



# ECONOMIC MOBILITY OF OF FAMILIES ACROSS GENERATIONS

## EXECUTIVE SUMMARY

ECONOMIC MOBILITY  
DESCRIBES THE  
ABILITY OF  
PEOPLE TO MOVE  
UP OR DOWN THE  
ECONOMIC LADDER  
WITHIN A LIFETIME  
OR FROM ONE  
GENERATION TO  
THE NEXT.

“Doing better” than one’s parents has long been a key element of the American Dream. Not only can people earn more, but they can move up the ladder compared to others. The story, embedded in our history and our literature, suggests any person can start from humble beginnings and achieve great wealth, or at least reach the middle class. But how are Americans doing today? Are they better off than their own parents were and how much does their eventual success depend on their family background?

The report takes a comprehensive view of economic mobility, asking questions about both *absolute* and *relative* mobility. The first key question is, “To what extent do American families improve their incomes over a generation?” Each generation should have higher income than the last, assuming economic growth, so the issue here is the amount of growth and how it is distributed across society. A less frequently asked question is “How often do individual Americans end up with higher family incomes than their own parents, either because economic growth has boosted their income or because that individual has moved up or down the economic ladder?” A third question ignores the overall increases due to economic growth and focuses exclusively on relative mobility: “To what extent does where one ends up in the income distribution depend on where one began?” Put differently, are the economic fortunes of children tied to that of their parents or is there a lot of movement up and down the economic ladder from one generation to the next?

To answer these questions, the report’s author, Julia B. Isaacs of The Brookings Institution, uses a widely respected national data source that enables direct matching of family income of parents in the late 1960s to their children’s family income in the late 1990s to early 2000s.<sup>1</sup> The report concludes with a four-part mobility typology, developed in collaboration with John E. Morton and Ianna Kachoris of Pew’s Economic Mobility Project.

<sup>1</sup> All data presented in this summary are the results of tabulations using the Panel Study for Income Dynamics (PSID). The report focuses on family cash income and does not include the effects of non-wage compensation, taxes or non-cash benefits. For further discussion of income measures and the PSID, see the full report. All income data presented here are in 2006 dollars, using the CPI-U-RS to adjust for inflation.

The report's findings are as follows:

**The current generation of adults is better off than the previous one but their incomes are more unevenly distributed.**

- ★ Real income growth makes the current generation better off than the previous one. Median family income for adults who were children in the late 1960s and are now in their 30s or 40s increased 29 percent, from \$55,600 for parents to \$71,900 for their children, adjusting for inflation.<sup>2</sup> Moreover, family sizes have shrunk over this same period (from 3.1 to 2.3 individuals between 1969 and 1998), so higher incomes are spread over fewer people.
- ★ Income growth has not been evenly divided. The biggest gains have occurred at the top of the distribution and the smallest at the bottom.

**Two out of three Americans have higher incomes than their parents, while one third are falling behind.**

- ★ After data are adjusted for inflation, 67 percent of Americans had higher levels of family incomes than their own parents.
- ★ Compared to their parents, they also live in families or households that are smaller and where there is more often a second earner.
- ★ It is easier to surpass parental income if one's parents are low on the income ladder, because then one's income can increase both because of economic growth and because of moving up the ladder relative to one's parents. Indeed, four out of five children whose parents were in the bottom fifth of the income distribution end up with higher incomes than their parents.

**Contrary to American beliefs about equality of opportunity, a child's economic position is heavily influenced by that of his or her parents.**

- ★ Forty-two percent of children born to parents in the bottom fifth of the income distribution remain in the bottom, while 39 percent born to parents in the top fifth remain at the top.
- ★ Children of middle-income parents have a near-equal likelihood of ending up in any other quintile, presenting equal promise and peril for those born to middle-class parents.
- ★ The "rags to riches" story is much more common in Hollywood than on Main Street. Only 6 percent of children born to parents with family income at the very bottom move to the very top.

<sup>2</sup> Family incomes are somewhat higher in the PSID sample than in traditional Census Bureau statistics, for reasons discussed in the full report.

**FAMILY SIZES HAVE SHRUNK, SO HIGHER INCOMES ARE SPREAD OVER FEWER PEOPLE.**

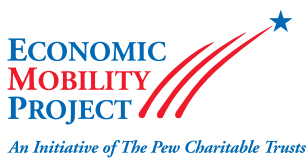
**Americans have higher incomes than a prior generation, but that does not necessarily mean they are moving up the economic ladder compared to their parents or to other families. Only one third are what the report calls “upwardly mobile.” Another one third is “downwardly mobile.”**

The report classifies Americans into the following four categories, based on their change in income levels and their movement across five equal sized income groups (or quintiles) that range from bottom to top of the income distribution:

- ★ **“Upwardly mobile”**—One third (34 percent) of Americans are “upwardly mobile,” surpassing their parents’ income and their parents’ economic ranking (by one or more quintiles). This means that of the 67 percent of families who make more money than their parents, only half move ahead enough to place them in a new position on the income ladder.
- ★ **“Riding the tide”**—About one quarter (27 percent) are “riding the tide”, making more than their parents’, but remaining in the same economic position as their parents.
- ★ **“Falling despite the tide”**—A small group of individuals (5 percent) surpass their parents’ income, yet fall behind their parents in economic standing, and are “falling despite the tide.”
- ★ **“Downwardly mobile”**—Another third of Americans (33 percent) are “downwardly mobile,” making less than their parents and failing to rise above their parents’ economic position.

**THE “RAGS TO RICHES”  
STORY IS MUCH MORE  
COMMON IN  
HOLLYWOOD  
THAN ON MAIN  
STREET.**

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## ACKNOWLEDGEMENTS

This report is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel Sawhill and Ron Haskins of The Brookings Institution, Christopher Jencks of Harvard University, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

All Economic Mobility Project materials are guided by input from the Principals' Group and the project's Advisory Board. However, the views expressed in this report represent those of the author and not necessarily of any affiliated individuals or institutions.

## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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# ECONOMIC MOBILITY OF FAMILIES ACROSS GENERATIONS

BY JULIA B. ISAACS, THE BROOKINGS INSTITUTION

For most Americans, seeing that one's children are better off than oneself is the essence of living the American Dream. Indeed, much of the American spirit is grounded in the belief that with determination and hard work, one can rise from humble beginnings and achieve a comfortable, middle-class life, if not great wealth.

Do children in America, in fact, advance beyond their parents in terms of family income? Do children from different family backgrounds have an equal shot at rising in society?

This report seeks to answer these two central questions about the economic mobility of families across recent generations. To explore these questions, the analysis focuses on measures of absolute mobility, or how overall trends in economic growth lead to increased economic well-being, and measures of relative mobility, or how easily Americans of different family backgrounds move up or down the income ladder, in relative economic standing.

## *A Note about Method*

As found in previous reports of the Economic Mobility Project, economic

mobility has increasingly become a family enterprise. Accordingly, this study focuses on family incomes of both the parents and children in this sample. In reports that follow, outcomes by gender, race and education will be analyzed for these same families.

The primary source of data for this analysis is a nationally representative sample of children who were ages 0–18 in 1968. These children and their parents have been tracked for more than 36 years through the Panel Study of Income Dynamics (PSID), allowing comparison of the children's income as adults with their family's income in childhood.

Specifically, total family income of the now-grown children averaged across five recent years (1995, 1996, 1998, 2000 and 2002) is compared with the five-year average of their parents' income in 1967–1971.

(Further methodological discussion of the PSID data sample and how family income is defined is provided in Appendix A).

Any analysis that seeks to comprehensively assess the health of the American Dream and economic opportunity must consider both

absolute and relative mobility. Traditional measures of absolute mobility involve comparisons of growth at different points in the income distribution. The report introduces a new measure of mobility that directly compares children and parents when assessing growth in real income. For analysis of relative mobility, parents and children are ranked by family income and then divided into five equal-sized groups, or quintiles. The analysis then measures the extent to which families move from one quintile to another.

In addition to analyzing absolute and relative mobility independently, the study introduces a new typology that integrates these two key concepts and describes how Americans experience economic mobility in America today.

## **REAL INCOME GROWTH: CURRENT GENERATION IS BETTER OFF THAN PREVIOUS ONE**

Adults who were children in 1968—those who were in their 30s and 40s at the end of the century—tend to have more income than did their parents' generation.

Median family income rose by 29 percent between the two generations, from \$55,600 in inflation-adjusted dollars to \$71,900.<sup>1</sup> Mean or average family incomes, which are more strongly influenced by incomes at the top of the income distribution, grew even more rapidly, from \$61,600 to \$88,000 (a 43 percent increase).

Income growth occurred not only at the median but throughout the income distribution, as shown in Figure 1. When parents and children are each ranked by family income and divided into quintiles, the dividing lines between groups are always higher for the children's generation than the parents' generation.

