, this thesis follows the Nordic tradition of research on disadvantage and well-being, focussing on resources and employing an objective approach to analysing the well-being individuals.

The accumulation of different social problems has been a typical approach in disadvantage research. In this context, the concept of social exclusion has often been employed.[8] Although this thesis does not focus on social exclusion as such, it is worth discussing the concept in greater detail since: 1) the concept of poverty is close to that of social exclusion, 2) poverty and economic disadvantage can lead to other forms of disadvantage and social exclusion, and 3) the social exclusion or marginalization of young adults is a widely studied and discussed topic.

Social exclusion refers to a broader view of exclusion than the lack of resources. For instance, while poverty is related to social exclusion, social exclusion does not necessarily encompass an element of poverty (Berghman 1995). Graham Room (1995) highlights three steps in the transition from poverty to social exclusion: namely, moving 1) from income or expenditure to multidimensional disadvantage, 2) from static to dynamic analysis, and 3) from resources at the individual or household level to that of the local community. Social exclusion is related to the inability to participate effectively in economic, social, political, and cultural life (Duffy 1995). In addition to economic resources, social exclusion includes the inability to participate in society, as well as a lack of power and social integration (Room 1995).

Social exclusion refers to a dynamic process in which disadvantage accumulates (Burchardt et al. 2002). As such, the connotation of social exclusion is less unidimensional than that of income poverty (Berghman 1995). The comprehensiveness, multidimensionality, and dynamic character of the concept of social exclusion make it useful—albeit difficult to interpret (ibid.). Berghman (1995) argues that poverty and deprivation refer to static outcomes, while social exclusion refers to the process in which one form of disadvantage leads to one or several others. This dynamic process is also known as the 'spiral of precariousness'

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[8] In the extant literature, different concepts have been used in analysing the accumulation of disadvantages. These concepts include multiple social disadvantage, welfare problems, accumulating disadvantage, cumulative disadvantage, multidimensional poverty, and multiple deprivation (Berg 2017).

(Paugam 1995) or 'the vicious circle of exclusion' (Gallie et al. 2003). Gallie et al. (2003) provided an example of this circle, stating that unemployment increases the risk of poverty while poverty makes it more difficult to gain employment.

## 3.3 Measuring economic difficulties

Employing a multidimensional approach to analysing economic difficulties, this thesis uses a variety of measures: namely, a relative income poverty measure, social assistance receipt, and an income maintenance model for Social Exclusion and Labour Market Attachment (SELMA). The SELMA model uses information on different income sources to categorise young adults according to their positions in the labour market. More detailed variable information is provided in chapter 7.2. These measures share some common features. Rather than asking individuals about their experience of disadvantage (subjective approach), this study utilises information on economic resources derived from the population registers.[9]

A wide range of poverty measures have been employed in the extant literature (for a review, see Atkinson et al. 2002; Kangas and Ritakallio 1998). However, this study's data and focus on relative poverty and economic resources limits the range of applicable measures. With respect to income poverty, a standard relative poverty line was applied. In this measure, the poverty line varies year by year based on income distribution. The poverty threshold is calculated as the distance from average incomes. A measure using the 60 percent threshold of the median was established after the UK set this threshold as their target in dealing with child poverty (Spicker 2012). The European Union has since adopted this approach, labelling it the 'at-risk-of-poverty indicator' (Atkinson et al. 2002; Goedemé and Rottiers 2011; Marlier et al. 2007). Since 2001, this indicator has been officially been used to measure poverty and social inclusion in the European Union (Atkinson et al. 2002; Marlier et al. 2007). The indicator has a relative character because poverty is assessed with direct reference to the general or average level of prosperity of others in the society in question (Goedemé and Rottiers 2011).

This poverty measure has received criticism. For instance, the poverty rate may not increase during a recession since the relative picture may not change due to decreases in incomes across the income distribution (Goedemé et al. 2014; Ritakallio 2001). Moreover, the fundamental consequence of the poverty threshold

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[9] However, when analysing the effects of social background, this study also utilises low parental education and parental unemployment as measures of disadvantage, as well as parental incomes or parental social assistance receipt. Together, these variables can produce a more comprehensive picture of the intergenerational transmission of advantage and disadvantage than only measures based on economic resources. These measures could be seen as different components of social origin that indicate different forms of parental resources (cf. Bukodi et al. 2014).

being based on median incomes is that half of the population cannot be counted as poor (Goedemé and Rottiers 2011; Spicker 2012). This measure has also received criticism on the basis that there may be a sizable difference between the living conditions considered customary in society and the living standard that is widely approved (Sen 1983). The relative poverty threshold only measures the living conditions that can be seen common in the society in question. Nonetheless, the measure is relatively straightforward to calculate and it is widely known and used.

This study also utilises social assistance receipt as a measure of economic difficulties. The aim of last-resort safety net benefits is to provide an acceptable standard of living for households and families whose incomes would be insufficient otherwise (Immervoll 2009). Indeed, numerous studies have considered social assistance receipt as a measure of poverty (e.g. Bäckman and Nilsson 2011; Leisering and Leibfried 1999; Snel et al. 2013). Social assistance receipt can be understood as fulfilling a dual criterion for poverty (Kangas and Ritakallio 1998). First, in order to receive social assistance, a family's income needs to be below the norm set by the political-administrative process (ibid.). This criterion is verified by means-testing. Moreover, since the purpose of social assistance is to ensure a socially acceptable standard of living, there is a relative dimension. Second, social assistance is only given upon application, implying that the individual considers themselves in need of financial help. The weakness of this method is that the measure is closely connected to the eligibility of the social assistance system (Kangas and Ritakallio 1998). It is also widely known that all those eligible for social assistance do not apply for it (Bargain et al. 2012; Kuivalainen 2007). As a result, it is possible that there is some kind of selection involved in social assistance. In other words, it is possible that those receiving social assistance differ from those who are eligible but do not apply.

It is important to recognise that despite both the relative income poverty measure and social assistance receipt can be seen as measures of poverty, they do not fully overlap. In general, the level of social assistance is lower than the standard relative income poverty threshold in European countries (Nelson 2013). Around 60 percent of individuals, who received social assistance during a calendar year, were also income poor in 2010 in Finland (Kuivalainen and Sallila 2013). In 2000, the share was 20 percentage points lower (Kuivalainen and Sallila 2013). Based on survey information, it has been estimated that around one fourth of all income poor individuals would be social assistance recipients in Finland (Kangas and Ritakallio 2008).

The third measure applied in this dissertation uses income information to categorise the labour market attainment of young individuals based on their distance from the annual median gross income. Among the categories that can be distinguished using the SELMA model, are core labour force, unstable labour

force, student, and the NEET (not in education, employment or training) status (see Bäckman et al. 2015; Korpi et al. 2015). As a result of the comparison with average incomes, the SELMA model also has a relative dimension. This indicator measures labour market attachment and educational activity through a resource-based approach. The model assumes that labour market income can be used as a proxy for labour market attachment. Although labour market income is undoubtedly related to labour market attachment, the model does not consider differences in, for instance, job contracts (e.g. full-time, part-time). Part-time working status could be important for distinguishing unstable labour force position.[10]

As mentioned, the SELMA model enables the analysis of the NEET group, which includes young individuals who are currently unemployed, not enrolled in training, or not classified as a student. However, the measurement of the group in this dissertation differs substantially from that used by the Eurostat (see chapter 7.2 regarding the calculation of the SELMA model). In any case, the NEET group can be seen as representing a disadvantaged position among young adults (Bäckman and Nilsson 2016; Eurofound 2012). One reason to use the NEET indicator is that students are not included in the concept of the labour force, which means that statistics—such as employment rate—can give an inaccurate picture of labour market attainment among young adults. Thus, the NEET status provides information on '*disengagement from the labour market and perhaps from society in general*' (Eurofound 2012: 1). However, the NEET group includes also the sick and disabled, as well as those taking a year-off from other activities (Eurofound 2012). Indeed, the NEET concept has been criticised for being too heterogeneous. Andy Furlong (2006) has suggested that a narrower set of definitions should be used, or even broader definitions that would take into account the vulnerable position of the youth population. In any case, it has been shown that being in the NEET group is associated with different kinds of social problems, such as mental or physical health problems (Eurofound 2012).

# 4 Empirical findings on (the dynamics of) economic difficulties

## 4.1 Poverty and economic disadvantage among young adults

Different life course transitions—and the vulnerability that these transitions can create—increase the risk of poverty among young adults. This vulnerability is rooted in two sources: 1) young adulthood is a turbulent phase of life during which major life course events occur (see chapter 2.4); and 2) young adults may lack work experience and educational qualifications, which can result in unemployment or low-quality jobs with small salaries.

As a research topic, poverty among the youth population or young adults did not receive wide attention until relatively recently (e.g. Aassve et al. 2006, 2013; Groh-Samberg and Voges 2014; Iacovou and Aassve 2007; Mendola et al. 2009). This has also been the case in Finland (e.g. Ilmakunnas et al. 2015; Kauppinen and Karvonen 2008; Raittila et al. 2018). Disadvantage among the youth population or young adults have also been examined and discussed using the concepts of social exclusion or NEET (also see chapters 3.2 and 3.3). This development may have resulted from the identification of young adults as an important labour market resource and the increasing awareness of the long-lasting effects of the marginalisation of young individuals. Despite the recent increase in interest in economic disadvantage among young adults, however, studies on the topic remain scarce.

In general, the relative income poverty rates among young adults tend to be higher than those of the total population in the member states of the European Union (European Commission 2010). The poverty rates among young adults are particularly high in the Nordic countries (Aassve et al. 2013; Ferragina et al. 2015; Fritzell et al. 2012). Indeed, both the poverty and unemployment rates increased among young adults during the recent economic crisis (Aassve et al. 2013). Difficulties in making ends meet increased in particular (Aassve et al. 2013).

Young adult poverty rates tend to be highest in countries where young adults can afford to live on their own (European Commission 2010). These include Nordic countries, which have relatively low poverty rates among the total

population (Aassve et al. 2006; Fritzell et al. 2012; OECD 2008, 2015). However, it has been shown that poverty among young adults is usually only temporary in Nordic countries (Ayllón 2015; Fritzell et al. 2012; Mendola et al. 2009). However, there is also a problem insofar as young adults often postpone their transition to independent adulthood because they lack access to a decent income of their own.[11] Indeed, young adults are less likely to have an income below the poverty threshold while living with their parents. In fact, the most common reasons to stay with their parents involve their not being able to afford to live on their own (European Commission 2010).

In addition to poverty rates being relatively high, another feature is that poverty may be more dynamic among young adults than in other age groups. For example, according to a study conducted in Canada, young people tend to experience more poverty entries and exits than other adults (Finnie and Sweetman 2003). Moreover, job instability is high among young adults (Eurofound 2014), while those entering the labour market experience both large increases and decreases in earnings (OECD 2011b). In general, the challenges and opportunities facing young individuals have a dynamic character (Curtain 2004). For these reasons, some have proposed that longitudinal datasets should be utilised when analysing poverty among the youth population and young adults (Curtain 2004; Mendola et al. 2009).

In addition to relative income poverty, social assistance recipiency is common among young adults (Andrén and Gustafsson 2004; Garcia and Kazepov 2002; Gutjahr and Heeb 2016; Immervoll et al. 2015; Raittila et al. 2018). Additionally, young adults who receive social assistance are more likely to be income poor than older social assistance recipients in Finland (Kuivalainen and Sallila 2013). Social assistance receipt among young adults is more common in Finland than in other Nordic countries (Lorentzen et al. 2014). It is more typical between the ages of 18 and 24 than later in young adulthood (Ilmakunnas et al. 2015; Parpo and Moisio 2006). Additionally, social assistance spells are longer at the ages of 18 and 19 than later in young adulthood (Ilmakunnas et al. 2015). These findings result from older young adults having more educational qualifications and work experience (Kauppinen and Karvonen 2008). However, in general, young adults have relatively short social assistance spells in Finland (Parpo and Moisio 2006; Raittila et al. 2018).

Some explanatory and life course factors have been shown to be more closely associated with poverty and social assistance receipt than others. A disadvantaged

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[11] Using data on southern European countries, it has been shown that young adults may postpone moving from the parental home because it is likely that doing so will lower their incomes (Parisi 2008). Moreover, during the recent economic recession, co-residence with parents increased in Europe—indicating that there is a higher level of financial hardship when living away from the parental home (Aassve et al. 2013).

social background is associated with poverty (also see chapter 4.4 on the intergenerational transmission of income and disadvantage). Young adults that come from a disadvantaged family may lack the resources necessary to navigate through the transition into adulthood and have difficulties exercising choice in managing their lives (Furlong 2006). For instance, a German study has shown that parental education and social class are associated with poverty among young adults (Groh-Samberg and Voges 2014). Additionally, parental social assistance receipt is a strong predictor for social assistance receipt among young adults in Finland (Ilmakunnas 2018a; Kauppinen et al. 2014).

Poverty among young adults is often related to the 'big five' transitions to adulthood (Groh-Samberg and Voges 2014). Leaving the parental home is a major poverty risk for the youth population (Aassve et al. 2007; Groh-Samberg and Voges 2014; Iacovou 2009; Kauppinen et al. 2014; Mendola et al. 2009; Lorentzen et al. 2012). Indeed, those living away from the parental home were especially vulnerable during the recent economic crisis (Aassve et al. 2013). Leaving home at a young age has been seen as a factor explaining the high youth poverty rates of the Nordic countries (Aassve et al. 2007, 2013; Mendola et al. 2009). However, Aassve et al. (2006) has emphasised that living with parents may not be a protective factor; rather, it is not living alone that protects young adults. With respect to other population subgroups, single parents are more likely to be poor or social assistance recipients than others (Aassve et al. 2006; Lorentzen et al. 2012; Raittila et al. 2018). Cohabitation reduces the risk of poverty (Aassve et al. 2006; Groh-Samberg and Voges 2014), as does individual employment (Aassve et al. 2006; Groh-Samberg and Voges 2014; Bäckman & Bergmark 2011; Hyggen 2006). Additionally, low education is one of the most influential predictors of social assistance receipt among young adults (Lorentzen et al. 2012; Wiborg and Møberg 2010).

Finland is among the countries where the NEET rate is relatively low, and its NEET group predominantly consists of inactive youth (Eurofound 2012). Studies have also examined the characteristics of those not in education, employment, or training. A common feature of individuals categorised under the NEET group is that they are not accumulating human capital, although the largest subgroup tends to be unemployed (Eurofound 2012). A low level of education is a particularly strong predictor of the NEET status (e.g. Eurofound 2012). Moreover, immigrants, those living in densely populated areas, and those with health problems are more likely to become members of the NEET group (Eurofound 2012). Although the NEET group is highly heterogeneous, low income is in general a predictor of NEET status (ibid.). As such, NEET status is typically related to economic disadvantage. However, despite such common characteristics, it should not be regarded as a homogeneously disadvantaged group as the NEET group can include

both vulnerable and non-vulnerable individuals (Eurofound 2012). Nonetheless, NEET status differentiates young adults, as well as their well-being and future prospects.

## 4.2 Poverty transitions: entries and exits

In addition to providing important information on the dynamics of poverty, the examination of poverty transitions can provide useful policy recommendations since such analyses focus on the factors related to entering and exiting poverty. Typically, poverty transitions are analysed by looking at what kind of events coincide with them. These events are referred to as 'trigger events of poverty'. Given the high frequency of life course events that occur during young adulthood (e.g. Rindfuss 1991), young adults make an interesting target group for the analysis of poverty transitions. For instance, the probability of entering poverty is higher in young adulthood than in later stages of life (Cellini et al. 2008).

