Youth is one of the phases in the life-cycle when some of the most decisive life transitions take place. Entering the labour market or leaving the parental home are events with significant consequences on the economic well-being of young adults. The interrelationship between employment, residential emancipation and poverty is studied in eight European countries by means of an econometric model with feedback effects. Results show that youth poverty genuine state dependence is positive and highly significant. Evidence shows there is a strong association between poverty and leaving home in Scandinavian countries, however, time spent in economic hardship does not last long. Whereas in Southern Europe, young adults tend to leave their parental home much later in order to avoid falling into a state of poverty that is more persistent. Past poverty also has negative consequences on the likelihood of employment.