For example, those parents in the top fifth in 1967–1971 have family income of \$81,200 or higher; the comparable benchmark is \$116,700 or higher for the adult children's generation. Parents with a family income of \$50,000 place in the

middle-income group, but in the next generation, that family income ranks in the second-to-bottom quintile.

Further, as many observers have pointed out in recent years, the amount of growth has been unevenly distributed over the past few decades, with the most rapid growth concentrated at the top of the income distribution. This trend is also visible in Figure 1, which shows income growth at the median of each fifth of the income distribution. Median family income in the top quintile grew by 52 percent, compared to only 18 percent for the bottom fifth. (Note that this figure does not directly compare adult children with their own parents: families who are in the top fifth of the children's generation may not have been in the top fifth in the parents' generation.)

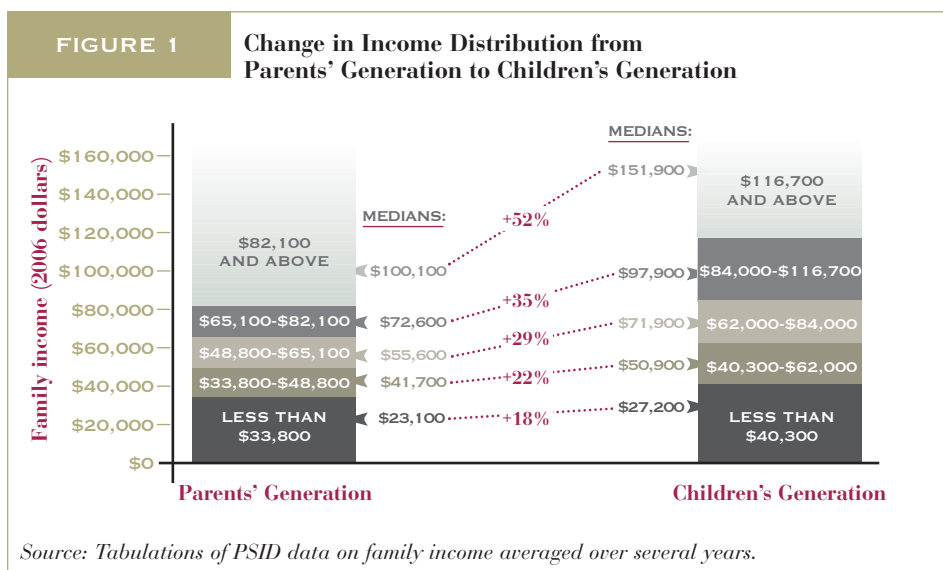
Other data sets with more detailed information on individuals at the very top suggest that growth rates were even higher at the top 1 per-

cent. The Congressional Budget Office found that income of the top 1 percent rose 176 percent, based on after-tax personal income between 1979 and 2004.<sup>2</sup>

Four important points about the overall increases in income should be noted:

**(1) Incomes and income growth are particularly high in this report, which is based on a sample of native-born adults at prime earning ages.** Family incomes in the PSID sample were measured in 1967–1971, when parents had an average age of 41 years and again in 1995–2002, when their adult children had an average age of 39 years. The growth in median family income between 1969 and 1998 was only 9 percent when using the Census Bureau's Current Population Survey, which includes a greater age range and immigrants. When CPS data are restricted to native-born family heads of prime-earning ages, the growth rate in median family income is similar to the 29 percent observed in the PSID data.<sup>3</sup>

**(2) The growth in family incomes over this time period was accompanied by a shrinking in family size.** According to Current Population Survey data, the average number of individuals per family shrank from 3.1 to 2.3 individuals between 1969 and 1998. Taking into consideration the smaller family size



as well as the growth in family income, families are generally better off economically today.<sup>4</sup>

**(3) Much of the growth in family income is because more women have gone to work. Moreover, average earnings have increased for those women who do work.**

In contrast, earnings of men in their 30s have remained surprisingly flat over the past four decades. (See, in this series, “Economic Mobility of Men and Women.”)

**(4) Non-cash contributions may affect upward mobility.**

These analyses of changes in family income do not include the effects of fringe benefits, such as employer-provided health insurance and retirement benefits, nor do they include the effects of taxes and non-cash benefits such as food stamps. Data constraints prevent these variables from being easily added to the detailed analysis, but there is some evidence to suggest that upward mobility over the past four decades would be somewhat higher if these non-cash contributions were included. (For further discussion of non-cash contributions to economic well-being, see Appendix B).

**ABSOLUTE MOBILITY: MOST AMERICANS HAVE MORE INCOME THAN THEIR PARENTS**

While a comparison of median family incomes suggests how one generation is faring relative to earlier generations, it does not describe how

individuals fare relative to their own parents. To address this question, levels of family income were compared between matched pairs of children and parents, rather than between aggregate statistics for one generation and an earlier one. The simplest version of this new measure is a “yes/no” determination of whether children have higher income than their parents.

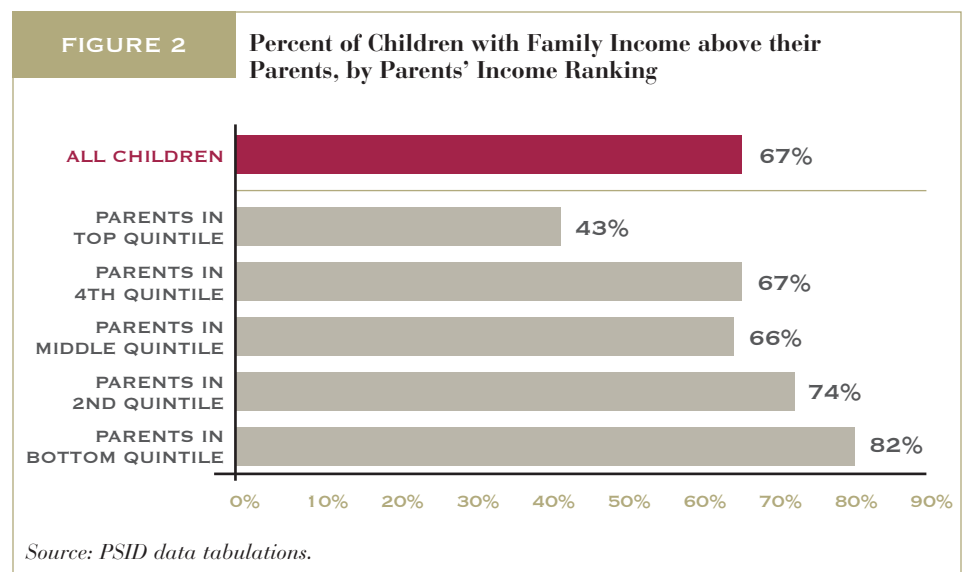
**Two out of three Americans have higher family incomes today than their own parents had some 30 years ago.**

More specifically, 67 percent of Americans who were children in 1968 had higher levels of real family income in 1995–2002 than their parents had in 1967–1971 (see Figure 2).<sup>5</sup> The remaining one-third of Americans had income equal to or less than their parents’ income, after adjusting for inflation. Americans’ optimistic views about mobility and opportunity in America may stem from the fact that two out of three children

have higher levels of absolute income than their parents. That family incomes rise over a thirty-year period is not surprising. In fact, more children might have advanced beyond their parents’ income if economic growth had been higher and more equally distributed over the past 30 years.

While it would be instructive to compare this statistic to earlier generations, the PSID only began collecting data in 1968. Nor has this type of measure been done for other countries to allow for international comparisons. It is thus hard to say whether it is “good news” that two out of three children have incomes above the income of their parents, or “bad news” that the statistic is not higher.

**Children born to parents in the bottom fifth are more likely to surpass their parents’ income than are children from any other background.** More than four out



of five children born to parents in the bottom quintile have greater family income than their parents. In contrast, less than half (43 percent) of those whose parents are in the top fifth of income surpass their parents. The higher one's parents' income, the less likely one is to rise above it.

An associated view of income growth is provided in Figure 3, which shows the extent to which children of parents in each quintile surpass their parents' income. This approach provides a picture of the economic performance of the typical child from each of the five groups of family background.

**The higher the parents' income, the higher the income of the adult child.** If there were no connection between parents' and their children's income—that is, if there was perfect mobility—the median family incomes for each group of children would be \$71,900, the same as the median family income for the overall

population. Instead, the incomes of adults whose parents were in the top fifth of the income distribution exceed the incomes of children from all other economic backgrounds, and each subsequent group has somewhat lower income. Those whose parents are at the bottom of the income distribution have less than half as much family income as those whose parents were at the top (\$46,100 compared to \$99,700).