The extant literature identifies three types of events associated with poverty transitions: namely, 1) those related to the labour market, 2) those related to the state, and 3) those related to the changes in household needs (see e.g. Burgess and Propper 2002; Jenkins 2011; Obućina 2014). The first two types can be regarded as employment and income events, while the third constitutes demographic events. More specifically, employment events are related to increases/decreases in working hours or becoming employed/unemployed, income events to increases/decreases in earnings or other income sources, while demographic events are related to someone leaving or entering the household. Analyses of poverty transitions have employed different outcome variables. Some studies have examined how trigger events affect incomes or income trajectories (DiPrete and McManus 2000; Rigg and Sefton 2006), some have focused on low income transitions (Jarvis and Jenkins 1997), while others have used more generalised income poverty measures (Callens and Croux 2009; Fouarge and Layte 2005; Jenkins 2011; Obućina 2014; Polin and Raitano 2014). This section explores some of the findings of studies focused on the association between trigger events and poverty transitions.

It has been shown that partnership formation is associated with increasing incomes and poverty exits (Fritzell and Henz 2001; Rigg and Sefton 2006; Valletta 2006), while partnership dissolution increases the probability of experiencing a poverty entry (Valletta 2006; Vandecasteele 2015). Single adults and single parents are at an especially high risk of entering poverty and have a low probability of escaping poverty (e.g. Finnie and Sweetman 2003; Valletta 2006). While having children tends to increase the risk of poverty among young adults, Nordic countries appear to be an exception (Aassve et al. 2005; Barbieri and Bozzori 2016). Moreover, moving back into the parental home can serve as an important route out

of poverty (Finnie and Sweetman 2003). In general, poverty entries are more often associated with demographic events than poverty exits (e.g. Andriopoulou and Tsakloglou 2011; Antolín et al. 1999; Bane and Ellwood 1986; Jenkins 2000; Obućina 2014).

According to earlier studies, employment and income events are the most common trigger events associated with poverty transitions (e.g. Duncan et al. 1993; Jenkins 2000; McKernan and Ratcliffe 2005; Polin and Raitano 2014; Valletta 2006). In other words, changes in employment coincide with poverty transitions more frequently than do changes in household size. Typically, job loss increases the poverty risk of a household, while employment decreases it (Fouarge and Layte 2005; Obućina 2014; OECD 2008; Valletta 2006; Vandecasteele 2015). However, the likelihood of entering poverty after employment related events is lower if there has been a stable household environment (Antolín et al. 1999). With respect to income events, changes in the earnings of the household head are often associated with poverty transitions (Andriopoulou and Tsakloglou 2015; Jenkins 2011). Earlier studies have also emphasised the role of other household members' earnings, particularly with respect to escaping poverty (Andriopoulou and Tsakloglou 2015; Jenkins 2011). In general, those who exit poverty experience substantial increases in their income (Vaalavuo 2015).

## 4.3 Spells and trajectories of poverty and economic disadvantage

Many measurement points enable the analysis of dynamic patterns of poverty. Examining dynamic patterns is important since the time spent in poverty affects the nature of poverty (Walker and Ashworth 1994). Moreover, the stability of cross-sectional poverty rates may hide longitudinal flux in poverty mobility (e.g. Jenkins 2000, 2011). Poverty dynamics are typically examined through a spell framework since poverty spells usually have a beginning and an end (Walker 1998). The focus of this framework is on consecutive observations within a given state, such as being poor. Bane and Ellwood (1986) defined poverty spells as continuous periods during which income falls below the poverty line. Another possibility is studying the longitudinal patterns of poverty. This approach takes incidence, prevalence, and spell repetition elements into account (Jenkins 2000).

Previous studies have used different spell-classifications. These include, for instance: the long-term (persistent) poor, transitory poor, economically vulnerable, and financially secure (Duncan et al. 1993); the transient poor, mid-term poor, recurrent poor, and long-term poor (Andriopoulou and Tsakloglou 2011); the persistent non-poor, transient poor, recurrent poor, and persistent poor (Fouarge and Layte 2005); as well as those who stay in poverty, those who do not stay in

poverty, and those who move (Moisio 2004). These classifications distinguish individuals who are consistently poor from those who are never or seldom poor, as well as from those who are only poor for a short period of time. An advantage of such classifications is that they consider the dynamic character of poverty more precisely than dichotomic non-poor versus poor classifications or analyses that only focus on the entries and exits of poverty.

Using ECHP data from the mid-1990s, Fouarge and Layte (2005) calculated that around two thirds of individuals in Europe did not experience poverty during a five year follow-up period. A more recent study, conducted using EU-SILC data, showed that during a four year follow-up period (2009–2012), an average of 37 percent of those who experienced poverty were poor for only one year, while only a fifth of the poor had been poor throughout the follow-up period (Vaalavuo 2015). In general, countries with the highest cross-sectional at risk poverty rates also have higher levels of persistent or recurrent poverty (Jenkins and Van Kerm 2014; Vaalavuo 2015). Unsurprisingly, in countries where cross-sectional poverty rates are higher, the share of those experiencing poverty during a given period is also higher (e.g. Vaalavuo 2015).

In recent years, a strand of research has emerged that focusses on trajectories or sequences of poverty or economic disadvantage. This research field seeks to identify typical trajectories by considering the differences in the sequences or trajectories of individuals. Such research thus seeks to identify meaningful subgroups of individuals who experience similar developmental patterns (Eggleston Doherty et al. 2009). This approach differs from the spell-classification approach because it is not based on *a priori* classifications of longitudinal patterns. Approaches focussing on trajectories have shown to be promising for illustrating life course patterns of poverty or economic disadvantage. For instance, Leen Vandecasteele (2010) used latent class analysis to examine poverty trajectories after individuals left the parental home. She identified four kinds of trajectories: 1) persistent non-poor, 2) people at transient poverty risk, 3) people at longer-term poverty risk, and 4) late poverty entrants. The extent of these trajectories varies between European countries (Vandecasteele 2010). Nonetheless, such studies have been relatively scarce.

Although studies have illustrated that long-term spells of economic difficulty are relatively common, whether economic difficulties themselves increase the risk of experiencing difficulties in the future is another question altogether. A specific research field has emerged to focus on the state and duration dependence in poverty. 'True' state dependence in poverty can be defined as poverty experienced in one year raising the risk of being poor in the next year (see Heckman (1981) regarding state dependence). State dependence implies that financial difficulties affect the preferences and behaviour of individuals (cf. Contini & Negri 2007),

while duration dependence means that the time spent in poverty affects the probability of remaining in that state.

Research on state dependence can answer the question regarding whether there is a vicious circle of poverty. The notion that poverty causes poverty emphasises the fact that poverty is a social problem which needs to be tackled. The existence of the state dependence in poverty thus emphasises the importance of lifting individuals out of poverty as soon as possible. In fact, earlier studies have found signs of state and duration dependence in poverty (e.g. Andriopoulou and Tsakloglou 2011; Cappellari and Jenkins 2004; Finnie and Sweetman 2003). In other words, the longer the time spent in poverty, the smaller the probability of escaping poverty. Moreover, there is also state dependence with respect to (re-)entering poverty. The longer an individual remains out of poverty, the smaller the odds of re-entering poverty (e.g. Andriopoulou and Tsakloglou 2011; Finnie and Sweetman 2003). Studies have also found that while unobserved characteristics explain state dependence in poverty, they only do so partially (Andriopoulou and Tsakloglou 2011; Cappellari and Jenkins 2004). That these characteristics are unable to fully explain the dependence suggests that poverty can have true state dependence. Moreover, recent studies have shown that there can also be true state dependency in social assistance recipiency (Bäckman and Bergmark 2011; Immervoll et al. 2015; Mood 2013).

## 4.4 Intergenerational transmission of income and disadvantage

The movement between different strata and income classes can be referred to as social or income mobility. The majority of individuals would likely argue that everyone be able to move to a different socio-economic position despite their social background. However, according to a wide range of studies, parental background is a strong predictor of children's social status and well-being (see e.g. Bowles and Gintis 2002; D'Addio 2007; Duncan et al. 2013; Ermisch et al. 2012; Jenkins and Siedler 2007). In general, parental income and wealth are strong determinants of the economic status of the next generations (Bowles and Gintis 2002).[12] These findings illustrate that (dis)advantage is transmitted across generations.

High social mobility is seen as desirable for societies. Indeed, high mobility is a sign that talented and hard-working individuals have a chance of getting the rewards they deserve (OECD 2011a). However, parents transmit well-being to their children. The intergenerational transmission of social status involves better off families passing on wealth, human and social capital, as well as values and

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[12] When considering potential factors other than parental income, the effect of parental incomes on that of their children's income or poverty is reduced, but does not disappear (Jenkins and Siedler 2007; Sirniö et al. 2016).

aspirations to their children. As a result of this process, children inherit better social positions. (Hout and DiPrete 2006; Piketty 2000.) Breaking the intergenerational transmission of disadvantage may be an effective policy against poverty and social exclusion (D'Addio 2007). This is also underscored by the fact that income persistence across generations is highest in the tails of income distribution in Finland (Sirniö et al. 2013; Sirniö, Martikainen, et al. 2016). In other words, the position of parents in the bottom or top of the income distribution is most likely to be reproduced among their children.

Several scholars have linked social mobility to inequality (for a review, see Blanden 2013). Previous studies have established that intergenerational income mobility is higher in the Nordic countries than the US (Aaberge et al. 2002; Björklund and Jäntti 1997; Jäntti et al. 2006; Jenkins and Siedler 2007).[13] This can be explained by the fact that higher economic inequality is associated with lower income mobility (OECD 2011a). This notion is also emphasised by findings that, in Europe, parents' attributes have the weakest association on their offspring's poverty rates under a social democratic regime, such as the Nordic countries (Whelan et al. 2013).

While it is widely acknowledged that parental background is linked with different socio-economic outcomes of children, it is less clear which mechanisms are behind this association. It is likely to result from a combination of different mechanisms. Generally speaking, parents may give their children an advantage in three ways: 1) the transmission of economic advantages through social connections facilitating access to sources of human capital, such as jobs or admission to particular schools or colleges; 2) the genetic transmission of characteristics valued in the labour market; and 3) by shaping skills, aptitudes, beliefs, and behaviour through family culture, as well as other monetary and nonmonetary investments. In other words, both opportunity structures and socio-psychological mechanisms are related to the transmission of resources from the family to the child (Almquist 2016). Scholars have identified multiple mechanisms behind the effect of family experiences and problems on offspring during childhood, adolescence, and the

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[13] However, a more recent study using other mobility measures has shown that the mobility in the US is close to the levels of Sweden and Canada (Corak et al. 2014). Moreover, another study has shown that an increase in inequality in the US has not resulted in a decrease in income mobility (Chetty et al. 2014). Although, some studies state that a decrease in income mobility has occurred in the US (e.g. Aaronson and Mazumder 2008), while others claim that there has not been a change (Hauser 2010; Lee and Solon 2009). Similarly, a study conducted in Finland found that there would not have been any changes in intergenerational income mobility despite simultaneous increases in income inequality (Sirniö, Kauppinen et al. 2016). Lastly, it should be noted that the number of countries included in comparative such analyses of intergenerational income mobility is limited due to the fact that comparable data is difficult to find (Blanden 2013).

transition to adulthood. These mechanisms include a lack of stable role models, heightened family stress, lowered levels of parental investment, weakened emotional bonds between parents and their children, lowered levels of social capital and social control, the inability to provide an environment conducive to cognitive and psychosocial development, as well as a lack of hope in one's future (Shanahan 2000).

Previous research has also shown that there are signs of intergenerational transmission of poverty and welfare dependency—that is, that poverty or welfare recipiency is transmitted from parents to children. The intergenerational transmission of social assistance has also been observed in Nordic countries (Moisio et al. 2015; Moisio and Kauppinen 2011; Stenberg 2000). There is a wide range of theories regarding the intergenerational persistence of poverty or welfare recipiency. Mead (1982) has emphasised that welfare recipiency in the family affects behaviour, as well as the norms and values of both parents and children, resulting in the intergenerational persistence of poverty. Murray (1984) argued that the welfare state—rather than the family—creates the incentives to remain on welfare rather than work. The welfare dependency hypothesis is based on a similar idea: namely, that the welfare system causes poverty by creating incentives to remain unemployed, thereby lowering the stigma of welfare use and educating individuals on how to use the system effectively (Jenkins and Siedler 2007). Meanwhile, the culture of poverty hypothesis holds that poverty is a result of people's values or norms and poverty is transmitted to children through such mechanisms (Lewis 1966). However, these theories are highly controversial. Indeed, there are indications that the intergenerational transmission of social assistance receipt can be explained by social assistance receipt being associated with accumulation of social problems (Ringbäck Weitoft et al. 2008; Stenberg 2000).

Parental poverty affects children in multiple ways. First, economically disadvantaged families may experience stress, which affects human development. Economic stress, as well as other stressful life events, can result in psychological distress in poor parents, influencing their parenting practices (e.g. McLeod and Kessler 1990). Second, children are affected by a combination of endowments and parental investments (Becker 1991). Indeed, the main resources that parents can invest in their children are time and money. The parents instil genetic predispositions, as well as values and preferences. Third, as mentioned earlier, there has been some discussion regarding the inheritance of a culture of poverty (e.g. Lewis 1966). Children adapt the behaviour and values of their parents (Magnuson and Votruba-Drzal 2009). This thinking supposes that social problems—such as joblessness, criminal activity, and welfare dependency—are transmitted from parents to children (Magnuson and Votruba-Drzal 2009). The

literature on social mobility has also examined neighbourhood effects, finding that family is more important than the neighbourhood in which an individual lives (Björklund and Jäntti 2009).

Research on social mobility has also emphasised the role of education as having the potential to increase mobility. Indeed, education has been regarded as the most important factor explaining the inequality transmitted across generations (Björklund and Jäntti 2009; Breen and Jonsson 2005; Hout and DiPrete 2006). Therefore, providing educational opportunities to the lower strata of the population may increase social mobility. The welfare state can use education as a tool for shaping the processes of the intergenerational transmission of advantage and disadvantage (Ermisch et al. 2012). For instance, the comprehensive school reform implemented in Finland in the 1970s has been shown to have significantly increased equality in education (Pekkarinen et al. 2006). Moreover, higher spending on education (as a share of GDP) is associated with higher mobility (Blanden 2013).

## 4.5 Summary of earlier research

In general, studies examining economic difficulties among young adults are scarce. Indeed, the number is even lower if we focus only on those that have analysed the dynamics of economic difficulties. In utilising the life course perspective and longitudinal data, this study is in line with the recent emphasis on the argument that policy proposals for young Europeans should be based on this kind of approach (see Berrington et al. 2017).

Some general remarks can be made with respect to the findings of earlier studies on the dynamics of economic difficulties among young adults. While poverty and economic disadvantage peak in young adulthood, poverty and social assistance receipt are typically temporary among young adults. Economic difficulties are often related to various common transition into adulthood markers, such as moving away from the parental home, building a family, and living alone. Moreover, young adults experience instability in the labour market and are vulnerable to the effects of recessions. Both life course research and research on the intergenerational transmission of disadvantage have shown that poverty and other forms of disadvantage are transmitted across generations. In other words, young adults from disadvantaged social backgrounds are more likely to experience economic difficulties. Overall, there has been an emphasis on taking both social background and different life-course factors into account simultaneously.

Given the relatively limited number of studies, many questions remain unanswered. As such, this study provides new insights. While we know that the prevalence of economic difficulties is high among young adults, less is known

about dynamic patterns and the factors associated therewith. This is particularly interesting in the Nordic context. Indeed, it has been demonstrated that poverty and social assistance receipt is typical among young adults in Nordic countries, and that some life-course events—such as leaving the parental home—occur particularly early in these countries.

This study also contributes to life course research, providing new and additional information about how different time-varying and time-invariant factors are linked with individual life courses. The interplay between social background and different life-course events is in particular need of further attention, particularly insofar as little is known about how social background is associated with the link between different life-course factors and the risk of experiencing economic difficulties. We can also learn more about the interplay between gender and different life-course events among young adults. This thesis thus seeks to illustrate how various life-course events are associated with economic difficulties. Attention to these dynamics will also provide insight into the (relative) role of different life-course events among young adults—such as events related to employment and family formation, for example. Some life-course events are particularly interesting with regards to young adults. Indeed, despite the recent interest of life course research in how and when young adults leave and return to the parental home, not much is known about returning to the parental home as a dimension of the dynamics of economic difficulties. While several studies have shown that leaving the parental home is associated with an increase in poverty risk, only a few have examined returning the parental home as a possible route out of poverty.

It should also be mentioned that despite the availability of high-quality register data, life course research can be categorised as an emerging research field in Finland. Although recent studies have utilised the life course perspective (e.g. Berg 2017; Karhula 2017), such research has not concentrated on poverty or economic disadvantage. As such, this dissertation provides new information on poverty and economic disadvantage in Finland from the life course perspective while demonstrating different empirical approaches to the analysis of economic difficulties among young adults.

# 5 The Finnish context: economic development and changes in the welfare state during the observation period

The prevalence of economic difficulties is always related to the economic situation of the society in which individuals live. For instance, economic difficulties can be closely related to unemployment.[14] Young adults are particularly vulnerable to economic situation (Eurofound 2014). Moreover, the number of social assistance recipients is associated with the development of labour market (Bergmark and Bäckman 2004; Lorentzen et al. 2014). This dissertation utilised individual-level data from the mid-1990s to 2012, a period in which Finland experienced both economic downturns and upturns (regarding the data used, see chapter 7.1).

Although this study focusses on the period from the mid-1990s, a discussion of the economic development that occurred during the early 1990s is useful since it had long-lasting effects on the Finnish welfare state. Between 1990 and 1993, Finland experienced a severe economic crisis due to the financial deregulation and overheating of the economy, compounded by the demise of the Soviet Union hurt export industry (Jonung et al. 2009; Kalela et al. 2001). This crisis resulted in a significant increase in unemployment. Indeed, it was one of the worst among OECD countries, with the monthly rate of unemployment measuring as high as 20 percent.

The period from the mid-1990s and 2007 was characterised by relatively strong economic growth. A boom period occurred around the turn of the century, with international trade, globalization, and the growth of the ICT sector boosting the economy significantly, while the demand for skilled labour pushed up the wages of the highest-skilled employees (Blomgren et al. 2012). However, the early 2000s were also impacted by the dot-come bubble, which slowed down economic growth (ibid.). A global financial crisis emerged towards the end of the decade, hitting

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[14] The characteristics associated with the school-to-work transition or family formation can also be important factors explaining the degree of economic difficulties. Section 2.4 discussed these in regard to Finland and other European countries.

Finland in 2008. The next years were marked by instability: particularly hard hit in 2009, the Finnish economy managed to recover in 2010 and 2011, before falling back into recession in 2012 (European Commission 2016). Even in 2016, Finland's GDP remained below the level achieved before the start of the 2008 financial crisis (European Commission 2016). Meanwhile, although unemployment did not increase to levels experienced during the economic crisis of the early 1990s, unemployment rates—particularly those among the youth population—remain higher than they were before 2008 (Aassve et al. 2013; Eurofound 2014).

Between the mid-1990s and early 2010s, the Finnish welfare state experienced a number of structural and institutional changes best described as welfare state retrenchments (Kuivalainen and Nelson 2012; Kuivalainen and Niemelä 2010). In the 1990s, benefits were cut and compensation levels reduced, while an anti-poverty initiative was introduced as a new element of social policy in the 1990s and 2000s (Moisio et al. 2016; Nelson 2007; Nordlund 2000). This anti-poverty policy essentially emphasised targeted measures to help the poor. In combating poverty, Finland effectively shifted from the idea of universalism to that of selectivism (Kuivalainen and Niemelä 2010).

Broadly speaking, the level of redistribution in Finland decreased over recent decades (OECD 2011a). For instance, the adequacy and the efficacy of social assistance in terms of poverty reduction has decreased (Kuivalainen and Nelson 2012). In fact, the basic amount of social assistance has not corresponded to the growth in average income for several decades (Moisio et al. 2016). This appears to be the result of insufficient indexation, as well as a decrease in the taxation of earnings between the mid-1990s and 2013 (Moisio et al. 2016). Yet, the level of social assistance and basic unemployment benefits were increased in 2012.

There has been a general trend towards activation in basic social security benefits in Finland since the mid-1990s (Kananen 2012). The aim of these activation schemes has been to move people back into employment (ibid.). Current social assistance involves stricter work testing, sanctions, and means testing than it did before the mid-1990s (ibid.). Countries have adopted various active labour market policies in an attempt to combat high unemployment rates among young individuals (Caliendo and Schmidl 2016; Tosun et al. 2017). Indeed, Finland has applied programs related to human capital investment, labour market training, job search assistance and monitoring, as well as wage subsidies (Tosun et al. 2017). In 2005, Finland introduced a youth guarantee programme for the first time. However, the programme had effects only among unemployed young persons with a vocational education (Hämäläinen et al. 2014). The programme did not improve the labour market prospects of young uneducated people (ibid.). In 2013, Finland introduced a new youth guarantee programme, which seeks to provide a job,

training, study place, workshop activity, or rehabilitation for every unemployed young adult during the first three months of unemployment.

It is also important to highlight the development of income inequality and income poverty during the period examined by this dissertation. Poverty rates and income inequality have been increasing in Finland since the economic recession of the early 1990s. However, these increases were particularly pronounced towards the end of the decade (Blomgren et al. 2012). Indeed, Finland has experienced the highest growth in poverty rates and income inequality among the OECD countries over the past few decades (OECD 2008, 2011a). While the development of income inequality remained relatively stable in the 2000s, the income poverty rate continued to increase until 2008—when the country experienced another economic recession (Blomgren et al. 2012; Ilmakunnas 2014). While for the whole population the in-work poverty rate remained at a relatively low and stable level during the years 1990–2010 in Finland, among 18- to 24-year-olds the rate increased substantially (Palviainen 2018). Moreover, while the number of social assistance recipients has decreased, the figure remains higher than it was before the economic crisis of the 1990s (Kuivalainen 2013).

# 6 The aim of this study

The aim of this study is to identify and examine the patterns of economic difficulties found during the transition into adulthood in Finland, as well as the individual and family characteristics associated with such experiences. In order to achieve this objective, this study utilises Finnish register data. This dissertation examines economic difficulties through four individual research articles, each of which have their own research questions and designs.

In general, there has been a lack of research analysing economic difficulties among young adults using longitudinal data. This is especially true of studies centred on Finland. Indeed, Nordic countries make an interesting research case since they have high poverty rates among young adults, but a relatively low poverty rate among the total population. In regard to the transition into adulthood, earlier research has shown a marked tendency to concentrate on family formation or school-to-work transition patterns among young adults. Moreover, research analysing poverty or economic disadvantage has typically used cross-sectional data, while studies utilising longitudinal data have often focused on either transitions or trajectories. Rarely transitions and trajectories have been analysed jointly.

This dissertation examines economic difficulties during the transition into adulthood from the life course perspective. Since this study investigates transitions and trajectories, a multidimensional view is applied in analysing individual life courses. Explanatory variables are also included in the analyses in order to verify how family and individual factors are associated with economic difficulties. This study thus takes a dynamic approach to analysing individual lives and the incidence and prevalence of economic difficulties. In doing so, this thesis provides new information regarding the dynamics of economic difficulties during the transition into adulthood. A versatile set of statistical methods employed in life course research has been applied in analysing the transitions and trajectories (see chapter 7.4).The analyses are included and reported in the four published research articles (sub-studies), while the main results are summarised in chapter 8.

The objective of this study comprises the following research questions, which constitute the sub-studies of this research project:

- How employment and demographic events are associated with the first poverty transitions (poverty entries and exits) among young adults after leaving the parental home? (sub-study I)
- How social background and critical life-course factors predict the number of months of social assistance received annually among young adults aged 19–29? (sub-study II)
- What kinds of social assistance trajectories can be found among young adults and how different individual and family factors predict trajectory group membership? (sub-study III)
- Do Finland, Norway, and Sweden share the same general types of school-to-work trajectories, and is family establishment related to school-to-work sequences in Nordic countries? (sub-study IV)

# 7 Data and methods

## 7.1 Data

Panel data are needed to conduct longitudinal analysis. Panel data refers to data in which observation units have measurements from different points in time. Using panel data and appropriate methods, a study can answer specific research questions more convincingly than it can through other research designs (Andreß et al. 2013). Panel data enable the analysis of changes in poverty or economic disadvantage at the individual level. According to Singer and Willett (2003, 9), there are three data requirements to examine change at the individual level: 1) multiple waves of data, 2) a sensible metric for data, and 3) outcome variables that change systematically over time. The high-quality Finnish register data used in this study satisfy these requirements.

Today, there are more and better datasets for analysing the dynamics of poverty and economic disadvantage. Indeed, some of the oldest panel surveys available in Western countries have been conducted for decades; for instance, the British household Panel Survey has been conducted since 1991, and the German Socio-Economic Panel since 1984 (Andreß et al. 2013; Jenkins 2011). However, collecting panel surveys can be expensive, because collecting data from multiple time points is time consuming (Andreß et al. 2013, 11). Moreover, attrition—people not answering the panel questionnaires and thus dropping out of the survey—commonly occurs, negatively impacting the quality of the data (Jenkins 2011: 72–75). Nordic countries provide researchers rich opportunities in terms of register data (Jenkins 2011: 57–61; Olsen 2011). Indeed, large sample sizes, reduced measurement error due to recall and the reporting of issues, as well as almost non-existent attrition, make administrative registers a very useful data source for different kinds of analyses (Jenkins 2011: 57).

This thesis is based on Finnish register data, which is an excellent data source for analysing the incidence of poverty or economic disadvantage. For instance, vulnerable population subgroups—or other hard-to-reach groups—can be difficult to examine using surveys due to non-response. Register data provide reliable information (i.e. no recall error problems) on measures related to factors like income, for instance. Register data are also a useful source of information for

measuring parental background. For example, an individual may not know or find it difficult to recall the socio-economic position of their parents or whether they received social assistance (see Moisio and Karvonen 2007).

However, register data cannot be used to examine economic difficulties using subjective measures. Consequently, it is necessary to apply the objective approach to analysing economic difficulties. It should also be kept in mind that the information is based on administrative registers. This has various implications. The data do not include information on income sources excluded from the registers (such as financial assistance from family members). Moreover, an individual can remain on the registers for a variety of other reasons, included their travelling abroad for an extended period of time. In the data used, only those individuals who have registered as jobseekers at an employment agency are categorised as being unemployed. Moreover, while individuals could have different kinds of accommodation arrangements, only that included in the administrative registers can be used in analysis.

Finnish register data used in this thesis was combined by Statistics Finland from different population register data sources. The data is based on a 25 percent sample of individuals born between 1977 and 1994. Furthermore, while the data include information from 1991–2012, the majority of variables only have data content from 1995 onwards. This means that the data are particularly useful for analysing young adults. Only those individuals who lived in Finland for at least one year between 1991 and 2012 are included in the data; whether an individual was living in Finland is based on information regarding the last day of the year. The data were ordered from Statistics Finland in 2010.[15] However, the latest year available in this version was 2008, and the youngest cohort was born in 1990. Therefore, the data were updated in 2014.[16] The updated data include new cohorts, new years, and some new variables. In sub-study IV, register data for Norway and Sweden was also used; data for these countries resembles Finnish register data. Data from different countries was not merged due to restrictions by the national statistical authorities. For this reason, a researcher from each country conducted country-specific analyses.

In addition to the individuals in the sample, the data provide information on the head of the household and their spouse for the years in which they lived in the same household as the sample person. The data also contain information on the biological parents of the sample persons, as well as any biological siblings. The data have been structured so that the main module includes information regarding the sample person, while that regarding other individuals were included in their

[15] Statistics Finland, contract number TK-52-598-10.
[16] Statistics Finland, contract number TK-52-1192-14. The information regarding the data application is based on personal communication with Timo M. Kauppinen.

own data modules. As a result, it is possible to link the information of parents, siblings, and spouses with the information of the sample persons.

In addition to basic demographic information, the data include variables measuring employment, main activity status, education, social assistance, and income. The data include one observation for each variable for each calendar year. Information on household characteristics, highest educational attainment, and main activity status is based on the situation at the end of the year. A different set of cohorts and years were used in each sub-study. The selection of individuals was based on the research questions, as well as the length of follow-up used in the research articles. Since all studies centre on the transition into adulthood, the selected age limits were related to this phase of life. Table 1 illustrates the cohorts, years, number of individuals, number of person-years used, and selection criteria for each sub-study.

**Table 1.** The cohorts, years, number of individuals, number of person-years, and selection criteria for each sub-study

| Article | Cohorts | Years | Age | Number of individuals | Number of person-years | Selection of individuals |
|---|---|---|---|---|---|---|
| Sub-study I | 1984–1993 | 2007–2012 | 18–24 | 18 527 (at risk of poverty entry), 42 648 (at risk of poverty exit), and 46 112 (at risk of poverty exit or moving back to the parental home). | 36 349 (at risk of poverty entry), 80 855 (at risk of poverty exit), and 86 234 (at risk of poverty exit or moving back to the parental home). | Information on consecutive person-years was utilised. The length of the follow-up period varied from two to six years. The follow-up of the individuals started when they moved away from the parental home. |
| Sub-study II | 1980–1983 | 1999–2012 | 19–29 | 33 174 men and 31 568 women | 360 881 men and 341 932 women | Unbalanced; those individuals who had lived at least two years in Finland during the follow-up period with information on all independent variables. |
| Sub-study III | 1981–1987 | 2000–2012 | 19–25 | 108 645; random sample of 20 000 used in the analyses. | 140 000 | Balanced follow-up of seven years. Those individuals with information on all independent variables. |
| Sub-study IV | 1977 | 1995–2007 | 18–30 | 15 611; random sample of 15 000 used in the analyses. | 195 000 | Balanced follow-up of 13 years. Those individuals with information on all independent variables. |

Note: Sub-study IV also used register data from Norway and Sweden. However, the data were not merged due to restrictions by the national statistical authorities. For Sweden, information on the cohort born in 1975 was used. Both Norwegian and Swedish data were based on full population data; however, a random sample of 15 000 cases from these countries was also used in the analyses.

## 7.2 Measures of economic difficulties used in this research

This section details the measures used by this dissertation to analyse economic difficulties: namely, a relative income poverty measure, social assistance receipt, and an income maintenance model for Social Exclusion and Labour Market Attachment (SELMA) (also see chapter 3.3). Table 3 presents the variables used in this study (chapter 7.3).

Sub-study I utilised a relative income poverty measure, in which the poverty line was calculated as 60 percent of the national median equivalent disposable income.[17] In this measure, the poverty line varies year by year according to the income distribution. The poverty threshold was calculated as a distance from the median income. Households with incomes below this threshold were calculated as being poor. Equivalized incomes were used in this sub-study. By considering the number of people (usually the number of adults and children) in the household, equivalence scales make households of different sizes comparable. The total incomes of the household are divided by the equivalence scale, thus producing equivalized incomes. At the EU-level, the so called 'modified OECD scale' has been the most frequently employed scale in recent years. In this scale, a value of 1 is assigned to the first adult in the household, 0.5 to each other adult, and 0.3 to each child below the age of 14. Sub-study I uses a similar scale; however, children were defined as those under the age of 18 due to data constraints.

This dissertation examines social assistance recipiency among young adults in sub-studies II and III. Social assistance is a means-tested last-resort form of financial assistance in Finland. Until the end of 2016, municipalities were responsible for the administration of social assistance in Finland.[18] This study used information regarding the number of social assistance months during a calendar year (0–12). This provides a more nuanced picture of economic disadvantage during a calendar year in comparison to a dummy-variable indicating annual social assistance receipt. The number of months gives information on the severity of disadvantage. Moreover, information is lost if the annual number of months is turned into a dummy-variable. In Finland, there is also a means-tested unemployment benefit labour market subsidy, which is intended for those who are unemployed but not eligible for other unemployment benefits. Unfortunately, it was not possible to analyse labour market subsidy using the data. However, as there are restrictions in labour market subsidy with regards to young adults, it would have been problematic to use it as an indicator of economic difficulties with

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[17] The poverty thresholds were calculated using time-series of the Income Distribution Statistics (IDS) (Statistics Finland, contract number: TK-53-632-13).