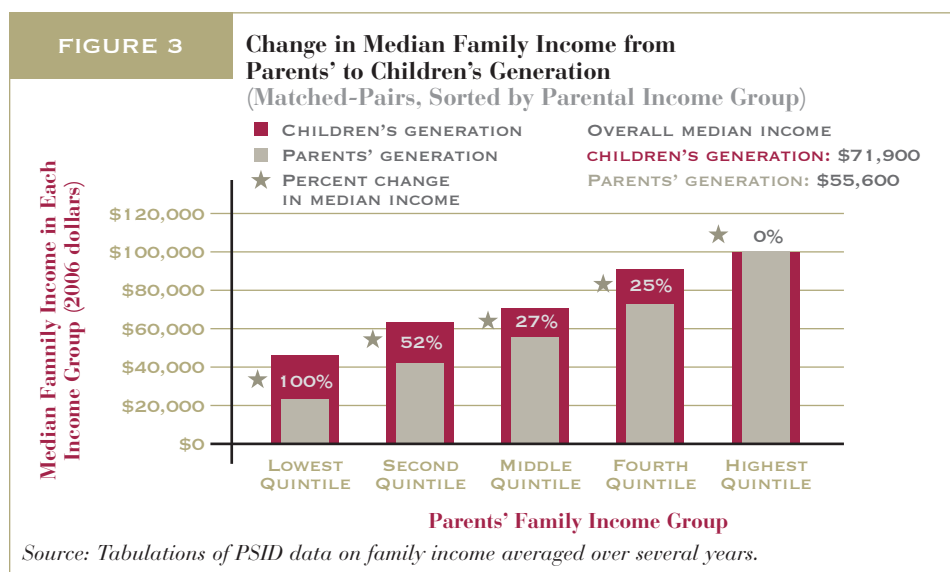
**However, the higher the parents' income, the lower the amount by which children surpass their parents.** Median family income for children of parents in the highest income group is actually the same as their parents' median family income. Economically privileged children usually grow up to have high incomes relative to other adult children, but not relative to their own parents. At the other end of the spectrum, children whose parents were in the bottom fifth have almost twice as

much income as their parents—though not enough to bring them abreast of their contemporaries.<sup>6</sup>

Comparisons of parental and adult child incomes in actual dollar levels provides a basic measure of mobility that may be consistent with how many people think about their own economic progress. Such measures are strongly affected by overall levels of economic growth, and how this economic growth has translated into income growth. However, a child with an income that is \$10,000 above his or her parents may not be doing well if most of his or her childhood peers have gained \$20,000, because the child may perceive he or she has fallen in relative economic status. Thus it is also important to examine relative mobility, a topic of considerable study by economists and sociologists.

#### RELATIVE MOBILITY: CHILDREN'S PROSPECTS ARE LIMITED BY FAMILY BACKGROUND

Do children from different family backgrounds have an equal shot of rising to the top or falling to the bottom of the income ladder? Measures of relative mobility address the question of how children move up and down in social rank, relative to their initial starting point or family background. For this analysis, individuals were assigned to one of five income groups, from lowest to highest, first according to their parents' income and then according to their own



income as adults. The two rankings were then compared to see if children have moved up or down in income ranking.

**All Americans do not have an equal shot at getting ahead, and one's chances are largely dependent on one's parents' economic position.** A graphic representation of the probabilities of transitioning from one income group to another over a generation is presented in Figure 4, which shows that the probability of ending up in a particular income quintile as an adult depends on where one's parents were in the income distribution.

**Children born to parents in the top quintile have the highest likelihood of attaining the top, and children born to parents in the bottom quintile have the highest likelihood of being in the bottom themselves.** This phenomenon is referred to as “stickiness” at the ends of the income distribution.

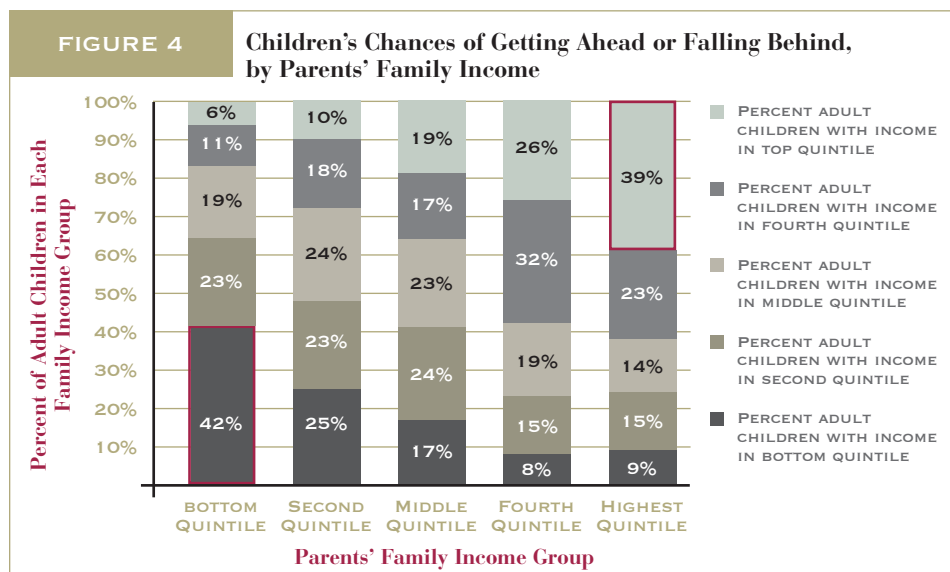
As shown in Figure 4, it is fairly hard for children born in the bottom fifth to escape from the bottom: 42 percent remain there and another 42 percent end up in either the lower-middle or middle fifth. Only 17 percent of those born to parents in the bottom quintile climb to one of the top two income groups. At the other end of the distribution, 39 percent of children born to parents in the top fifth attain the top themselves with an additional 23 percent landing in the fourth highest quintile.

Surprisingly, American children from low-income families appear to have less mobility than their counterparts in five northern European countries, according to a recent international study of earnings of fathers and sons. Whereas 42 percent of American sons whose fathers had low earnings themselves, the comparable percentages ranged from 25 to 30 percent in Denmark, Finland,

Sweden, Norway, and the United Kingdom (see report on cross-country comparisons of economic mobility, forthcoming in this series).

**The chances of making it to the top of the income distribution decline steadily as one's parents' family income decreases.** Middle-income children are only half as likely as children from the top fifth to climb to the top themselves (19 percent compared to 39 percent). Moreover, only 6 percent of children born to parents with family income in the bottom fifth move to the very top of the distribution, indicating that the “rags to riches” phenomenon of moving from the bottom to the top of the income ladder is infrequent.

Nonetheless, there is a fair amount of mobility, and those born at the top of the income distribution have no guarantee of staying there. While 39 percent of those born into the top fifth of the income distribution stay there, more than half—the remaining 61 percent—move downward in the income ranking.<sup>7</sup>



Source: PSID data tabulations of family income averaged over several years and reported in 2006 dollars.

Note: The bars show the probability of reaching an income ranking for children of a certain parental ranking. For example, the first bar shows that 42 percent of those whose parents were in the bottom quintile ended up in the bottom quintile themselves, 23 percent of them ended in the second quintile, 19 percent in the middle quintile, 11 percent in the fourth quintile and 6 percent in the top quintile.

**Children born to middle-income parents are close to the “perfect mobility” condition of being equally likely to move to any quintile in the income distribution.**

Children whose parents are in the middle quintile are about as likely to stay in the middle (23 percent) as to jump to the top (19 percent) or fall to the bottom (17 percent). One reason that children in the middle show more mobility than those at the tails of the distribution is that one can move either up or down from the middle, whereas those who start at the top or bottom can move in only one direction.

A number of other researchers have found similar results when analyzing intergenerational mobility through a transition matrix such as one presented in Figure 4.<sup>8</sup> Researchers also have developed summary statistics that capture intergenerational mobility information in a single number that summarizes the society-wide relationship between parent and child incomes. The most common such measure, the “intergenerational

elasticity coefficient” ranges from 0.0 in a hypothetical society where parental income has no effect on a child’s economic prospects to 1.0 where there is a one-to-one correspondence between parental income and adult child income.<sup>9</sup>

Recent estimates of the intergenerational elasticity in the United States range from about 0.4 to 0.6, meaning that about half of the difference in income between families in one generation persists into the next generation.<sup>10</sup> This aggregate measure of relative mobility is particularly useful when comparing the United States to other countries, or when comparing different points in time and will be used in forthcoming reports in this series. However,

it measures income of both parents and children relative to the average for their own generation and is silent on absolute growth across generations.

**A NEW TYPOLOGY: ONE THIRD OF AMERICANS MOVE UP IN BOTH ABSOLUTE AND RELATIVE TERMS**

Since many Americans think of the American Dream in terms of both gaining higher incomes and rising in society, it is important to demonstrate how Americans move beyond their parents in both absolute and relative terms.