[18] From the beginning of 2017 onwards, the Social Insurance Institution (Kela) has been responsible for handling of basic social assistance while municipalities are still responsible for the administration of supplementary and preventive social assistance.

respect to this population subgroup. Those below the age of 25 who are without vocational education need to apply to vocational education in order to be eligible for the labour market subsidy, and it is not usually provided to those living with their parents. These restrictions partially explain the high rates of young social assistance recipients in Finland (Raittila et al. 2018).

Sub-study IV is comparative. In order to analyse the dynamic patterns between countries, it is important that the categories employed are comparable between countries and over time. To ensure comparability in regard to labour market attachment and educational activity in Finland, Norway, and Sweden, sub-study IV utilised an income maintenance model for Social Exclusion and Labour Market Attachment (SELMA) (Bäckman et al. 2015; Korpi et al. 2015). This model uses income information obtained from register data to categorise young adults according to their positions in the labour market. This model has already been implemented as a measure of labour market attachment in several comparative analyses utilising Nordic population registries (Bäckman et al. 2015; Korpi et al. 2015), and has thus been subjected to sensitivity analyses to ensure comparability (Korpi et al. 2015).

To construct the model, a baseline value (G) was set at 25 percent of the median gross annual income of each country; categories were then created by comparing annual labour market income to that amount. Information on enrolment and education was also used in identifying students. Sub-study IV thus defined four discrete, mutually exclusive annual categories: namely, the core labour force, unstable labour force, students, and NEETs. These annual categories are shown in Table 2.

**Table 2.** Annual categories of the SELMA model (Lorentzen et al. 2019)

| | |
|---|---|
| **Core labour force** | Annual labour market income[i] of at least 3.5 G.[ii] |
| **Unstable labour force** | Annual labour market income between 0.5 G and 3.5 G. |
| **Student** | Not belonging to any of the categories above AND enrolled in education AND receiving a labour market income below 3.5 G. |
| **NEET** | Not belonging to any of the categories above AND on extended sick leave (90 days or more) OR disability pension OR unemployed for 182 days or more AND receiving a labour market income below 0.5 G. |

[i] Labour market income included earnings and income from work related social insurance benefits (e.g. sickness benefits and family allowances), but excluded unemployment benefits, student allowances, and pensions.

[ii] 3.5 G approximates to an annual full-time income for the lowest-paying jobs in Sweden. Sensitivity analyses indicate that this threshold is also valid for other Nordic countries (Korpi et al. 2015).

## 7.3 Other socio-economic and demographic variables

Table 3 presents both the dependent variables and independent variables (i.e. other socio-economic and demographic variables) used in this thesis. Independent variables are divided into three broad categories: those referring to social background, those referring to different life-course factors, as well as other variables and control variables. This section details the use and the definition of these variables in regard to each sub-study.

**Social Background**. In sub-study I, parental background was measured using the poverty status of the family in the year before the sample person moved away. In sub-studies II and III, social background was measured using dummy-variables for parental unemployment, low parental education, and parental social assistance receipt. These variables were measured from the year in which the sample person turned 15. The variable for parental social assistance receipt received a value of 1 if parents had received social assistance. The variable for parental unemployment received a value of 1 if parents in the household experienced unemployment. The variable for low parental education received a value of 1 if parents living in the household only had a qualification from compulsory education.[19] Sub-study IV used variables for parental income, parental social assistance receipt, and parental education. These variables were measured from the year in which the sample persons turned 18. This age was selected due to the differences in data between countries. In sub-study IV, the highest level of parental education attained was measured using a categorical variable with three groups: 1) having a compulsory education qualification, 2) having an upper secondary education, and 3) having a tertiary education.

**Life-course factors**. Sub-study I used several life-course variables. The variable for enrolment in education measured whether the sample person was enrolled in education in the autumn of the observation year. The highest level of education attained was measured using a categorical variable with three groups: 1) having only a compulsory education qualification, 2) having an upper secondary education, and 3) having a tertiary education. A dummy-variable for living in a rural municipality received a value of 1 if sample person's residential municipality was categorised as a rural municipality by Statistics Finland (otherwise the value was 0). A variable indicating whether the sample person was the only adult in the household was also included in the models (a value of 1 if yes, a value of 0 if there were other adults living in the household). Having one's own children was measured using a dummy-variable that received a value of 1 if the sample person had children (otherwise the value was 0). Variables for annual number of

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[19] In the Finnish context, compulsory education refers to a nine-year education which consists of a six-year primary school and three-year middle school.

employment months of the sample person's spouse received values between 0–12. Sub-study 1 also included regression models in which moving back to the parental home was used as a dependent variable (see Table 3 for the categorisation of this variable). Having one's own children, living in a single-adult household, and living in a rural municipality were included as a lag-variables to avoid parental status influencing the interpretation of the estimates in these models.

Sub-study II used several variables indicating so-called life-course factors: namely, low education, living in a single-adult household, having one's own children, and the annual number of unemployment months. As a result of the statistical method used (see chapter 7.4), time-variant variables were measured as both a within-individual mean and deviations from the individual mean. The variable for low education received a value of 1 if the sample person only had a qualification for compulsory education (otherwise the value was 0). The variable for living in a single-adult household received a value of 1 if the sample person was the only adult in the household (otherwise the value was 0). Having one's own children was measured using a categorical variable with three groups: those who did not have their own children, those who had one child, and those who had two or more children. The annual number of unemployment months received values between 0 and 12.

Since sub-studies III and IV focused on trajectories, the variables for life-course factors were measured somewhat differently to those in sub-studies I and II. In sub-study III, life-course factors were measured from the year in which the sample person turned 19. Variables indicating whether the sample person had children and whether the sample person lived with their parents were also included in the model. The sub-study also included a variable measuring whether an individual lived in a rural municipality. The variable indicating a short education received a value of 1 if sample person did not have a post-compulsory education qualification and was not enrolled in education at the age of 19 (otherwise the value was 0).

In sub-study IV, having one's own children was measured using a categorical variable comprising three groups: 1) those who did not have children during the follow-up period, 2) those who had their first child before the age of 24, and 3) those who had their first child between the ages of 25 and 30. Like sub-study III, this sub-study also measured highest educational attainment using a categorical variable with three groups; however, the information was based on the education level at the age of 30.

**Other variables and control variables.** Other variables refer to time-invariant variables that are not related to parental background. Control variables refer to variables that were used in the regression models, but the estimates of which were not reported. Control variables may partially overlap with the variables used to indicate life-course factors in some of the sub-studies.

Other and control variables include variables such as age, year, year of birth, and gender. Additionally, all sub-studies had a variable pertaining to the country of birth: the variable received a value of 1 if the sample person had been born in a country other than Finland (a value of 0 was given if the sample person was born in Finland). Sub-studies II and III controlled for whether the parental family of the sample person was a single-parent family (a value of 1 was given for single-parent families, otherwise the value was 0). Several other variables were controlled in sub-study II, including enrolment in education. The variable for living in the parental home received a value of 1 if the sample person lived with their parents (otherwise the value was 0). Whether the sample person was living in a rural municipality was also controlled.

**Table 3.** The variables used in this study

| Variables | Sub-study I | Sub-study II | Sub-study III | Sub-study IV |
|---|---|---|---|---|
| Dependent variables(s) | Income poverty (1 = poor, 0 = not poor). Focus on poverty entries and exits. Additionally, a categorical variable was used that had three categories: 1) staying in poverty, 2) poverty exit, 3) move back to the parental home. | Annual number of social assistance (0–12). Additionally, descriptive analyses used a dummy-variable for the annual social assistance receipt. | Trajectories identified using the annual number of social assistance months (0–12). Additionally, descriptive analyses used a dummy-variable for the annual social assistance receipt. | Trajectories identified using the SELMA model (four annual categories: core labour force, unstable labour force, student, NEET). |
| **Independent variables** | | | | |
| *Social Background* | Poverty status of the family before sample person moved away. | Parental unemployment, low parental education, and parental social assistance receipt. | | Parental income, parental social assistance receipt, and parental education. |
| *Life-course factors* | Living in a rural municipality, enrolment in education, highest educational attainment, annual number of employment months (own and spouse's), number of children, and living in a single-adult household. | Low education, living in a single-adult household, number of own children, and the annual number of unemployment months. | Short education, having one's own children, living in the parental home, and living in a rural municipality. | Living in the parental home, highest educational attainment, and having one's own children. |
| *Other variables and control variables* | Age, duration of (non-)poverty spell, gender, and country of birth. | Age, year, country of birth, enrolment in education, living in a rural municipality, living in the parental home, and number of adults in the parental home. | Country of birth, number of adults in the parental home, and year of birth. | Gender and country of birth |

## 7.4 Statistical methods

This thesis utilises a comprehensive set of statistical methods to examine economic difficulties during the transition into adulthood. These methods include event-history analysis, the hybrid regression method, growth mixture models, and sequence analysis. These methods are also useful in analysing longitudinal data. Some of the methods or their applications used have seldom been utilised by poverty researchers.

Indeed, the methods employed by this dissertation are frequently used by life course researchers. Nonetheless, while the life course perspective has become increasingly popular, its analytical tools have been inadequate for utilising the perspective to its full potential until recent years (Brzinsky-Fay 2014). At the individual level, trajectories and events construct the individual life course (Billari 2005; Elder 1985; Elder and Shanahan 2006). Life course analyses can be divided into two strands of research: namely, 'event-based approach' and the 'holistic approach' (Billari 2005; Mayer 2009). The 'event-based approach' deconstructs individual life courses into events and examines the factors that are associated with timing of these events. In contrast, the so-called 'holistic approach' attempts to take the whole picture of individuals' life courses into account (Billari 2005.) Instead of choosing between these approaches, this thesis examines life courses by applying both of them. As such, this dissertation applies a multidimensional approach within the field of life course research. It should be acknowledged that the statistical methods used do not as such allow causal interpretation of the results.

Both approaches are particularly useful in studying young adults' life courses. In general, the transition into adulthood has been seen as a holistic process (Billari 2005). However, in the empirical literature, this process has often studied using dichotomic events (Shanahan 2000). It has been argued that the transition into adulthood should be examined using methods that consider the configuration of statuses and sequences of transition events in accounting for both the order of events and the duration between them (Buchmann and Kriesi 2011). Moreover, many transition markers are reversible (Shanahan 2000), thus increasing the need for different analytical strategies. For example, according to the life course perspective, the school-to-work transition period should be seen as a trajectory instead of a transition (Brzinsky-Fay 2014). These notions underscore the need to apply different approaches and tools.

### 7.4.1 Event-history analysis

Event-history analysis is a standard research method for researchers interested in poverty dynamics or the incidence of life course events. In general, the method is popular among researchers using longitudinal data. In the method, the outcome is an event, which can be defined as an '*individual's transition from one discrete state to one (of several) other discrete state(s) within a well-defined interval of time*' (Andreß et al. 2013: 251). In event-history analysis, the duration from the beginning of time until occurrence of the event is modelled (e.g. Allison 1982; Singer and Willett 2003). In other words, this can be seen as the duration between entry into risk set and event occurrence (Singer and Willett 2003). Moreover, it is relatively simple to include also those spells in which event does not occur during the follow-up. Some applications of event-history analysis can also take repeatable events into account (see e.g. Stevens 1999). A particularly useful feature of event-history analysis is that explanatory variables can be included to the model (Cellini et al. 2008).

The metric of time—which can be minutes, hours, months, years, and so on—affects which kind of event-history model is appropriate (Singer and Willett 2003). When the event can be measured in precise units, models for continuous time measurement should be used. When events can occur during coarse intervals, discrete-time models are suitable. Discrete-time and continuous time models have differences in terms of estimation, parameter definition, and model construction (e.g. Allison 1982).

A convenient feature of event-history models competing events can be examined alongside single events (e.g. Allison 1982). While typical applications tend to focus on a specific event, these models provide a means of analysing competing risks. For instance, where a study may focus on the likelihood of an individual becoming employed, the models will also enable the analysis of the different occupations in which the individual may be employed (i.e. competing risks). Essentially, competing risks analysis takes into account the fact that after the occurrence of one type of event individual is not anymore in the risk set for other events included in the analysis.

Event-history analysis was used in sub-study I, wherein the event of interest was poverty exit or poverty entry. As a matter of fact, event-history models have been recommended as the primary method for analysing poverty dynamics (Cellini et al. 2008). Sub-study I examines relative income poverty using register data containing annual information. Thus, discrete-time logistic event-history models were estimated. These models give the probability of experiencing a poverty transition at year $t$, conditional on a poverty or non-poverty spell up to year $t-1$ and a set of independent variables. Additionally, moving back to the parental home was used as a competing risk for poverty exit among young adults living independently. To consider competing risks, discrete-time multinomial logistic

event-history models were estimated. These event-history models were calculated using Stata software.

## 7.4.2 The hybrid regression model

The utilization of different panel regression methods is typical in the analysis of longitudinal data. In panel data, the measurement occasions are nested within entities (individuals, countries, etc.). As a result of hierarchical data structure, panel regression methods resemble multilevel analysis (Rabe-Hesketh and Skrondal 2008). Panel regression methods are typically divided into fixed (FE) and random (RE) effects models. Over the years, there has been a rather rich and intensive debate over which of these models is preferable (e.g. Allison 2009; Bell and Jones 2015; Wooldridge 2002).

Fixed effect models analyse how within-individual changes in explanatory variables affect the dependent variable. In principal, this means that subjects work as their own controls. Fixed effects panel regression analyses are often seen as preferable to random effects models, since fixed effects models are able to consider the effects of omitted variables (e.g. unobserved stable individual characteristics) (Wooldridge 2002; Allison 2009; Halaby 2004). Omitted variables can be problematic if there is unobserved heterogeneity between individuals (Wooldridge 2002). As such, it has been argued that fixed effect models can provide more nuanced answers to questions about causal relationships (Halaby 2004). However, fixed effects panel regressions do not consider time-invariant explanatory variables because there are no changes in the values of these variables during the follow-up period. Although these characteristics are controlled, no estimates can be provided for these variables in fixed effects models. Additionally, individuals without variance over-time in the dependent variable cannot be used in fixed effects model analyses.

In light of these analytical weaknesses, random effect models have been advanced as providing greater flexibility and generalizability (Bell and Jones 2015). Random effects models also reflect the differences between individuals (Allison 2009).In these models variables, in which there is no changes in terms of the values of the variable during the follow-up period, can be included. Thus, no information is lost. Moreover, random effect models provide estimates for time-invariant variables. Researchers in the social sciences often have a particular interest in the estimates of these kinds of variables (e.g. individuals' social background or country of birth) and would thus find the fixed effect models ill-suited to their needs. Random effects models are also desirable in instances where a researcher suspects that there are no unobserved variables that correlate with the

observed variables in the model (assumption in RE model, see Allison 2009). However, such an assumption is likely to be incorrect.

Sub-study II utilised a panel regression method combining both of these approaches. This method is referred to as the 'hybrid regression method' or the 'within-between' model (see Allison 2009; Schunck 2013; Wooldridge 2002). Recent arguments have claimed that hybrid regression models are underutilised in comparison to fixed and random effects models (Bell & Jones 2015; Dieleman & Templin 2014). However, the hybrid regression model is essentially a random effects model producing fixed, random, and between effects estimators and thus able to incorporate both time-invariant and time-varying variables. Time-invariant variables also reflect differences between individuals, while time-varying variables can be used to evaluate the changes that occur in an individual's life course and within-person influences. Moreover, fixed effect estimates—that is, estimates that are not affected by unobserved heterogeneity—can be provided for time-varying variables using the hybrid model. Having estimates for both time-varying and time-invariant variables makes it possible to analyse whether these explanatory variables have independent effects. It also enables the interactions between time-variant and time-invariant variables to be calculated.