To examine the chances that children’s movement consists of *both* changes in absolute income

TABLE 1

**Children’s Chances of Experiencing both Absolute and Relative Mobility, by Parents’ Family Income**  
(percent in each category)

	PARENTS’ FAMILY INCOME RANK					ALL FAMILIES
	BOTTOM QUINTILE	SECOND QUINTILE	MIDDLE QUINTILE	FOURTH QUINTILE	TOP QUINTILE	
<b>Upwardly mobile</b> Higher income and up 1 or more quintiles	58	52	36	26	N/A <sup>(1)</sup>	34
<b>Riding the tide</b> Higher income and same quintile	24 <sup>(2)</sup>	20	23	32	34 <sup>(1)</sup>	27
<b>Falling despite the tide</b> Higher income and down 1 quintile	N/A <sup>(2)</sup>	1	7	9	10	5
<b>Downwardly mobile</b> Lower income and lower/same quintile <sup>(3)</sup>	18	26	34	33	57	33
<b>Total all children’s families</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: (1) Those in the top quintile cannot meet this definition of “upwardly mobile,” because there is no quintile above the top quintile.<sup>11</sup>

(2) Those in bottom quintile cannot meet this definition of “downwardly mobile,” because there is no quintile below the bottom quintile.

(3) Any observation with income exactly equal to parents is also classified as downwardly mobile.

levels and relative economic standing, the mobility measures used for this analysis were combined in a new, four-part typology, presented in Table 1.<sup>12</sup>

This typology suggests that while many Americans are getting ahead in absolute terms, they are not necessarily moving up the income distribution. As incomes have grown, the whole distribution has shifted upward over time.

**One third of all children are “upwardly mobile” under the new typology.** These children are getting ahead of their parents in real family income and also moving up ahead of their parents in economic ranking (by one or more quintiles). This means that of the 67 percent of Americans who have higher family incomes than their parents, only half move ahead of their parents in income ranking. About half of the children in the bottom and second quintiles are upwardly mobile.

**About one quarter of children are “riding the tide.”** The next generation is getting ahead of their parents’ income in absolute terms but remaining in the same economic position as their parents. Making up 27 percent of Americans overall, those riding the tide are more likely to be in the two top quintiles.

**A small group of children, 5 percent, are “falling despite the tide.”** They get ahead of their parents’ income in absolute terms but fall below their parents’ economic position.<sup>13</sup> Close to one tenth of individuals born into the middle, fourth and top quintiles are falling behind despite having more income than their parents. This trend may contribute to the much-discussed anxiety of middle-class Americans today.

**One third of Americans are “downwardly mobile.”** The next generation is falling behind their parents in both real family income and relative rank. One third of the families in the middle and fourth quintiles are downwardly mobile, and more than half of those in the highest income group are downwardly mobile.

#### CONCLUSION

Traditionally, studies of economic mobility have looked at either absolute or relative mobility, but not both. Both types of mobility are important to assessing the health of the American Dream.

By all measures, many Americans do get ahead of their parents in real income. Assessing absolute mobility across these two generations reveals that median family income has increased, as would be expected in a period of a growing economy. Moreover, a direct intergenerational comparison shows that two thirds of

Americans make more family income in real terms than their parents did. However, the other one third fails to surpass the income of their parents, leaving room for further improvement.

Economic position is strongly influenced by parental economic standing. Children of low-income parents and middle-income parents are much less likely to make it to the top quintile than are children born to parents in the top quintile. Further, a high percentage of low-income children remain in the bottom fifth, calling into question the dream that all children have equal chances of achieving economic success.

A new typology of mobility that integrates elements of absolute and relative mobility reinforces the finding that some Americans experience an increase in real income over their parents without moving up in relative standing. This typology indicates that only half of the two thirds of Americans who make more family income than their parents are upwardly mobile in the sense of also moving up one or more quintiles. Another one third of Americans are either “riding the tide,” that is, moving up in income without changing relative standing, or falling in relative rank despite making more than their parents in family income. Finally, one third of Americans are actually downwardly mobile in both income and economic rank.

## APPENDIX A The PSID Sample and Family Income

The **sample** for this analysis is 2,367 individuals who were between the ages of 0 and 18 in 1968 and have been tracked into adulthood through the Panel Study of Income Dynamics (PSID), an annual survey collecting information on family income and other characteristics. The PSID core sample includes an oversampling of low-income households (commonly referred to as the Survey of Economic Opportunity (SEO) sample) in addition to a regular cross-sectional national sample (the Survey Research Center (SRC) sample). Both components of the sample were included in the analysis, although two thirds of the low-income sample observations were dropped from the sample in 1997 as a cost-savings measure and thus were excluded from the analysis.

The **unit of analysis** is the individual child. Individual **survey weights** were used to adjust for the likelihood of sample selection (given the purposeful oversampling of low-income households and the subsequent sample reduction) and also to adjust for non-random attrition. Despite these adjustments, the sample may suffer from non-random attrition, that is, individuals who have dropped out of the sample may differ from those who remain in the sample. The sample does not include immigrants who entered the country since 1968, nor does the analysis focus on generations born before 1950 or after 1968.

**Family cash income** is the focus of the analysis, including taxable income (such as earnings, interest and dividends) and cash transfers (such as Social Security and welfare) of the head, spouse and other family members. The PSID definition of family, used in this analysis, includes single-person families and unmarried cohabiting couples who share resources, in addition to families related by blood, marriage or adoption. As discussed in Appendix B, family cash income does not include the value of non-cash compensation such as employer contributions to health insurance and retirement benefits, nor does it include the effect of taxes or non-cash benefits such as food stamps. All incomes are reported in 2006 dollars, using the CPI-U-RS to adjust for inflation.

**Parental family income** is based on total family income averaged over five years, 1967–1971, following family income for the head of the family in which the child resided in 1968. This income is referred to as the child's parents' income, although the sample includes children living with grandparents or other relatives and it includes income of all members of the family (head, spouse, and other family members). Average age of the children's parents was 40.9 at the time of survey interview (1968–1972). Five-year averages are used as a proxy for life-time income.

**Children's adult income** is based on total family income (of the family in which the adult child resides), averaged over five years of income. Because the PSID shifted from annual to biennial data collection in the mid 1990s, the five years of data are collected over a seven-year interval (income in 1995, 1996, 1998, 2000, and 2002). Family income data are collected at ages 27–34 for the youngest children in the sample (those born in 1968) and ages 45–52 for the oldest children (those 18 in 1968). Average age of the children was 39.4 at the time of survey interview (1996–2003).

**Negative and zero incomes** are bottom-coded to \$1, and individuals with missing data for two or more years in either five-year period were dropped. As noted above, this restriction resulted in dropping the portion of the SEO sample that was discontinued in 1997.

## APPENDIX B Non-Cash Contributions to Family Economic Well-Being

Economic mobility is measured in this series by tracking changes in families' cash income. While more comprehensive than earnings, family cash income does not account for fringe benefits, taxes, non-cash assistance and other factors affecting economic well-being. To what extent would mobility trends differ if these contributions were included?

- Absolute mobility would be higher with inclusion of the value of **fringe benefits** such as employer-provided health insurance, retirement benefits, vacation and sick leave. Employer contributions to retirement and health insurance were higher in the children's generation than the parents' generation, totaling 7 percent of wages and salaries in 1967–1971 and 13 percent in 1995–2002 according to aggregate national data.<sup>14</sup> The inclusion of these benefits would increase upward mobility the most for those at the top; jobs at the top of the income distribution are more likely to provide these health and retirement benefits. Workers in the bottom half of the distribution have suffered from substantial declines in health insurance and pension coverage since 1979.<sup>15</sup>
- Overall mobility is largely unchanged after an adjustment for federal **taxes**, but inequality is somewhat lessened. Taxes reduce disposable income, with the effect varying by family income. On average, federal taxes reduced average family income by 22.4 percent in the 1995–2002 time period, varying from 27.5 percent for the top fifth to 5.7 percent for families in the bottom fifth, according to the Congressional Budget Office (CBO). The effective federal tax rate has fluctuated somewhat over time, but was roughly the same in 1979, the earliest year in the CBO study as in 1995–2002 (22.2 compared to 22.4 percent). In other words, overall mobility is largely unchanged after adjustment for federal taxes, but inequality is somewhat lessened. Families at the bottom have experienced the largest reduction in tax rate, due to the expansion of the Earned Income Tax Credit.<sup>16</sup> State and local sales, property and income taxes take a further bite out of family income, with a tax burden that is more evenly distributed across the income distribution.<sup>17</sup>
- **Non-cash transfers**, such as food stamps and subsidized housing, increase disposable income for the poorest families. Federal spending on food and housing benefits increased dramatically during the five-year period in which parental income was measured (1967–1971) and has continued to grow since then. Spending per household on food and housing benefits grew by 53 percent between 1973 and 2003, a growth rate slightly higher than that for family incomes in the PSID sample.<sup>18</sup> In 2002, 5.6 percent of households received food stamp benefits averaging \$1,784 over the year, 7.1 percent of households received a school lunch benefit averaging \$695 and 4.6 percent of households received housing assistance averaging \$2,390.<sup>19</sup>
- **Other adjustments** that are included in some measures of disposable income can be both positive (such as returns to home equity and capital gains) and negative (such as child care and other work expenses).

In sum, these additional measures add some refinement to the mobility picture. Comprehensive measures that include fringe benefits and non-cash government benefits suggests slightly higher growth rates than seen from cash income alone. In addition, post-tax, post-transfer measures suggest somewhat less inequality than depicted by pre-tax measures.

However, the broader income measures show similar trends to cash income measures, namely, average family incomes have grown between the generations, with the most rapid income growth at the top fifth of the income distribution. For example, the CBO measure of after-tax, comprehensive household income shows a growth in annual income of 41 percent between 1979 and 2004, with a rate of 69 percent for the top fifth and 6 percent for the bottom fifth. Mean household income under CBO's disposable income measure was \$62,900 in 2004, ranging from \$14,700 for the bottom-fifth to \$155,200 for the top fifth.<sup>20</sup>

# NOTES

<sup>1</sup>Unless noted otherwise, all incomes are reported in 2006 dollars, using the CPI-U-RS to adjust for inflation. Family incomes are somewhat higher in this PSID sample than in traditional Census Bureau statistics, for reasons discussed in footnote 3.

<sup>2</sup>Congressional Budget Office, 2006. Though using a somewhat different income measure and time period, the Congressional Budget Office finds a similar pattern of higher growth at the top than the bottom. Specifically, CBO reports that between 1979 and 2004, after-tax income rose by 69 percent for the richest one fifth and 176 percent for the top 1 percent, compared to 41 percent overall and only 6 percent for the poorest fifth of the income distribution. See footnote 20 for fuller description of the after-tax income measure used in the CBO analysis.

<sup>3</sup>Comparisons of the PSID and CPS indicate that the PSID estimates of income are generally higher than those in the CPS, but follow similar trends over time. (See Gouskova and Schoeni, 2007; Yong-Seong Kim and Stafford, 2000). Also, family incomes and income growth are high in this analysis because it focuses on families with children in the United States in 1968, excluding the elderly and very young adults, as well as those without children in 1968 and the large number of immigrants who have arrived since 1968. (For information on immigrant mobility, see, in this series, “Immigration: Wages, Education, and Mobility”). While the CPS has lower incomes, it has similar growth rates when the analysis is restricted to a subsample of CPS families that resemble the PSID families in age, presence of children, and native-born status, as shown in the table below:

## Family Income Comparisons

	MEDIAN FAMILY INCOME AND FAMILY SIZE		CHANGE IN FAMILY INCOME
	EARLY YEARS 1967-1971 (PSID) 1969 (CPS)	LATE YEARS 1995-2002 (PSID) 1998 CPS	PERCENT
PSID Longitudinal Sample of Those who Were Children in 1968	\$55,600	\$71,900	29
CPS Cross-Sectional Samples of Family Heads ages 30-48, who have children and who are native-born	\$48,003	\$63,233	32
CPS Cross-Sectional Sample of All Family Heads (including unrelated individuals as head of family of one).	\$38,022	\$41,463	9

<sup>4</sup>Family income adjusted for family size (by dividing family income by the square root of family size) grew by 33 percent after inflation, from \$22,400 to \$29,800, according to CPS data for all families in 1969 and 1998.

<sup>5</sup>The percentage of children who are better off than their parents would increase from 67 percent to 81 percent if family incomes were adjusted for family size, because the children’s generation has smaller family size. Also note that the same analysis was done on a restricted sample, of adults ages 33–48 (instead of 27–52), to explore the sensitivity of the results to the age range at which the incomes of adult children were measured. Under the tighter age sample, the number of adult children who exceeded their parents’ income was slightly higher but still rounded to 67 percent.

<sup>6</sup>Note that the analysis classifies individuals into five groups based on parental income status, and then measures change from that parental income status. One would therefore expect some increase from the lowest parental income status, consistent with a tendency called “regression to the mean”; those with extreme scores at one point in time due to random chance or luck will tend to have less extreme scores when measured later. Some of the parents who are classified into the bottom category may be experiencing atypically low income in those five years, relative to their life-time experiences or the experiences of their children. Using five years of income rather than one introduces fewer distortions, as the one year might represent abnormally low income.

<sup>7</sup>This downward movement by 61 percent of children born at the top helps explain the finding (presented in Figure 3) that the adult family median incomes of children from the top fifth is slightly below the median income for their parents. This occurs despite the fact that the 39 percent who remain at the top are doing extremely well—recall from Figure 1 that income growth was highest at the top of the income distribution. However, the downward mobility of the others brings down the median income of this group, particularly when compared to their parents, 100 percent of which are, by definition, at the top fifth of the parental generation.

<sup>8</sup>See Hertz, 2005 and Jantti, Bratsbert, Roed, Raum et al., 2006 for two recent analyses using the PSID data; see Peters, 2002 for similar analysis using data from the National Longitudinal Survey of Youth (NLS). Administrative data offers another opportunity to track incomes longitudinally, but such analyses are generally limited to individual earnings, not family income.

<sup>9</sup>The intergenerational elasticity coefficient (IGE) comes from a linear regression equation estimating the relationship between children’s and parents’ income, with both child and parental income expressed in logarithmic measures. It measures the percentage difference in expected child income associated with a one percent difference in parental income. The same technique can be used to measure the intergenerational elasticity of earnings as well as income. In societies where there is more inequality in the children’s generation than the parents’ generation, the IGE can fall outside the 0 to 1 range. To interpret the IGE, imagine a group of parents whose income is 80 percent higher than average. If they are in a society with an IGE of 0.5, then their children will, on average, have incomes that will be 40 percent higher than average (80 percent x 0.5). If they live in a society where the IGE is only 0.2, then their children’s income would average only 16 percent above average (80 percent x 0.2). And at the extreme of an IGE of 0, any large group of children would have average incomes unrelated to the income of their parents.

<sup>10</sup>Corak, 2006; Sawhill and McLanahan, 2006.

<sup>11</sup>A more detailed analysis finds that the 34 percent in the top quintile who are “riding the tide” includes 8 percent who move upward to the top decile from the ninth decile. Similarly the 24 percent in the bottom quintile percent with higher income and the same quintile includes < 1 percent who move down from the second to the bottom decile.

<sup>12</sup>John E. Morton and Ianna Kachoris of Pew's Economic Mobility Project collaborated with the author in developing the typology presented in Table 1.

<sup>13</sup>Imagine, for example, a family where the parents made \$50,000 and the children made \$60,000. Despite a \$10,000 increase in absolute income, such a family would drop in ranking, from the middle fifth in the parents' generation to the second-to-bottom fifth in the children's generation, as shown in the display of quintiles in Figure 1.

<sup>14</sup>Council of Economic Advisers, 2007, Table B-23, p. 262. If one adds in employer contributions to government insurance, the ratio of non-wage compensation to wage compensation rises from 11.6 percent in 1967–1971 to 20.7 percent in 1995–2002.

<sup>15</sup>See Katz and Autor, 1998, Section 2.3, "Total Compensation Inequality vs. Wage Inequality"; see also Pierce, 2001.

<sup>16</sup>Congressional Budget Office, 2006.

<sup>17</sup>McIntyre et al., 2003.

<sup>18</sup>Author's calculations based on expenditures from Congressional Research Service, 2006, Table 5 and population data from Census Bureau, 2007, Table 57.

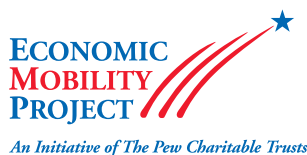
<sup>19</sup>Census Bureau, 2004, Table 7. Income of Households from Specified Sources, by Poverty Status: 2002.

<sup>20</sup>Congressional Budget Office, 2006. Incomes are reported in 2004 dollars. The after-tax measure incorporates the effects of four major federal sources of revenue: individual income taxes, social insurance (payroll) taxes, corporate income taxes, and excise taxes. Comprehensive cash income is the sum of wages, salaries, self-employment income, rents, taxable and nontaxable interest, dividends, realized capital gains, cash transfer payments, and retirement benefits plus taxes paid by businesses (corporate income taxes and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes) and employee contributions to 401(k) retirement plans. Other sources of income include all in-kind benefits (Medicare, Medicaid, employer-paid health insurance premiums, food stamps, school lunches and breakfasts, housing assistance, and energy assistance).

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## ACKNOWLEDGEMENTS

This report is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel Sawhill and Ron Haskins of The Brookings Institution, Christopher Jencks of Harvard University, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

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## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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# ECONOMIC MOBILITY OF MEN AND WOMEN

## EXECUTIVE SUMMARY

ECONOMIC MOBILITY  
DESCRIBES THE ABILITY  
OF PEOPLE TO MOVE  
UP OR DOWN THE  
ECONOMIC LADDER  
WITHIN A LIFETIME  
OR FROM ONE  
GENERATION TO  
THE NEXT.

Over the past generation, women's participation in the workforce has risen dramatically. Women are earning more and contributing more to family income. As with men, women's success in the labor market and ability to achieve the American Dream is linked to their family background.