In practice, time-varying covariates are split into two variables the hybrid model. The time averages of the time-varying explanatory variables are added to the model in order to control for unobserved heterogeneity. These variables produce the 'between' estimates. Time-varying variables are also added as differences from the time averages. These variables produce fixed effect estimates—that is, the 'within' estimates. In sub-study II, the fixed effects estimates were used to demonstrate the effect of the time-varying variables (critical life course factors) on individual's social assistance receipt. The hybrid regression model produces random effects estimators for the time-invariant variables, which was social background in the context of this study. Interactions between social background and life course variables were also analysed. Since the variance of the variable of social assistance months was larger than the mean (over-dispersion), a negative binomial model was estimated. A negative binomial model is a generalisation of the Poisson distribution (Allison 2009). In sub-study II, the hybrid regression models were estimated using Stata software.

### 7.4.3 Latent class growth analysis

There has been significant interest in individual-level developmental trajectories in various fields of research—such as sociology, criminology, and psychology—in recent years. Consequently, so-called group-based modelling strategies have become relatively popular for identifying trajectories (e.g. Eggleston Doherty et al.

2009; Sampson and Laub 2005). Despite this interest, however, these methods have been underutilised in studies related to poverty or social assistance trajectories (for expectations, see e.g. Kim and Shin 2014; Vandecasteele 2010; Wagmiller et al. 2006), which tend to describe the dynamic characteristics of poverty or social assistance through recourse to a priori classifications.

Growth curve models enable the analysis of between person differences in within-person change (Curran et al. 2010). A standard growth curve model expects that individuals coming from single population and a single growth trajectory can be applied to all individuals (Muthén 2004; Jung & Wickrama 2008). For example, standard growth curve analysis can be used to model career developments by utilising occupational prestige scores (see Härkönen et al. 2016). Standard growth curve analysis is primarily interested in how individuals vary in terms of the level and growth rate. Such analysis has other benefits; for instance, it allows for the examination of how the covariates affect the level and growth rate of the variable of interest.

However, we can assume that a single growth curve does not represent heterogeneity between individuals and their developmental trajectories every time or with respect to every studied phenomenon. Consequently, sequence analysis has become a popular and interesting tool for classifying and analysing different trajectories (see chapter 7.4.3 on sequence analysis). However, sequence analysis is primarily designed for categorical variables. Group-based modelling strategies can be used to illustrate change in or development of a continuous or count variable for homogenous subpopulations.

Sub-study III utilised latent class growth analysis (LCGA), which is a group-based modelling strategy. The method captures individual differences in the intercepts, slopes, or other growth parameters (Reinecke and Seddig 2011), making it possible to distinguish latent trajectory classes (Muthén 2004; Reinecke & Seddig 2011). Group-based modelling approaches are premised on the notion that '*individuals within a group are more similar than individuals between groups*' (Jung and Wickrama 2008: 303). In LCGA, all categorised trajectories are set to be homogeneous. This method produces the posterior probabilities of each individual belonging to specific trajectories. As a result, the method quantifies uncertainty related to trajectory groups. This is a surplus compared to other methods, such as cluster analysis.

Another practical feature of group-based modelling strategies is that explanatory variables can be included as covariates in the model. This is a surplus compared to sequence analysis. This study utilised a so-called three-step approach (see Asparouhov & Muthén 2014), which made it possible to consider the uncertainty in the classification. The first step of this approach is estimating the latent class model. The second step is identifying the most likely category for each

case using the latent class posterior distribution. The third step is the regression analysis, in which latent class posterior probabilities are considered. In this three-step approach, independent variables do not affect the classification of trajectory types.

In sub-study III, the LCGA was used to identify and analyse social assistance trajectories. Social assistance trajectories were classified using the annual number of social assistance months. Since the number of social assistance months in a calendar year can be seen as a count, a model with a Poisson distribution was estimated.[20] An important step in group-based modelling approaches is selecting the number of latent trajectory classes. In sub-study III, the LCGA modelling was started by estimating models with one trajectory, before progressing to test models with a higher number of trajectories. Finally, covariates were included into the model. The number of trajectories was chosen using the Akaike Information Criterion (AIC), Bayesian Information Criterion (BIC), average posterior probabilities for each group, entropy values, group size, and theoretical interpretation. The LCGA were estimated using Mplus software (see Muthén 2004).

## 7.4.4 Sequence analysis

Sequence analysis has become a vital tool for life course researchers. Examining trajectories is a typical objective in the application of the life course perspective (Gauthier et al. 2014), and sequence analysis is useful in identifying and analysing different types of trajectories. The trajectories can be related to various factors, including housing, family formation, occupational career, or the school-to-work transition.

A special feature of sequence analysis is that trajectories can be classified using categorical variables. In each observation time point, individuals can be assigned to a specific state. States create a chronological sequence. Therefore, an individual sequence is '*the succession of the observed states for one unit of observation over a given time period*' (Gauthier et al. 2014: 5). Since individual sequences can resemble one another, typical trajectory patterns can be identified. By examining individual sequences as a whole unit, the method takes into account the real temporal nature of different phenomena (Gauthier et al. 2014). As such, sequence analysis employs a holistic approach (Billari 2001). In other words, single events or states are not seen as isolated from each other, but as part of a continuity (Aisenbrey and Fasang 2010).

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[20] Also, a model with negative binomial distribution was estimated but the model with Poisson distribution had a better fit.

Sub-study IV used sequence analysis to analyse typical school-to-work transition patterns in Finland, Norway, and Sweden. This sub-study utilised a categorical variable with four states: C=core labour force, U=unstable labour force, S=student, N=NEET (not in education, employment or training).[21] Table 4 illustrates a possible individual sequence of school-to-work transition with a 13 year follow-up period. In this sequence, the individual is defined as a student between the ages of 18 and 21; this is followed by two years with the NEET status and three years with unstable labour force participation. Between the ages 27 and 30 is a member of core labour force.

**Table 4.** An example of a possible individual sequence of school-to-work transition

| Annual states | S | S | S | S | N | N | U | U | U | C | C | C | C |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Age | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |

The first step of the applied approach was calculating the pairwise distances between sequences (Gabadinho et al. 2011; Gauthier et al. 2014). Essentially, pairwise distance or dissimilarity between sequences refers to '*estimating the number of elementary operations of substitution, insertion or deletion (generically called indel), which are necessary to transform one sequence (source) into another one (target)*' (Gauthier et al. 2014: 5). Optimal matching has been the most typical approach to calculating pairwise distance or dissimilarity between sequences (Aisenbrey and Fasang 2010; Brzinsky-Fay and Kohler 2010; Gauthier et al. 2014). However, several other approaches have emerged and gained greater popularity among researchers (Aisenbrey and Fasang 2010; Gauthier et al. 2014). Different approaches place different emphases on the costs related to insertions/deletions (indel) versus substitutions. The balance between indel and substitution operations can be seen along a scale in which one side considers the order of events as more important than their timing, while the other side considers the timing of events as crucial and order as less important (Lesnard 2010).

In the sub-study IV, the longest common sub-sequence (LCS) was selected as the method for calculating the similarity between sequences. In this approach, the

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[21] Additionally, sub-study III used sequence analysis to illustrate descriptively social assistance receipt in Finland among young adults. In this analysis two categories were used to measure social assistance recipiency in a calendar year: 'receipt' and 'no receipt'.

distance between two sequences is based on the length of the longest common sub-sequence (Studer and Ritschard 2016). In the LCS approach, sequences are time warped by indel operations to identify spells of similar order. Time warping means that events coded identically but occurring at different moments are considered almost equivalent except for the weighed number of episodes that separates them (Lesnard 2010).

Calculating the dissimilarity between sequences was followed by the clustering procedure (see e.g. Gabadinho et al. 2011; Gauthier et al. 2014). By clustering the information on the individual, sequences can be transformed into a categorical variable. In sub-study IV, it was found that the most efficient procedure for avoiding the misclassification of sequences was combining the LCS distances and fuzzy clustering. The cluster solution was achieved by assigning the sequence object to the group with the highest membership coefficient. Plots and theoretical literature were used to label the trajectories.

Usually, the third step involves using the cluster solution as a dependent variable. However, the interpretation of independent variables can be problematic since the aim is to predict a longitudinal pattern. Furthermore, sequence analysis is explorative by nature (Brzinsky-Fay 2014). For this reason, descriptive methods were applied in sub-study IV, which examined how social stratification, family formation, and working life are associated with the pathways from school to work. Sequence analysis was conducted using R software and the TraMineR package (see Gabadinho et al. 2011).

# 8 Results

This chapter summarises the results of the four sub-studies. This summary begins with Table 5, comprising the research questions (column one), methods (column two), and the most significant results (column three) for each sub-study. The first column also includes the authors and the year of publication. Thereafter, the results for each article are presented in a corresponding sub-section. Further information, as well as the tables and figures for the results, are available in the original research articles. Details regarding the methods employed are provided in chapter 7.4 of this thesis, while the main findings are illustrated and discussed in chapter 9.1.

**Table 5.** The main results of the sub-studies in this dissertation

| The sub-study and its main research questions (authors and year) | Methods | Summary of the most significant results |
|---|---|---|
| **Sub-study I (Ilmakunnas 2018b)** <br> - How are employment and demographic events associated with the first poverty transition among 18–24-year-olds after they have left the parental home? <br> - Are some poor population subgroups more likely than others to move back to the parental home? <br> - Do the effects of the demographic events vary by gender among young adults? | - Prevalence and incidence rates <br> - Discrete-time logistic and multinomial logistic event-history models | - An individual's living arrangement is an important contributing factor in income poverty among young adults. Living alone or moving into a single-adult household from a couple household increases the risk of poverty. <br> - Changes in employment (e.g. becoming employed or leaving employment) seem to be common and, thus, often coincide with poverty transitions. However, employment events do not necessarily result in poverty transitions. <br> - Young adult women are less likely to experience poverty while living independently than young adult men. However, living in a single-adult household and having children increases the likelihood of experiencing poverty, especially among women. <br> - Living in a single-adult household was associated with a higher likelihood of returning to the parental home. Having children was associated with a lower likelihood of returning to the parental home. <br> - It was found that women who had lived in a couple household or had their own children were less likely to return to the parental home than men. |

| | | |
|---|---|---|
| **Sub-study II (Ilmakunnas 2018a)**<br>- How social background and critical life-course factors predict the number of months of social assistance received annually among young adults aged 19–29?<br>- Are young adults with a disadvantaged social background more vulnerable to the effects of critical life-course factors? | - Cross-tabulation and means of the annual number of social assistance months<br>- The hybrid regression model | - Both social background (parental social assistance receipt, parental unemployment, and parental low education) and critical life-course factors (unemployment, living in a single-adult household, the birth of the first child, not having a post-compulsory educational qualification) were important predictors for the annual number of social assistance months.<br>- The association between living in a single-adult household or the birth of the first child and social assistance receipt was stronger among women than among men. Parental social assistance receipt was more strongly associated with social assistance receipt among men than among women.<br>- In particular among those who had a disadvantaged social background, having only a compulsory education and the birth of the second child increased the uptake of social assistance.<br>- There is indication that a disadvantaged social background increases the risk of experiencing critical life course factors. |
| **Sub-study III (Ilmakunnas & Moisio 2018)**<br>- What kinds of social assistance trajectories can be found among young adults in Finland?<br>- How individual and family characteristics predict trajectory group membership? | - Cross-tabulation and sequence analysis<br>- Latent class growth analysis<br>- Multinomial logistic regression | -Social assistance is relatively common among Finnish young adults but social assistance spells are usually short. However, a small share of young adults is dependent on social assistance.<br>-Six trajectories based on the annual number of social assistance months were found: 1) no receipt, 2) transitory, 3) slow exit, 4) occasional, 5) increase, and 6) dependency.<br>-Having only a short education is a particularly strong predictor of membership in different social assistance trajectories and particularly of membership in the "dependency" trajectory.<br>-Parental social assistance receipt and moving out of the parental home at a young age are also important predictors of social assistance receipt. |

| **Sub-study IV (Lorentzen, Bäckman, Ilmakunnas & Kauppinen 2019)** | - Sequence analysis | -Finland, Norway, and Sweden share – to a great extent – the same general types of school-to-work trajectories. |
|---|---|---|
| - Do Finland, Norway, and Sweden share the same types of school-to-work trajectories? | - Cross-tabulation | -Five trajectories of school-to-work transition were identified: 1) medium education into work, 2) short education into work, 3) de-standardised and turbulent trajectory, 4) long period of education into work, and 5) the exclusion trajectory. |
| - Are gender and family establishment related to school-to-work sequences in the Nordic countries? | | -The 'short education into work' trajectory was the most common trajectory in Sweden and the second most common in Finland and Norway, where the 'medium education into work' trajectory was most common. |
| | | - In terms of the relationship between the school-to-work transition and gender and family establishment, a very strong link was found between early parenthood among Finnish women and trajectories leading to labour market exclusion. In other words, having children at a young age is strongly related to the exclusion trajectory among women in Finland. |

**Trigger events and poverty transitions among young adults in Finland after leaving the parental home (Sub-study I)**

Sub-study I (Ilmakunnas 2018b) examined how employment and demographic events are associated with the first poverty transition among 18- to 24-year-olds after they have left the parental home. The study also sought to discern whether certain poor population subgroups are more likely than others to move back to the parental home. In examining these dynamics, special attention was given to how the associations between demographic events and outcome variables vary by gender. In this study, poverty transition referred to poverty entries and exits, employment events related to changes in employment status or work intensity, while demographic events related to someone leaving or entering the household.

It is well-established that experiences of poverty among young adults tend to be temporary, especially in Nordic countries (Ayllón 2015; Mendola et al. 2009). Previous studies have also shown that leaving the parental home early is associated with an increased risk of poverty (Aassve et al. 2005 2007; Ayllón 2015). However, less is known about how demographic and employment events are associated with poverty dynamics after leaving the parental home. This is particularly interesting in the case of countries like Finland, where young adults move away from the parental home at an exceptionally early age (Aassve et al. 2006, 2007, 2013). Returning to the parental home as a possible route out of poverty also constitutes an area in which research is lacking. Sub-study I thus sought to address these gaps.

Descriptive analyses showed that the majority of young adults leaving the parental home moved to a poor household (around 70 percent). Among those living independently, the poverty entry rate was found to be around 12 percent, while the poverty exit rate was around 27 percent. The descriptive analyses were primarily focussed on the association—that is, incidence rates and conditional probabilities—between demographic and employment events and poverty transitions. According to the findings, poverty entries among young adults were associated with a birth of a child, moving into a single-adult household, leaving employment, and a decrease in the months of employment. Poverty exits were associated with moving in together, moving back to the parental home, becoming employed, and an increase in months of employment. On average, employment events coincided with poverty transitions more often than demographic events. However, the conditional probabilities illustrated that when employment events were experienced, they did not necessarily lead to a poverty transition. Additionally, the results related to

changes in a partner's employment were significantly influenced by the changes in household composition (moving from a single-adult household to a couple household and vice versa).

The logistic regression models for poverty entries and exits presented a fairly similar picture of the factors associated with poverty among young adults. Having one's own children and living in a single-adult household were associated with a higher risk or likelihood of experiencing poverty. Living in a poor family before leaving the parental home was associated with a higher likelihood of entering poverty and a lower likelihood of exiting poverty. With respect to educational groups, those with tertiary education were the least likely to enter poverty and the most likely to escape it. However, students had a particularly high risk of poverty. Moreover, young adults who lived in a rural municipality were less likely to experience poverty than those living in a non-rural municipality.

With respect to gender differences, women were more protected from poverty than men. In line with earlier research, this study found that demographic events had greater impact on women than men (e.g. Callens and Croux 2009; Curtis and Rybczynski 2014; Fritzell and Henz 2001). In comparison to men, women were less likely to enter poverty and more likely to exit poverty when living in a couple household. Additionally, women without children were more likely to avoid poverty than men, while women were more likely to experience poverty if they had children.[22]

Returning to the parental home was examined as an additional dimension of poverty dynamics. Based on additional descriptive analysis, it was found that poor young adults typically escape poverty when they return to the parental home. Thus, returning to the parental home can be an important protective factor for young adults. The multinomial logistic regression models showed that those who had lived independently for a longer period of time were less likely to return to the parental home. Moreover, older individuals were less likely to move back to the parental home. Those born outside Finland were especially likely to move back to the parental home. Young adults living in rural areas were more likely to return to the parental home. Meanwhile, poor young adults who had lived in a poor parental home before moving away were less likely to return. With respect to the highest educational level attained, those with a higher degree were more likely to return to

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[22] It should be noted that with regards to poverty exits, women with children were more likely than men to remain in poverty (i.e. not experience a poverty exit) when the variable for the partner's months of employment was included in the model instead of the variable indicating whether the household was a single-adult household. This implies that months of employment provide more information on the economic position of the family than the indicator for single-adult household.

the parental home. A higher number of own months of employment increased slightly the likelihood of moving back to the parental home. Previous research had also shown that also positive life course transitions (such as becoming employed after being a student) can increase the likelihood of return to the parental home (South and Lei 2015; Stone et al. 2014).

This study also examined gender differences with respect to returning to the parental home. According to these results, women were less likely to move back to the parental home in comparison to men, while men were more likely to move back to the parental home if they lived with a partner or had their own children.[23]

## Risk and vulnerability in social assistance receipt of young adults in Finland (Sub-study II)

Sub-study II (Ilmakunnas 2018a) analysed how social background and critical life course factors predict the annual number of social assistance months received by young adults in Finland. It also examined whether those with a disadvantaged social background are more vulnerable to the consequences of critical life-course factors. The regression models were estimated separately for men and women. This article discussed the possible role of social background in predicting social assistance receipt in the light of cumulative (dis)advantage models, a status attainment model, a 'chain of risks' model, as well as the 'social imprint' of social background.

In sub-study II, disadvantaged social background refers to parental social assistance receipt, parental unemployment, and low parental education. Critical life-course factors comprised having one's own children, living in a single-adult household, unemployment, and having only a compulsory educational qualification (cf. the 'big five' transitions in young adulthood, see Schulenberg and Schoon 2012; Settersten 2007). This study was primarily focussed on the number of social assistance months, providing an opportunity to study the depth of disadvantage. Moreover, few have studied social assistance receipt by examining whether social background influences an individual's vulnerability to the consequences of critical life-course factors (see Bäckman and Nilsson 2011; Lorentzen et al. 2012). As

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[23] Interpretation should consider that in models that analysed the issue of returning to the parental home, variables for household composition were measured from the year prior to their returning to the parental home (t-1). As such, it is possible that a sample person had moved into a single-adult household before returning to the parental home in the same calendar year.

such, this study provides new information on the mechanisms how social background and critical life-course factors are associated with social assistance receipt.

The study started by analysing social assistance receipt descriptively. The uptake of social assistance increased between the ages of 19 and 20, and decreased from the age of 20 among women and from the age of 21 among men. Nearly 20 percent of young adults around the age of 20 received social assistance annually, as did approximately eight to ten percent of those in their late 20s. Around 40 percent had received social assistance for at least one month between the ages of 19 and 29. Women received social assistance more often than men during early young adulthood because they tend to move out the parental home at a younger age.

The descriptive analyses also showed that both social background and critical life-course factors were associated with social assistance receipt. Parental social assistance receipt, parental unemployment, and low parental education were associated with a higher number of annual social assistance months. With regards to social background, the largest difference was found between groups based on parental social assistance receipt (1.5 months), while groups based on parental education showed the smallest differences (0.6 months). Having one's own children, living in a single-adult household, unemployment, and having only a compulsory educational qualification were also associated with a higher number of annual social assistance months. Differences related to unemployment months and educational qualifications were particularly significant. Interestingly, those who had two or more children received, on average, less often social assistance than those with only one child. Although not illustrated in a figure or table, this study also conducted descriptive analyses that showed that individuals with a disadvantaged social background were more likely to experience critical life-course factors.

According to the hybrid regression models (see chapter 7.4.2), both social background and critical life-course factors had independent associations with social assistance receipt.[24] This result was also produced when other variables were held constant. The only exception was the birth of the second child, which did not seem to be associated with a higher number of annual social assistance months.[25] Living in a single-adult household, the birth of the first child, and only having a compulsory educational qualification were more strongly associated with social assistance receipt among women. The strength of association of living in a single-

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[24] In the analysis of critical life-course factors, the focus was on the fixed effect estimates.

[25] Among men, low parental education was not statistically significantly associated with social assistance receipt in the model with all explanatory variables (model without interaction terms).

adult household was significantly greater among women. Parental social assistance receipt was more strongly associated with social assistance receipt among men than among women, while the estimates for parental unemployment and low parental education were somewhat higher among women.

Additionally, the consequences and the incidence of critical life-course factors can be influenced by social background. By means of interaction terms, this study analysed whether those with a disadvantaged social background are more vulnerable when experiencing critical life-course factors. It was found that life-course factors and social background variables do not necessarily interact. This finding is in line with the results of earlier studies (cf. Bäckman and Nilsson 2011; Lorentzen et al. 2012). However, some typical patterns could be detected with regard to how the associations between critical life-course factors and social assistance receipt vary according to social background.

While a disadvantaged social background appeared to provide a slight cushion for the consequences of unemployment months, it was also found to increase vulnerability when experiencing the birth of the second child. However, the birth of the second child only seemed to be associated with an increase in the number of annual social assistance months among those with a disadvantaged social background. Furthermore, only having a compulsory educational qualification was found to be more harmful for those with a disadvantaged social background. In this study, social background did not appear to be associated with the consequences of living in a single-adult household or the birth of the first child. Some differences from these general patterns were identified and are reported in detail in the article itself (Ilmakunnas 2018a). Based on the comparison of the models and the results, it seems that social background is linked with both an individual's vulnerability to the consequences of various life-course events and the incidence of these events.

## Social assistance trajectories among young adults in Finland (Sub-study III)

Sub-study III (Ilmakunnas and Moisio 2018) investigated what kinds of social assistance trajectories can be found among young adults in Finland, as well as how individual and family characteristics predict trajectory group membership. It also illustrated general patterns of social assistance receipt among young adults. To do so, the study followed individuals from age of 19 to 25. Social assistance trajectories were classified based on the annual number of social assistance months (0–12).

Despite widespread public debate concerning young adults' social assistance recipiency in Finland, welfare dependency among young adults in the country has not been studied. It is well-established that young adults often receive social assistance (Andrén & Gustafsson 2004; Gutjahr & Heeb 2016; Immervoll, Jenkins, & Königs 2015). However, less is known about the typical dynamic patterns of recipiency. While analysing trajectories can provide new information on the dynamics of social assistance receipt, such studies have been relatively scarce (for exceptions, see e.g. Juon et al. 2010; Kim & Shin 2014; Wagmiller et al. 2006). This study thus seeks to address this gap.

The results of this study related to the share of social assistance recipients by age were similar to those found in sub-study II. However, the findings related to dynamics of social assistance receipt shed new light on the incidence of recipiency. 35 percent of individuals received at least one month of social assistance between the ages of 19 and 25. However, 16 percent of those receiving social assistance in a calendar year only did so for one month. Therefore, the most typical pattern among young adults is not receiving any social assistance at all. Each of the following dynamic patterns was experienced by around 2.5 percent of individuals, constituting the second most common sequences: social assistance during the first year of the follow-up but not thereafter, social assistance during the second year of the follow-up but not thereafter, and social assistance during all years during the follow-up. This study also examined the distribution of months of social assistance within a calendar year. Almost 86 percent of all person-years in the dataset used were not associated with social assistance receipt. With respect to person-years that were associated with social assistance receipt, the most common pattern was to receive one month of social assistance in a calendar year.

This study's main contribution is its classification of social assistance trajectories using latent class growth analysis. This resulted in six trajectories based on the Akaike Information Criterion, the Bayesian Information Criterion, average posterior probabilities for each group, entropy values, group size, and theoretical interpretation. These trajectories are (the group size in parentheses): 1) no receipt (70.1%), 2) transitory (9.3%), 3) slow exit (4.6%), 4) occasional (8.9%), 5) increase (3.2%), and 6) dependency (3.8%).

As expected, the most common trajectory was characterised by no social assistance receipt between the ages 19 and 25. The 'transitory' and 'slow exit' trajectories shared a similar feature: individuals following these trajectories experienced a development that resulted in an exit from social assistance receipt. The difference between the two trajectories was the pace at which individuals left social assistance. The 'occasional' trajectory was followed by individuals who received a few months of social assistance over the course of several years during

the follow-up period. However, the trajectory also included individuals who received multiple months of social assistance in a single calendar year, especially around the ages of 22–24. The 'increase' and 'dependency' trajectories were the smallest trajectories. In the 'increase' trajectory, the number of annual social assistance months increased over the years. Individuals following the 'dependency' trajectory received many social assistance months every year between ages 19 and 25.

Finally, trajectory group membership was predicted using multinomial logistic regression. In general, when other trajectories were compared to the 'no receipt' trajectory, the independent variables were good predictors. Only gender and living in a rural municipality were less strongly associated with the likelihood of following different social assistance trajectories. However, women were statistically significantly less likely to follow the 'occasional' and 'dependency' trajectories than men.

Having only a short education is a particularly strong predictor of membership in different social assistance trajectories, especially in regard to the membership in the 'dependency' trajectory. Additionally, while those who had moved out of the parental home by the age of 19 were clearly more likely to follow social assistance trajectories, this was not as strong a predictor as having only a short education. Moreover, those who had left the parental home by the age of 19 were more likely to follow particularly trajectories characterised by social assistance receipt around the beginning of the follow-up period. Parental social assistance was also a strong predictor of social assistance receipt, and especially of dependency on social assistance. Parental social assistance receipt was much more strongly associated with individuals' own receipt than parental unemployment or parental low education. Lastly, those born outside Finland and those who had their own children were also likely to follow different social assistance trajectories.

## Sequences in the school-to-work transition in Finland, Norway, and Sweden (Sub-study IV)

Sub-study IV (Lorentzen et al. 2019) analysed school-to-work transition patterns in Finland, Norway, and Sweden, as well as how these transition processes are linked to family formation patterns. This study used register data from Finland, Norway, and Sweden. It also employed the Social Exclusion and Labour Market Attachment (SELMA) model to analyse educational and labour market attainment. Four annual states of the SELMA model—core labour force, unstable labour force, student, and

the NEET status—were used to the identify school-to-work transition patterns. In doing so, this study followed individuals from age 18 to 30. The analyses for Finland and Norway were based on the cohort born in 1977, while analyses for Sweden were based on the cohort born in 1975. As such, the research period was from the mid-1990s to the first decade of the 2000s.

Finland, Norway, and Sweden are typically considered to represent the same type of welfare system. Moreover, the youth-to-adulthood transition in these countries is often considered to belong to the same kind of transition regime or group (also see chapters 2.3 and 2.4). However, the economic development of these countries has differed over recent decades, and they have adopted fairly different political paths with respect to issues such as family policy. Thus, despite general trends in youth-to-adulthood transitions, differences between countries should be expected. Accordingly, this study was particularly interested in national differences within the Nordic 'cluster'.

This study found that Finland, Norway, and Sweden share the same general types of school-to-work trajectories to a large extent. Based on a silhouette coefficient, five trajectories of school-to-work transition were identified for all three countries: 1) medium education into work, 2) short education into work, 3) a de-standardised and turbulent trajectory, 4) long period of education into work, and 5) the exclusion trajectory.

In Finland and Norway, the most common trajectory type is a medium period of education before entering the workforce ('medium education into work'). Indeed, between 25 and 27 percent of all Finns and Norwegians born in 1977 followed the 'medium education into work' trajectory. In Sweden, the share was 23 percent. This trajectory was characterised by education until the age of 22–23, followed by a short spell of unstable labour market attachment, and then stable employment. After entering the core workforce, a return to education or unstable work was unlikely.

In Sweden, the most common trajectory was 'short education into work'. This was the second most common trajectory in Finland and Norway. This trajectory is characterised by a short period of education followed by a short spell of unstable workforce attachment, which is turned into stable core workforce affiliation. In contrast, the 'long education into work' typically starts with a long continuous spell of education that leads into a short spell of unstable work in the mid- to late 20s before an individual enters the core workforce. Approximately 18–20 percent of young adults followed this trajectory in all three countries.

Both de-standardised and turbulent trajectories and exclusion trajectories can be seen as problematic. Taken together, these trajectories are approximately the same size in all three countries (around 31 percent). The 'de-standardised and turbulent'

trajectory is almost as common as the short education into work pathway and characterised by transitions between education, unstable workforce affiliation, and NEET status. However, unstable and stable labour market attachment are emphasised closer to the age 30. The 'exclusion' trajectory typically begins with short education that leads either directly or via unstable workforce affiliation to NEET status. Since this study found a strong similarity between countries with regard to problematic trajectories, different economic paths between countries do not appear to have produced different school-to-work patterns.

Men were significantly overrepresented in the 'short education into work' pathway, while there were more women than men in other trajectories (with the sole exception of the 'medium education into work' trajectory in Finland). In all three countries, having children at a young age (i.e. before the age of 25) is untypical among those who follow the medium or long education trajectories.

Finally, this study analysed how gender and family establishment are related to school-to-work sequences in Nordic countries. The relationship between the school-to-work transition and gender and family formation is fairly similar in all three countries. Moreover, early family establishment and the school-to-work transition process tend to be intermingled among women far more frequently than among men. In all three countries, early parenthood was very common among women who follow the exclusion trajectory. However, this was true particularly in Finland, where more than half of the women who followed this trajectory had had children before the age of 25. However, the results also indicated that Swedish women are more prone to combine early childbearing with medium education in comparison to women in Finland or Norway.

# 9 Discussion

## 9.1 Main findings

This chapter highlights and discusses the main findings of this thesis and its four sub-studies (for sub-study specific result summaries, see chapter 8).

### 9.1.1 The prevalence and dynamics of economic difficulties among young adults

This dissertation indicates that economic difficulties are very typical among young adults in Finland. Indeed, the results of this study provide several examples demonstrating this finding. Almost 20 percent of individuals close to the age of 20 receive social assistance during a calendar year (see sub-studies II and III), with the share decreasing in individuals closer to the age of 30. Over one third of young adults receive at least one month of social assistance between the ages of 19 and 25 (sub-study III). Moreover, most Finnish young adults experience poverty when leaving the parental home (sub-study I). Meanwhile, around 30 percent of young adults can be categorised as following problematic school-to-work trajectories (sub-study IV).

However, this study also shows that despite the high prevalence of economic difficulties, they are usually short-lived among young adults in Finland. This is in line with earlier findings (see e.g. Ayllón 2015; Fritzell et al. 2012). Those receiving social assistance during a calendar year typically receive just one month of social assistance. A relatively small proportion of young adults receive social assistance every year by the age of 25, and a minority can be classified as being dependent on social assistance (sub-study III). Moreover, despite income poverty being fairly common, poverty exit rates are high. Almost 30 percent of person-years characterised by income poverty were followed by a poverty exit among 18- to 24-year-olds (sub-study I).

While it can be said that young adulthood is characterised by economic difficulties in Finland overall, the majority of young adults follow trajectories that

are not characterised by economic difficulties to any significant extent. Economic difficulties are related to instability and unpredictability in young adulthood and are thus relatively short-lived experiences. Simultaneously, a small proportion of young adults is dependent on social assistance or experience exclusion from education and work. Based on previous research, it can be argued that long-term financial difficulties may have detrimental long-term impacts; disadvantage experienced by young adults increase the future risk of disadvantage (see e.g. Bell and Blanchflower 2011; Bäckman and Nilsson 2016; Scarpetta et al. 2010).

### 9.1.2 Precursors of economic difficulty among young adults

The analyses conducted in this dissertation highlight that different kinds of individual and family characteristics are important when examining economic difficulties among young adults. The independent variables used in this study were related to social background and life-course events in particular. In line with earlier research, this study discovered that both social background and critical life-course factors are independent predictors for economic difficulties among young adults (Kauppinen et al. 2014; Lorentzen et al. 2012; Schels 2018). Therefore, disadvantage among young adults should be understood as a result of complex processes. Moreover, these findings imply that young adults do not influence all important factors shaping the likelihood of their experiencing economic difficulties, such as social background.