This report, written by Julia Isaacs of the Brookings Institution, reviews overall income trends based on Census Bureau data and provides an intergenerational analysis based on a longitudinal data set that allows a direct match of the family income of parents in the late 1960s to their children's family income in the late 1990s to early 2000s.<sup>1</sup> It considers how men and women have fared economically over the past few decades and whether the transmission of economic advantage from parents to children differs for sons and daughters. The findings are summarized below.

### **Women's incomes have grown while men's incomes have stagnated.**

- ★ Women in their 30s today have substantially higher personal income than comparably aged women in their mothers' generation, but still make less than their male counterparts. Between 1974 and 2004, median personal income for women in their 30s increased from about \$5,700 to \$20,000 (in 2004 dollars).
- ★ By comparison, men in their 30s today have not had the same experience of upward economic mobility. Inflation-adjusted median income for men ages 30-39 actually fell by 12 percent between 1974 and 2004, from \$40,000 a year to about \$35,000 a year, as previously reported by the project.
- ★ Men's employment rates, hours worked, and wages have been flat or declining over this period, while all three components of annual earnings have increased substantially for women.

<sup>1</sup> The data sources for this report are the Current Population Survey (for the overall income trends) and the Panel Study for Income Dynamics (for the intergenerational analysis). All income data presented here are in real dollars, using the CPI-U-RS to adjust for inflation.

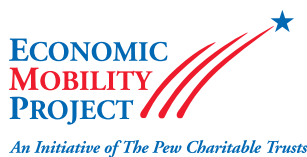
**MEN AND WOMEN HAVE SIMILAR RATES OF MOBILITY, EXCEPT THAT DAUGHTERS BORN TO PARENTS IN THE BOTTOM ARE MORE LIKELY TO STAY IN THE BOTTOM THAN SONS**

- ★ Family incomes have grown slightly because the increase in women's earnings has more than offset stagnant male earnings. Between 1974 and 2004, median family income for men in their 30s and their families increased by 9 percent (0.3 percent per year).

**Although they may take different routes, sons and daughters have fairly similar rates of mobility across generations.**

- ★ Once they reach adulthood, both sons' and daughters' family incomes resemble that of their own parents to a similar degree.
- ★ One exception is lower mobility rates for the daughters of low-income parents as compared with sons of low-income parents. Partly because they are more likely to be single parents, close to half (47 percent) of daughters born to parents in the bottom quintile end up in the bottom fifth in adulthood, compared to 35 percent of sons.
- ★ For men, the intergenerational transmission is primarily driven by a relatively strong relationship between the earnings of fathers and sons. For both sexes, but especially for women, intergenerational transmission also is affected by the tendency to marry those whose income prospects are similar to one's parents.
- ★ More generally, the report highlights the importance of recognizing that economic mobility generally occurs within the context of families, and is not solely a result of individuals operating as lone economic agents.

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# ECONOMIC MOBILITY OF MEN AND WOMEN

BY JULIA B. ISAACS, THE BROOKINGS INSTITUTION

Over the past generation, there has been a dramatic shift in women's participation in the workforce and contributions to family income. With this shift, studies of economic mobility, which have traditionally focused on the relationship of men's income to those of their fathers, have expanded to consider the experiences of women.

This report describes and compares men and women's economic success and income mobility across the generations: How have men and women fared economically over the past few decades? How do their incomes compare with incomes of their own parents? Do parents pass along their economic advantage or disadvantage to their sons and daughters in the same way?

To address these questions, the analysis focuses on a sample of 1,271 women and 1,096 men whose family incomes have been monitored from childhood to adulthood through the Panel Study of Income Dynamics (PSID). As explained in more detail in Appendix A, these men and women were ages 0 to 18 in 1968

and had an average age of 39 in 1995–2002, when adult family incomes are observed.<sup>1</sup> The first sections of the report, however, use national income and labor data from the Census Bureau's Current Population Survey to outline income growth for men and women over time.

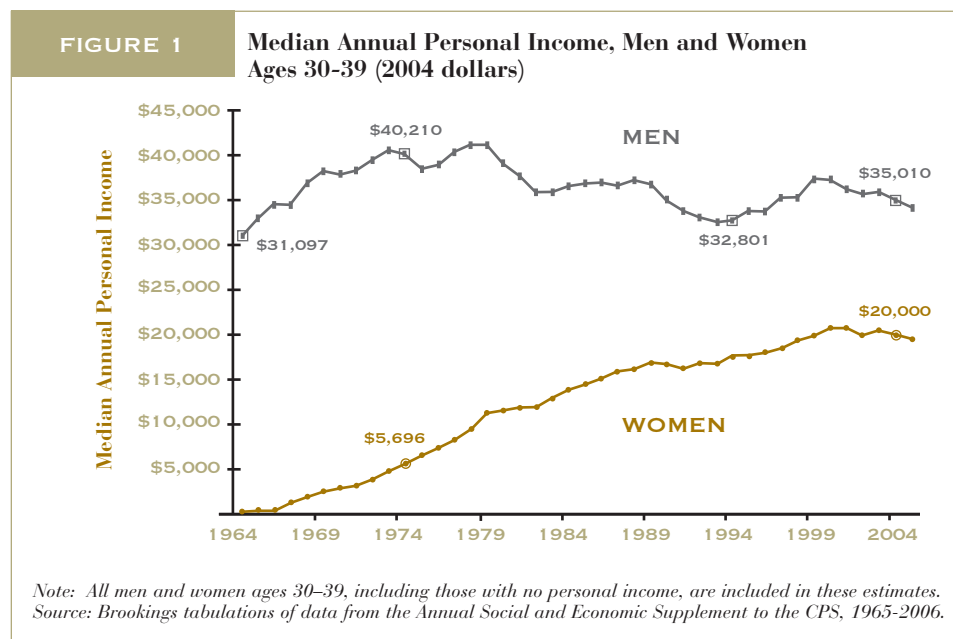
## WOMEN'S INCOMES GROW WHILE MEN'S INCOMES STAGNATE

**Women in their 30s today have substantially higher income than did women in their 30s in their**

**mothers' generation; however, men in their 30s today have not had the same experience of upward economic mobility.**

Figure 1, which compares growth in median personal incomes for all women and men in their 30s, offers generational comparisons: income growth from 1964 and 1994, and income growth from 1974 and 2004.<sup>2</sup>

Over the past several decades, economic opportunities for women have risen substantially, as women have gained college degrees in higher



numbers, spent more time in the paid workforce, and commanded higher hourly earnings than in earlier times.<sup>3</sup> The combination of higher labor force participation and higher wages has led to substantial increases in women's personal income. Between 1974 and 2004, median personal income for women in their 30s increased from about \$5,700 to \$20,000 (in 2004 dollars) (see Figure 1).

As found in previous studies of the Economic Mobility Project, men have not had the same experience. Inflation-adjusted median income for males ages 30-39 increased by only 5 percent between 1964 and 1994, from about \$31,000 to under \$33,000. The story is worse a decade later: Men in their 30s in 2004 had a median income of about \$35,000 a year, which was 12 percent less than the median income of \$40,000 for men in their fathers' generation, those who are now in their 60s.

This cohort of men has not benefited from the economic "up-escalator" that has historically ensured that each generation would do better than the last.

Much of the difference in trends for men and women is due to flat or slightly declining trends in employment rates, hours worked, and wages for men, during a period when all three components of annual earnings were increasing for women.

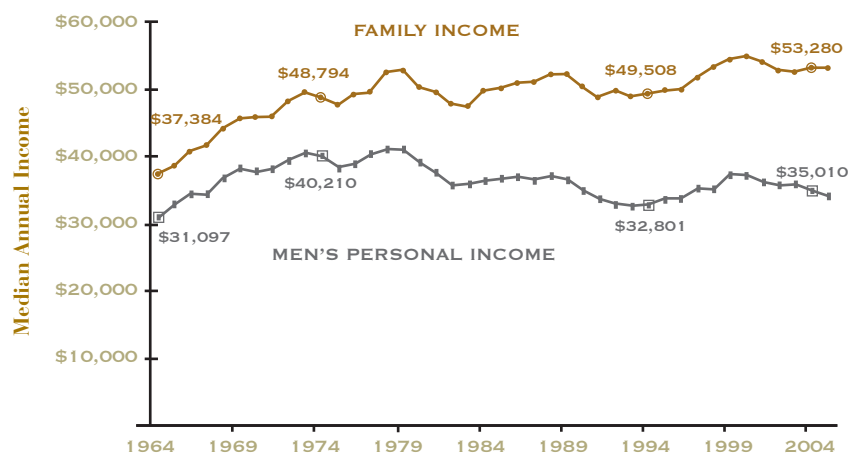
**Employment rates.** There was a decline in the proportion of men in their 30s who were employed, from 91 percent in 1964 to 86 percent in 2004. In contrast, employment rates for women in their 30s climbed from 39 percent of women in this age group in 1964 to 70 percent in 2004.<sup>4</sup> However, women do still spend more time than men moving in and out of the workforce, as they balance work and family responsibilities.