This study shows that parental disadvantage (e.g. parental social assistance receipt, parental unemployment, or low parental education) increases the risk young adults experiencing economic difficulties. Sub-studies II and III advanced that parental social assistance receipt is a particularly strong predictor for young adults' own recipiency. However, the results of this study are not enough to indicate that parental social assistance receipt itself will determine the likelihood of children receiving social assistance themselves. That is, this study does not provide information on whether parental social assistance receipt has a causal effect on offspring's recipiency. Indeed, it may be that young adults turn to social assistance if their parents are not able to provide financial help. Parents' financial support to adult offspring is common in Nordic countries (Albertini and Kohli 2013). Furthermore, parents of higher socioeconomic status or with a high household income are more likely than others to give financial support to their children (Fritzell and Lennartsson 2005). Additionally, the extant literature has discussed that the strong association between parental social assistance receipt and

offspring's experience of disadvantage could be related to social assistance receipt being correlated with other forms of disadvantage which are not included in the data (Ringbäck Weitoft et al. 2008; Stenberg 2000; Vauhkonen et al. 2017).

Important life-course events highlighted by the extant literature (Schulenberg and Schoon 2012; Settersten 2007) were shown to be important in the incidence of economic difficulties. These factors include leaving the parental home, partnership formation, having one's own children, educational attainment, and labour market entry. Leaving the parental home—especially at a particularly young age—increases the risk of economic difficulties significantly. However, there is some indication that these difficulties may be rather short-lived after leaving the nest (sub-studies I and III). In any case, leaving the parental home is strongly associated with the high rates of economic difficulties among individuals close to the age of 20. This study also shows that those returning to the parental home typically escape poverty (sub-study I).

As expected, educational and labour market attainment reduces the risk of economic difficulties among young adults. Individuals having only a low education are particularly at risk of experiencing long-term economic difficulties (sub-studies I, II, and III). Thus, while educational attainment is associated with financial resources, having a post-compulsory qualification may be particularly important in avoiding economic difficulties. However, it is also important to emphasise the role of a smooth school-to-work transition in general. Indeed, around one fifth of young adults followed a school-to-work trajectory characterised by many transitions and unstable labour force connection (sub-study IV).

Despite the importance of events related to education or labour market attainment among young adults, events related to demographic factors also require attention. The results of this research show that living without a partner or having one's own children increase the risk of experiencing economic difficulties (sub-studies I, II, and III). Living in a single-adult household has a particularly significant impact on the likelihood of experiencing economic difficulties, while those who have children at a particularly young age are at risk of becoming long-term social assistance recipients. Findings related to living in a single-adult household correspond those of cross-sectional analysis, which showed that it is not simply the matter of living away from the parental home that makes young adults vulnerable, but that they often live alone (Aassve et al. 2006). Especially with regards to avoiding income poverty, it seems that young adults often need a co-residential partner or to graduate from an educational program and enter the labour market.

This study also provides some tentative findings regarding the relationship between social background and critical life-course factors, as well as the incidence

of social assistance (sub-study I). It is likely that social background is associated with an individual's risk of economic difficulties through different mechanisms. First, there may be a direct link related to the intergenerational transmission of disadvantage. Second, a disadvantaged social background increases the risk of experiencing risky life-course events, such as unemployment. Third, a disadvantaged social background can reinforce the harmfulness of these events—this is particular the case with regard to having a low education and the birth of a second child. For instance, poor parents may not be able to help their children financially when they experience critical life-course transitions. These notions reiterate how disadvantages among young adults are the result of complex processes. On the one hand, disadvantages can lead to other forms of disadvantages through a 'chain of risks' (see Kuh et al. 2003). On the other hand, social background can leave a 'social imprint' which increases vulnerability to the impacts of risky life-course events (Bäckman and Palme 1998), and disadvantage can gradually accumulate over the life course (DiPrete and Eirich 2006).

### 9.1.3 Gender differences

This study has demonstrated the importance of considering the role of gender in interpreting the incidence of life-course events and economic difficulties among young adults. Various mechanisms were identified in regard to the association between gender and the likelihood of experiencing economic difficulties in young adulthood. Indeed, the results of this study indicate that: 1) the incidence and duration of economic difficulties vary according to gender, 2) the timing of life-course events (such as the birth of the first child) varies between men and women, 3) the likelihood that demographic events (such as partnership dissolution or having children) lead to economic difficulties can vary between men and women, and 4) there can be differences in the associations between social background and the incidence of economic difficulties between men and women. These findings are worth discussing in greater detail.

First, results indicate that the incidence and duration of economic difficulties vary according gender. Women receive social assistance more often at young age (sub-studies II and III), which appears to be related to the fact that women leave the parental home earlier. However, more men were long-term social assistance recipients than women (sub-study III). It was also found that women were less likely to experience income poverty between the age of 18 and 24 in comparison to men (sub-study I). The finding that young men are in a higher risk of long-term

economic difficulties may be linked with young men experiencing a lack of educational attainment and, consequently, poor labour market prospects more often than young women in Finland (see Myrskylä 2012).

Second, this study found that the fact that the timing of having children varies between men and women can be associated with the incidence of economic difficulties during transition into adulthood. Indeed, parenthood during young adulthood is more often experienced by women than men (sub-study IV). The transition into adulthood can be a fairly different phase of life if an individual has their own children.

Third, this study also found that the strength of associations between demographic events and economic difficulties varies between men and women. In comparison to men, women were more likely to experience income poverty when they underwent a partnership dissolution or had their own children, and less likely to experience poverty when they lived with a partner or did not have children. Similar findings have been found in previous studies which did not focus particularly on young adults (e.g. Callens and Croux 2009; Curtis and Rybczynski 2014; Fritzell and Henz 2001). Results also illustrated that having children or living with a partner increased the likelihood of men moving back to the parental home (sub-study I). Additionally, having children was more strongly related to school-to-work trajectories among women than among men (sub-study IV). There were also some tentative findings indicating that demographic events and having only a compulsory educational qualification tend to increase the annual number of social assistance months received by women more significantly than among men (sub-study II). There are like to be many factors behind these findings. Yet, single parents being typically women and single parenthood being often related to inadequate financial resources and employment (Nieuwenhuis and Maldonaldo 2018) are important contributing factors. Gendered inequality in the labour market (Nieuwenhuis and Maldonaldo 2018) can also explain why partnership dissolution, for instance, is more closely associated with poverty among women than among men.

Finally, this study demonstrated that of the association between social background and social assistance receipt can differ between men and women. Parental social assistance receipt was more strongly associated with social assistance receipt among men, while the association between parental unemployment or low parental education and social assistance receipt was somewhat stronger among women (sub-study II). This is in line with an earlier study which showed that intergenerational transmission is more typical among young men than among young women in Finland (Moisio and Kauppinen 2011).

### 9.1.4 The transition into adulthood

The findings of this study are relevant to discussions on the transition into adulthood. Indeed, the welfare state, social background, incidence of critical life-course factors, and gender shape the transition into adulthood. Thus, while young individuals have the ability to shape their own life courses, these possibilities are influenced and constrained by other factors. Although economic difficulties appear to be associated with the characteristics of young adulthood, the risk of economic difficulties varies between individuals. The longitudinal perspective utilised in this dissertation has helped illustrate how economic difficulties evolve during the transition into adulthood. For some young adults, economic difficulties are an integral part of this phase of life. Thus, our understanding of the transition into adulthood should not be limited to the ability of individuals to construct their own life courses. After all, not all young individuals possess the requisite resources to experiment with and navigate through the transition into adulthood (see also e.g. Bynner 2005). Additionally, the risk of economic difficulties can shape the choices that young adults make. For instance, this study has shown that social background can be associated with the ability of young individuals to shape their own life courses: those with a more advantaged social background tend to have better coping capabilities when facing critical life-course events.

A specific contribution of this study to the literature on the transition into adulthood is its analysis of returning to the parental home as a dimension of poverty dynamics (sub-study I). This study also provides new information on returning to the parental home in Finland. Focussed on poor young adults living independently, this dissertation found several factors that reduce the likelihood of returning to the parental home. These include: a longer period of independent living, higher age, Finland as the country of birth, living in non-rural municipalities, having a lower number of employment months during a calendar year, living in a poor household before leaving the parental home, having children, and living with another adult. In general, these findings are in line with studies conducted in other countries (see e.g. Berngruber 2015; Smits et al. 2010; South and Lei 2015; Stone et al. 2014). Since those returning to the parental home typically escape poverty, the findings in this study illustrate that some routes out of poverty are less likely for certain population subgroups. This is particularly problematic for individuals with poor parents. Moreover, the findings highlight that certain events that are primarily considered as demographic events (such as a return to the parental home) can have important consequences with regards to the economic status of individuals.

### 9.1.5 The institutional context

Although this dissertation has concentrated on how individual and family factors are associated with economic difficulties, it is worth discussing how the institutional context and welfare state shape individual life courses. The findings that a high proportion of young adults experience social assistance receipt or income poverty in Finland indicate that the amount of benefits—such as student or unemployment allowances and other first-tier benefits—is not high enough to keep individuals from experiencing poverty or relying on last-resort means-tested social assistance (also see chapter 9.3). However, as noted, income poverty and social assistance receipt among young adults are typically temporary and often connected with moving out of the parental home in Finland.

Sub-study IV focussed on school-to-work trajectories in Nordic countries and provides insights regarding the ways in which different welfare states shape the transition into adulthood. According to the results, Nordic countries share similar patterns of school-to-work transition. While this may be related to the Nordic welfare state model, sub-study IV also provides tentative indications that different policies within largely similar welfare states are associated with the incidence of economic difficulties, as well as the consequences of different life-course events.

The school-to-work transition was examined in regard to the family formation of young individuals. The consequences of early parenthood are related to family(-friendly) politics. Compared to Norway and Sweden, the participation women in the labour force and day care enrolment rates are lower in Finland (Lorentzen et al. 2019). Moreover, Finland and Norway provide a child benefit for child home care (ibid.). According to our results, women who had children at young age are overrepresented in the exclusion trajectory in Finland compared to Norway, and particularly in comparison Sweden. This is likely to be related to lower child care enrolment rates and the higher proportion of women who care their children at home. Additionally, young women in Sweden were more likely to combine early childbearing with medium education than their peers in Finland and Norway.

## 9.2 Methodological considerations and critical reflections

This sub-section provides discussion on the data, variables, and statistical methods used. This dissertation employed Finnish register data to achieve its research objectives as such data provide a high-quality foundation for the analysis of economic difficulties using the life course perspective. Indeed, register data are particularly useful for illustrating dynamic patterns of economic difficulties as a result of large sample sizes, long follow-up periods, reduced measurement error

due to recall and reporting issues, and almost non-existent attrition. This study also utilised the ability to link information on parents and other household members with the data pertaining to the sample persons.

Despite the use of high-quality data, however, this dissertation faced several of the problems typically faced by longitudinal studies, including left and right censorship. Right censorship refers to a situation in which no information is available after the follow-up period or after individuals leave the population (e.g. due to emigration). Therefore, it is possible that person that did not experience poverty during the follow-up period will experience it later in their life course. Left censorship refers to situation in which it is not possible to distinguish the status of the individual before the start of the follow-up period. This means that it is not possible to discern exactly when a spell of economic difficulty began in cases where an individual is considered to have experienced difficulties at the beginning of the follow-up period. Censoring is particularly problematic in event-history analysis, which is designed for analysing the duration until event occurrence. In event-history analysis, individuals who do not experience the event (e.g. poverty entry or exit) during the follow-up period are considered as right censored. However, event-history analysis can take this type of censoring into account. Rather, it is left-censoring that is more problematic for event-history models (Allison 1982; Jenkins 2011).

Left-censoring did not prove a significant problem in sub-study I, in which event-history analysis was utilised, since the follow-up period began when individuals left the parental home and this was traceable using the data.[26] This study also utilised the poverty status of the parental home prior the start of the follow-up period as an independent variable. The extant literature has seldom discussed left and right censoring in regard to sequence analysis or group-based modelling strategies (used in sub-studies III and IV). However, it is possible that a longer follow-up period would result in different kind of trajectories. This dissertation focussed on the transition into adulthood rather than the whole life cycle. Moreover, the age limits used were related to definitions employed in previous studies or institutional regulations related to, for instance, social assistance. Thus, the analyses can be seen as highlighting patterns of economic difficulties during a specific phase of life.

Attrition constitutes another problem related to longitudinal research. In register data, attrition is often related to the emigration or death of the sample person. It

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[26] However, sub-study I did not include young adults who did not move from the parental home during the follow-up.

could be argued that this kind of attrition is not necessarily random—that is, those who have emigrated or died at young age have some shared (observed or unobserved) characteristics. However, in general, attrition is a larger problem in surveys where respondents can drop out of the panel (Andreß et al. 2013). In this dissertation, the sub-studies that focused on trajectories (sub-studies III and IV) only followed individuals who had lived in Finland in every year of the follow-up period. Thus, attrition may have influenced the results of these sub-studies. In the examination of poverty transitions (sub-study I), right censored spells were included in the analysis. Additionally, random-effects models, which consider unobserved heterogeneity, were estimated as a sensitivity analysis. In the sub-study predicting the annual number of social assistance months received (sub-study II), all person-years between the ages of 19 and 29 were included in the analysis (for instance, both person-years before moving from Finland and after returning to Finland). In addition, the estimated hybrid model took unobserved individual characteristics into account.

In some cases, the annual data may be too crude to effectively analyse the dynamics of economic difficulties. For instance, while the data included information on the number of social assistance months during a calendar year, there was not information on whether the months of social assistance recipiency were consecutive. The implications of this are twofold. First, one could argue that several consecutive months of social assistance is more severe than a situation in which these months are evenly distributed over the calendar year. Second, it is possible that an individual has a social assistance spell of six months, for example, but this spell is distributed over two calendar years. Consequently, it is possible for the data to infer that an individual had three months of social assistance in a calendar year over two consecutive years when they actually had a single spell of six months.

The annual data can also be crude in analysing different life-course events (e.g. how the changes in partnership status are linked with the poverty status or the return to the parental home). The use of annual data does not provide an exact indication of when e.g. a partnership formation or dissolution occurred. Since economic difficulties were measured using annual incomes or the annual number of social assistance months and information on, for instance, whether a sample person lived in the parental home or with a partner referred to the situation at the end of the year, it is possible that there was some reverse causation.

In this study, returning to the parental home was examined as an additional dimension of poverty dynamics. However, it is possible that individuals have reasons for returning to the parental home that have nothing to do with escaping poverty. For instance, an individual may move back to the parental home

temporarily due to partnership dissolution, the loss of a job, or when searching for a job after graduation (South and Lei 2015; Stone et al. 2014). However, the findings of this study should be interpreted in the light of the preference of young Nordic adults for living independently (Iacovou 2010). Therefore, it is likely that the financial conditions of the parental home affect the decision to return (cf. Smits et al. 2010). Yet, it is possible that several other factors that could not be studied using the data, are associated with the likelihood of returning to the parental home (such as individual preferences or geographical location).

The measurement of economic difficulties can also be difficult. For instance, young adults may travel for longer periods of time, resulting in a temporary decrease in income. In this regard, register information does not illustrate when individuals are voluntarily living with a low level of earnings. In Nordic countries, young adults who have left the parental home often receive financial help from their parents (Albertini and Kohli 2013). These factors may result in an overestimation of economic difficulties. On the other hand, not all who are eligible for social assistance apply for it (e.g. Bargain et al. 2012) or a household's application of social assistance can be turned down even if the applicant considers that his or her household's income is not enough to cover everyday expenses. For these reasons, measures based on social assistance receipt can underestimate the prevalence of economic difficulties. As such, additional measures of economic disadvantage may be important for evaluating the living conditions of young individuals. For example, Eldin Fahmy (2014) has argued that more focus should be placed on material deprivation among young adults, rather than low incomes. Additionally, while income poverty increased among young adults in the Nordic countries during the recent economic recession, subjective deprivation increased only slightly in these countries (Aassve et al. 2013). However, the data used in this study did not provide the possibility of analysing the subjective perception of disadvantage or material deprivation, for instance.