**Hours worked.** Among those who worked, annual hours worked declined slightly (by 1 percent) for men in their 30s, while increasing by 25 percent for women in their 30s over this same time period, 1964 to 2004.<sup>5</sup>

**Wages.** Median hourly cash wages for women have increased steadily in recent decades, while median hourly wages for men have fluctuated up and down without improving. For example, between 1973 and 2005, median hourly wages for women 16 to 64 rose 29 percent, while median hourly wages for men actually fell by 1 percent. The lack of wage growth was particularly pronounced for men at the bottom of the wage distribution.<sup>6</sup> Men's wages are still higher than women's wages, but the gap has narrowed. Among full-time, full-year workers, women earned 77 cents on the dollar earned by men in 2005, compared to 57 cents 1973.<sup>7</sup>

FIGURE 2

**Median Annual Personal and Family Income, Men Ages 30-39 (2004 dollars)**



Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the CPS, 1965-2006.

### GROWTH IN FAMILY INCOME IS DRIVEN BY GROWTH IN WOMEN'S INCOME

The primary focus of this series of studies of economic mobility is family income, which often involves a combination of male and female personal incomes. In these studies, for those who are married, family income is based on the cash income of both spouses as well as any other family members. For single individuals (who are treated as one-person

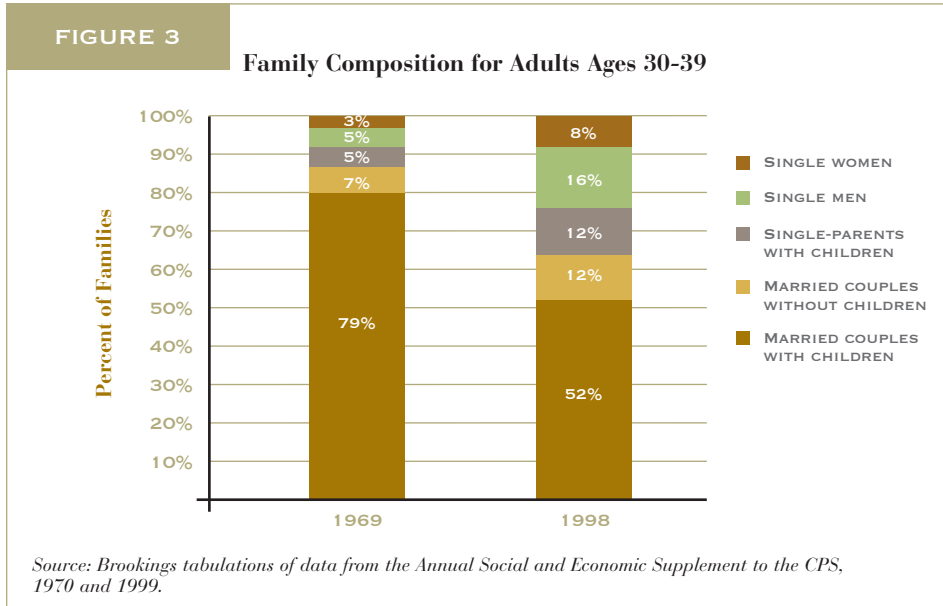
families), family income is simply the individual’s personal income. Non-cash contributions to family income are not included in the analysis, but are discussed in “Economic Mobility of Families Across Generations,” another report in this series.

**Over the past four decades, median family income has increased, despite stagnant male wages.**

As shown in Figure 2, on the previous page, between 1964 and 1994, median family income for

families containing men in their 30s has increased by 32 percent (or 0.9 percent per year). A decade later, the change in family income was much smaller—9 percent (or 0.3 percent per year)—but still represented positive growth. As more women have entered the workforce, and worked at higher wage levels, family incomes have increased despite the lack of growth in men’s incomes.

At the same time that family income growth has become a family enterprise, family composition has changed significantly. As shown in Figure 3, between 1969 and 1998 the proportion of adults in their 30s who are living in married families with children declined from 79 percent to 52 percent.<sup>3</sup> There were increases in the proportions living in single-parent families (12 percent in



**Marriage Rates by Parent Income Quintiles**

Detailed analysis of marriage rates by parental income quintile shows some difference by income distribution as well as gender. As shown in the table below, there are relatively small differences in marriage rates between sons and daughters at each income level, with the notable exception of sons and daughters with parents from the bottom quintile. Less than half (47 percent) of women in the bottom fifth were married in 1996, compared to 61 percent of their male counterparts. Parental marriage rates are also low for this group (64 percent compared to 91-98 percent for parents in other income groups), suggesting that the low marriage rates for these daughters is associated with single-parent status of their parents, as well as low family incomes.<sup>10</sup>

**TABLE 1** Percent Married, by Generation, Gender, and Parental Income

	PARENTS IN 1968	SONS IN 1996	DAUGHTERS IN 1996
<b>All</b>	90%	68%	64%
Parents in top fifth:	98%	71%	70%
Parents in fourth fifth:	97%	77%	72%
Parents in middle fifth:	98%	67%	68%
Parents in second fifth:	91%	66%	61%
Parents in bottom fifth:	64%	61%	47%

Source: PSID tabulations.

1998), as childless couples (also 12 percent) and as unmarried men without children (16 percent) or unmarried women without children (8 percent).<sup>9</sup> As a result of these changes as well as fewer children per family, family size for adults in their 30s was only 3.2 persons, down from 4.5 persons in 1969.

A similar generational shift in family composition is evident in the PSID sample that is used for the data analysis described in the remainder of this report. The percentage of married individuals fell from 90 percent in the parents' generation to about two-thirds (68 percent for men and 64 percent for women) in the children's generation (see text box on previous page).

These changes in family size and composition add important contextual information to the observed stagnation in male personal income and the moderate increases in family income. For example, the failure for a typical man in his 30s to earn as much as did men in his father's generation may be viewed as less problematic if he is not supporting a wife and children. On the other hand, lower levels of male personal income may be contributing to the decline in marriage rates.<sup>11</sup> While the rise in women's labor force participation can be seen as having positive effects on family economic well-being, it can also contribute to the added time pressures facing families today.

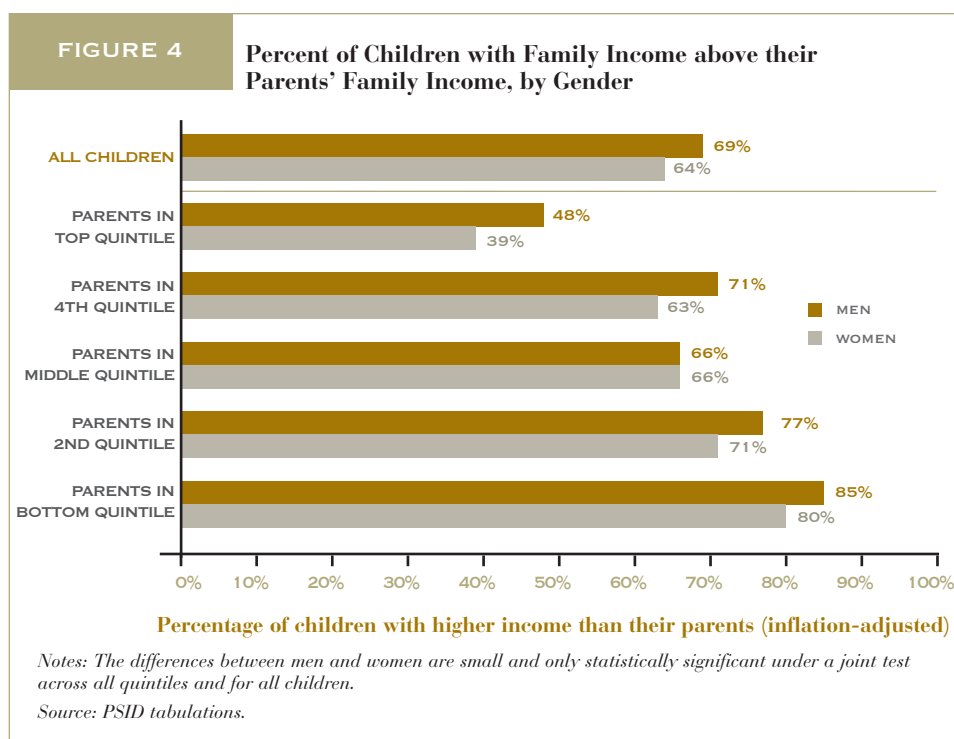
### INTERGENERATIONAL MOBILITY: RELATIVELY FEW DIFFERENCES BUT SOME EVIDENCE OF MORE UPWARD MOBILITY FOR SONS

The PSID provides decades of longitudinal data that allows the analysis to move beyond a comparison of generational averages of family income to direct comparisons between individuals and their actual parents. As reported in previous reports, two out of three Americans who were children in 1968 have grown up to have higher family incomes than their parents (after adjusting for inflation). How similar are the experiences of sons and daughters?