Variables related to social background were measured from the year when the sample person was 15 or 18-years-old. This choice may affect the strength of association found between social background and economic difficulties among young adults. A recent study illustrated how parental social receipt measured when children were young (0–2-years-old) can be a stronger predictor of offspring's well-being than parental recipiency measured at later age (Ristikari et al. 2018). Additionally, because parental background was measured using information from one year only, it is possible that there was some measurement error. For example,

parents who did not receive social assistance in a calendar year could have been recipients in some other year.

In general, the methods utilised in this dissertation are common and established in the field of life course research. Additionally, different panel regression methods and event-history analysis are typical in various research disciplines. The literature on sequence analysis and growth mixture models (GMM) is more heterogeneous when it comes to possibilities and limitations. Both methods are person-oriented approaches to longitudinal pattern searching. With regard to sequence analysis, discussion has typically focused on ways of measuring dissimilarities between sequences (see e.g. Aisenbrey and Fasang 2010; Studer and Ritschard 2016). With respect to growth mixture models, there has been some debate over how different trajectories should be interpreted. Bauer and Curran (2003) have recommended caution when interpreting multiple classes in GMM, contending that they can result from skewed or non-normally distributed data. In any case, both methods provide flexibility for the researchers. Moreover, with respect to both methods, there are no strict rules on how to determine the number of groups or trajectories. This emphasises the role of the researcher in interpreting the results. It is useful to keep in mind that there is heterogeneity with regards to individual sequences or trajectories within categorised trajectories or groups.

The discussion on exploratory research and causal arguments is also important with respect to this research (see also section 9.4). In recent decades, social research has taken a step towards causal inference (see e.g. Abbott 1998; Halaby 2004; Morgan and Winship 2007). This has occurred simultaneously with the development of computers' calculation power, development of statistical methods, and increasing availability of longitudinal data. With respect to different fields of research, economics has been the forerunner due to its emphasis on research designs that enable causal inference (see Angrist and Pischke 2010). Longitudinal data are useful in applying causal inference because it enables the examination of within-person development over time. Additionally, a panel design '*requires less restrictive assumptions on unobservables to achieve identification and unbiased estimation of causal parameters*' (Halaby 2004: 510). At the same time, however, methods like sequence analysis and group-based modelling strategies—which are useful for illustrating life course patterns in individual development—have become popular. While these methods provide ways to describe diverging longitudinal patterns, it is difficult to apply causal inference to these analyses.

The empirical analyses in this study can be seen as exploratory or descriptive. For instance, several unobserved factors may affect individual's likelihood to experience economic difficulties or different critical life-course factors. However, this study has a multidimensional approach to analysing individual life courses, and

the methods used contribute to our understanding of complex life-course processes. On the one hand, this study utilises an 'event-based approach', in which individual life courses are decomposed into events and the factors that are associated with the timing of these events are analysed (Billari 2005). On the other hand, this study also uses the so-called 'holistic approach' (Billari 2005), which attempts to consider the entire picture of individual life courses by means of sequence and latent class growth analyses. Both approaches and their specific methodologies (see Aisenbrey and Fasang 2010) are commonly used in life course research. Together, these two approaches enable the illustration of longitudinal development patterns of economic difficulties during the transition into adulthood, as well as the analysis of how different kinds of factors—and the changes in these factors—are associated with the incidence of economic difficulties within this specific phase of life.

Lastly, it is somewhat unclear how income poverty among students (sub-study I) – and thus among young adults more generally – should be interpreted. For instance, some have argued for taking into account the investment nature of education by using lifetime incomes (e.g. Koerselman and Uusitalo 2014). Additionally, for instance affordable student housing or financial help form parents have not been taken into account in the calculations. However, the poverty rates published by Eurostat or Statistics Finland are not adjusted by e.g. the number of students. Thus, this study is in line with the most typical conventions of measuring income poverty. With regard to other measures of economic difficulties used in this thesis, students do not affect the interpretation of the results to the same extent. Students are not typically eligible for social assistance in Finland.[27] The income-based measure for labour market attachment (sub-study IV) takes into account whether an individual is enrolled in education. As mentioned, using register data it was not possible to study subjective measures of economic difficulties.

## 9.3 Policy implications

Since economic difficulties are often short-lived among young adults, greater attention should be given to young adults experiencing long-term financial difficulties. This would also require attention to the years prior to the transition into adulthood (e.g. adolescence), since the process of social exclusion and marginalization should be tackled as early as possible. Meanwhile, the duration dependence and scarring effects of, for instance, youth unemployment (e.g.

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[27] If students receive social assistance, it is likely to occur during the summer months (Raittila et al. 2018) .

Scarpetta et al. 2010) indicate that all spells of disadvantage should be kept as short as possible. Among numerous other factors, this requires that welfare states ensure that all young adults experience a smooth transition from education into the labour market.

This study highlights that having only a low education is a strong predictor for economic difficulties among young adults. With regards to education, there are many policy options that can facilitate labour market attachment among the youth population and young adults. In Finland, around five to eight percent of individuals do not apply for or receive a study place in secondary education after completing compulsory education qualification (Official Statistics of Finland 2016). Taking in to account the risk of economic difficulties among those having only a compulsory educational qualification, a place at a secondary education institution should be provided to every individual. Additionally, the welfare state should provide new opportunities for young adults to gain educational qualifications. Moreover, the drop-out rate is a problem in education that needs to be reduced (see Aho and Mäkiaho 2014; Scarpetta et al. 2010). On-the-job training should also be considered as a policy option for helping young adults gain a position in the labour market (see Scarpetta et al. 2010). More generally, the role of vocational education should not be forgotten in Finland since it has been linked with rapid school-to-work transitions (Barbieri et al. 2018; de Lange et al. 2014). Furthermore, vocational education can balance the effects of strict employment protection in the school-to-work transition process (Barbieri et al. 2018).

With respect to different active labour market policies targeted towards the youth population (training courses, job search assistance and monitoring, subsidised employment, and public work programs), the evidence is mixed (Caliendo and Schmidl 2016). According to the meta-analysis conducted by Marco Caliendo and Ricarda Schmild (2016), only job search assistance (with or without monitoring) has clearly positive effects on youth employment. In general, programs that focus on human capital accumulation have the largest impact (Card et al. 2018) However, active labour market programs targeted at young adults may be less effective than active labour market policies aimed at all adults (Card et al. 2010, 2018). Moreover, it seems that different kinds of Youth Guarantee schemes—schemes that provide a place to study or work for young individuals lacking educational attainment or experiencing unemployment—are more suitable for those closer to the labour market, whereas those who are more disadvantaged and perhaps not registering for the scheme do not gain as much (Hämäläinen et al. 2014; O'Reilly et al. 2015). This emphasises that various policy schemes are needed for the most disadvantaged young adults, including both social and health related policies (Caliendo and Schmidl 2016).

This research indicates that it may be more difficult for young women to combined early parenthood with educational attainment in Finland than it is in Sweden. Additionally, the exclusion trajectory was typical among young mothers in Finland. Therefore, more can be done in Finland to help young families and support individuals in combining employment or education and parenthood. For instance, this study showed that students are at a high risk of poverty. Economic difficulties may reduce the considerations of building a family among students and young adults in general. The findings of this thesis also imply that family policies can play a role in shaping school-to-work trajectories. In Finland and Norway, there has been a trend of employing cash-for-care benefits for parents staying with their children at home (Duvander and Ellingsater 2016). These benefits have been shown to have negative effects on female employment (e.g. Giuliani and Duvander 2016). Additionally, studies have indicated that children from a disadvantaged social background may gain greater benefits from participating in day care than those from a more advantaged social background (Esping-Andersen et al. 2012; Havnes and Mogstad 2015).[28] Thus, the role of high-quality public day care should be emphasised.

Since disadvantaged parental background strongly increases the likelihood of young adults experiencing economic difficulties, it is important to prevent disadvantage and social exclusion before individuals experience the transition into adulthood. As mentioned, family policies can also be used to tackle disadvantage and increase social mobility. This issue is also related to the financial situation of parents since it affects the life chances of their children. For example, this study has shown that having children can increase the risk of economic difficulties. Therefore, support should be provided to families with financial difficulties. The adequacy of benefits is particularly important for single parents (Nieuwenhuis and Maldonaldo 2018). For instance, in Europe, child benefits are generally one the most cost-efficient tools for tackling income poverty (Leventi et al. 2018). Social assistance is another cost-efficient way of reducing poverty (ibid.). The level of social assistance is important for the individuals and families with the lowest incomes. However, since social assistance is a last-resort means-tested benefit in Finland, it is important to ensure that individuals do not become long-term recipients. In Finland, social assistance often works as a top-up to cover the low level of unemployment benefits (Kuivalainen and Nelson 2012). Therefore, the adequacy of first-tier benefits should be ensured.

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[28] Yet, Finnish studies have shown that the positive effects of participating day care do not vary by social background (Erola 2018).

## 9.4 Implications for future research

Life course research can be defined as research that examines individual lives by considering the social structures and institutions to which they are related (see Diewald and Mayer 2009). However, conducting research that matches this definition can be difficult in practice. Indeed, this would require that the effects of societal changes be distinguished from the individual-level factors. Depending on the research question, this may necessitate the analysis of period and cohort effects, which is not always possible. Life course studies typically focus on socio-demographic predictors and outcomes, while institutions and historical time receive less attention. This results in discord between the definitions of life course research and the empirical approaches employed in that research. Researchers should consider this in future research.

Future studies should seek to discern what kind of important turning points are related to changes occurring in the dynamic patterns of economic difficulties. Turning points are important life-course events that can shape the direction of trajectories (Kuh et al. 2003). For instance, Sampson and Laub (2005) have emphasised the role of turning points in explaining changes in criminal behaviour. Furthermore, future research could consider simultaneously occurring trajectories in different life domains, thereby providing a more comprehensive view of individual life courses among young adults. This could be achieved by means of multichannel sequence analysis (see Gauthier et al. 2010).

Another implication related to life course research concerns individual agency. Agency is one of the key principles in life course research and emphasises the role of individuals in actively shaping their own life courses (Elder et al. 2003; Elder and Shanahan 2006). Future research could examine the possibilities available to young adults for shaping their own life courses by considering simultaneously different structural and institutional factors and constraints. An interesting question is to what extent this is possible for young adults.

While extant research has acknowledged the role of the welfare state in structuring individual life courses (see chapter 2.3), it would be fruitful to examine this in greater detail with respect to young adults. During young adulthood, important decisions are made with regard to education and family formation, for instance. Studies should analyse how institutional arrangements, social benefits, and services affect these decisions, and thus individual life courses and the incidence of economic difficulties. Researchers could go beyond broad educational categories to look at how, for example, student counselling or work-related training affect individual life courses. With respect to vulnerable or disadvantaged individuals, research could help in identifying institutional arrangements that help

guide individuals towards successful education or labour market trajectories. It could be asked, for instance, whether different active labour market policies could work as turning points.

While longitudinal data are useful for analysing the accumulation of disadvantage (see e.g. Bask 2016; Halleröd and Bask 2007) and provide insight on processes related to social exclusion, there is a marked lack of such research. Indeed, such studies could illustrate which forms of disadvantage lead to other social problems, thereby shedding light on the role of economic difficulties in the process of social exclusion among young adults. Additionally, research on economic difficulties during transition to adulthood should be analysed longitudinally also using measures such as material deprivation or subjective perception of economic well-being. Thus, a more comprehensive picture of economic difficulties during transition into adulthood could be obtained. Furthermore, there is a need for more research focused on individuals in long-term poverty or economic disadvantage. Such research has the potential to identify different risk groups among young adults and policies could be aimed at these groups. This would help in preventing social exclusion, and thereby reduce the social and financial costs for both individuals and the welfare states.

Lastly, future longitudinal and life course studies on poverty and economic disadvantage should aim for research designs that enable causal inference. Capturing causal mechanisms would provide more accurate answers to a variety of questions, including how different life-course events affect the likelihood of entering into poverty or social assistance. The improvement of data and methods are providing better opportunities for research designs that consider causal inference. However, the analysis of causal mechanisms often requires randomised controlled trials or natural experiments. Although these approaches are not always possible, different matching and instrumental variable approaches have become more common and can be utilised for applying causal inference (e.g. Morgan and Winship 2007).

# 10 Conclusions

This dissertation has analysed economic difficulties during the transition into adulthood in Finland and illustrated patterns of economic difficulties that can be found among this population sub-group. It has examined the associations between a variety of common life course factors, as well as other individual and family characteristics, and the risk of economic difficulties. The life-course perspective guided the process of choosing research approaches and methodological tools for analysing individual development over time. Individual life courses were examined by studying both transitions and trajectories. This dissertation contributes also to the literature on poverty dynamics. With respect to economic difficulties, this study employed a multidimensional approach by utilising different kinds of measures.

Young adults in Finland often experience economic difficulties. However, the results of this dissertation also demonstrate that economic difficulties are often transitory among young adults. Often the incidence of economic difficulties is associated with moving out of the parental home, which partially explains the transitory nature of economic difficulties among young adults in Finland. However, there are already indications of long-term disadvantage or exclusion in young adulthood. This is worrying since disadvantage during the transition into adulthood can turn into long-term disadvantage or social exclusion in later life.

This study also demonstrates that both characteristics that do not vary during the transition into adulthood (e.g. social background, gender, country of birth) and characteristics that can vary (e.g. so-called life-course events) are important in explaining the incidence of economic difficulties. Indeed, this dissertation shows that those from a disadvantaged social background are more likely to experience economic difficulties. Young women are generally more protected from (long-term) economic difficulties in comparison to young men. With regards to different life-course factors, having a low education is a particularly strong risk factor for economic difficulties among young adults. While events related to education or labour market attainment often receive attention with respect to young adults, this dissertation evidences that living arrangements are also important. The fact that young adults often live alone is closely associated with the incidence of economic

difficulties. Moreover, having children at a young age can increase the risk of poverty or economic disadvantage also in the context of a Nordic welfare state such as Finland. These findings imply that institutional arrangements are also significant. In Finland, young mothers were more likely to follow the exclusion trajectory than their counterparts in Norway and Sweden.

The various precursors of economic difficulties listed above can also interact. For instance, the findings indicate that the consequences and incidence of different life-course events may be related to gender, social background, and institutional factors. Indeed, early family establishment and the school-to-work transition process are much more commonly intermingled among women than among men. Meanwhile, the birth of a child or living in a single-adult household tends to increase the risk of economic difficulties among young women more than they do among young men. This dissertation also found that in particular among those with a disadvantaged social background, having only a compulsory education qualification and the birth of a second child can increase the uptake of social assistance.

The findings highlight that it is important that welfare states ensure that young adults have opportunities to gain educational qualifications. Additionally, long-term spells of economic difficulties among young individuals should be tackled as early as possible. Thus, in addition to spending on education, both social and health related policies are also important. Lastly, the adequacy of both first-tier benefits and social assistance needs to be ensured.

The possibilities of using longitudinal data have been improving, providing greater opportunities for analysing individual life courses and the dynamics of economic difficulties. This dissertation has also demonstrated how the life course perspective provides new tools for examining change in individual lives. Future research should focus on dynamics since it may help to provide better policy recommendations and insights regarding the factors that cause disadvantage. Researchers in Nordic counties have a unique opportunity to use register data for research purposes, one that should be capitalised in a greater extent. After all, register data enable the examination of individual life courses using long follow-up periods, the consideration of previous generations, and the linked lives of family and other household members.

This dissertation has only scratched the surface of what can be studied with regard to the prevalence and incidence of economic difficulties among young adults. The complex life-course processes need further research that reveals what kinds of mechanisms are related to the experience of economic difficulties during

the transition into adulthood. This study is in line with recent arguments stating that young adults should be studied using a combination of the life-course perspective and longitudinal analysis.

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