#### Sons are slightly more likely than daughters to surpass their parents' family incomes.

As Figure 4 illustrates, 69 percent of sons and 64 percent of daughters grew up to have family income in 1995–2002 that was higher than their inflation-adjusted childhood family income in 1967–1971. Moreover, the pattern of slightly higher absolute incomes for sons than daughters is present to some degree across different economic classes.<sup>12</sup>

As in other reports in this series, the intergenerational analysis addresses relative mobility—how children move up and down in social rank, relative to their initial starting point or family background—in addition to the question of moving up in absolute terms beyond one's parents. For the relative mobility analysis, individuals are grouped into five equally sized income groups or quintiles: first according to their parents' income and then according



to their own income as adults. The two rankings are then compared to see whether the advantages of being born to parents with higher incomes—and the disadvantages of being born to parents with lower incomes—have a similar impact on the economic prospects for sons and daughters.

**There are relatively few differences between sons and daughters with regard to whether men and women of different economic backgrounds have an equal shot of moving up the income ladder.**

With differences of only a few percentage points, there are very few clear patterns to be seen in the full set of transition matrices presented in Figure 5.<sup>13</sup> Both sons and daughters experience the same “stickiness” at the top and bottom of the income distribution as is found for all children in the analysis presented in the report on “Economic Mobility

of Families across Generations.” For example, 39 percent of sons and 39 percent of daughters born to parents at the top of the income distribution end up at the top quintile themselves. Likewise, sons and daughters whose parents are at the bottom of the income distribution tend to end up at the bottom themselves.

**Relative mobility is particularly low for girls born to parents in the bottom-fifth of the income distribution.**

Close to half (47 percent) of low-income girls compared to 35 percent of low-income boys end up in the bottom-fifth upon adulthood. This lack of mobility is consistent with the findings of lower marriage rates for women growing up in low-income families.

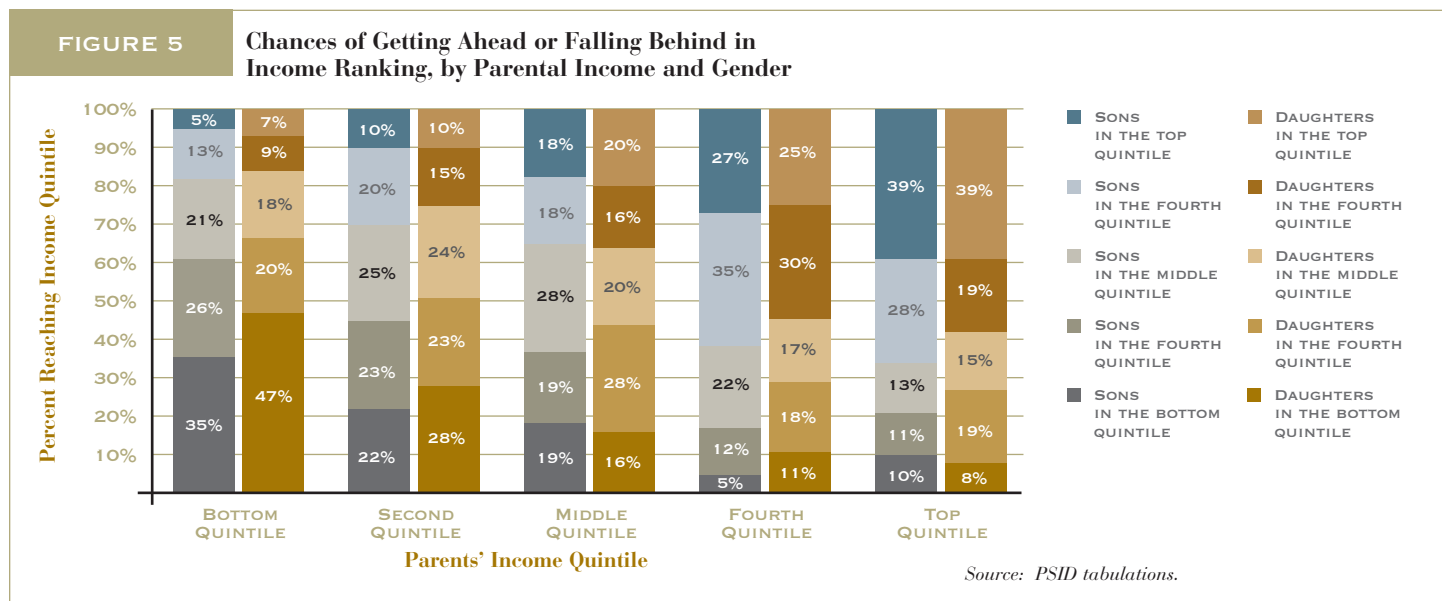
As in the report on “Economic Mobility of Families across Generations,” a final section of the data analysis provides a four-part

typology integrating components of absolute and relative terms.<sup>14</sup> Presented in detail in Appendix B, the typology shows the following:

**(1) About one-third of both sons and daughters are upwardly mobile** in the sense of both getting ahead of their parents’ family income and moving ahead of their parents’ income ranking (36 percent of sons and 33 percent of daughters).

**(2) Another one-fourth of sons and daughters are riding the tide** and are making more than their parents but remain in the same economic position (27 percent of sons and 26 percent of daughters).

**(3) As with all children, there is a small percentage (5 to 6 percent) of both sons and daughters who are falling despite the tide;** although they have more income than their parents they fall behind their parents’ economic position.



**(4) Daughters appear to be slightly more likely to be downwardly mobile than sons.**

More than one-third (36 percent) of daughters make less than their parents' income and fall behind or remain at their parents' economic position, compared to 31 percent of sons.

**FINDINGS FROM THE LITERATURE**

**Other researchers also have found few differences between sons and daughters when measuring intergenerational income mobility across the full income distribution.**

Instead of relying solely on transition matrices, many researchers compare the associations of income between parents and sons and parents and daughters through a statistical measure called an intergenerational elasticity coefficient (IGE).<sup>15</sup> Estimates by Laura Chadwick and Gary Solon (2002) suggest IGEs in the range of 0.35 to 0.49 for daughters, compared to 0.54 to 0.58 for sons.<sup>16</sup> Lower IGE coefficients or less association of incomes for daughters means slightly higher mobility away from parents (both upward and downward), but in some comparisons the differences between daughters and sons were not statistically significant. A more recent analysis by Lee and Solon (2006) finds very little difference between men and women in income mobility.

Researchers do find differences between men and women when they compare personal earnings rather than family income. Elizabeth Peters (1992) found similar levels of mobility when looking at sons' income, daughters' income, or sons' earnings, but much higher mobility (less resemblance to parents) for daughters' earnings. In fact, she found almost perfect mobility, that is, no relationship between parents' economic class and the level of women's earnings. In a more recent study of administrative data on earnings, Molly Dahl and Thomas DeLeire (forthcoming) also found that daughters' earnings had less of a resemblance to fathers' earnings than was true for sons. Women's movements in and out of paid employment—following labor supply decisions that may be influenced by their spouse's earnings as well as the presence of children—may explain why daughters' earnings are less correlated than sons' earnings with parental earnings.

**Assortative mating, or the marrying of persons similar in characteristics and background to one's own, plays a large role in explaining the resemblance of daughters' family income to the income of their parents.**

Chadwick and Solon (2002) find that the earnings of a married daughter's husband bear as much resemblance to her parents' income as do her own earnings. Moreover, his earnings are usually higher than

her earnings, and so have a heavier weight in shaping total family income. In other words, women would have higher rates of intergenerational mobility—more movement away from the economic class of their parents—if it were not for the contributions of their husbands' earnings.

Not only who a woman marries, but whether she marries (or remains married) has a substantial effect on her economic status and mobility. In a study comparing families in 1988 and 1998, Katharine Bradbury and Jane Katz (2002), found more downward mobility over a ten-year period among families who lost a husband to death or divorce than for families losing a wife. They found that three-fourths of families losing a husband moved down at least one income quintile compared to only 49 percent of families losing a wife.<sup>17</sup>

Divorce and single parenthood can also influence intergenerational mobility and may explain some of the lack of mobility for low-income girls. The research literature provides some evidence that the children of divorced parents are more likely to get divorced and stronger evidence that daughters of single mothers are more likely to be single mothers.<sup>18</sup> The trends observed in Table 1 appear consistent with this research literature. Absence of a husband is thus a characteristic that may be handed down from mother to daughter, along with the accompanying lower prospects for economic success.

## CONCLUSION

Median family income has increased over the past four decades because of the sharply rising incomes of women. Increased employment levels, wages, and hours worked have increased personal income for women, far beyond the incomes of women in earlier generations, though not to the levels of men. In contrast, men's personal incomes have stagnated, and in fact, men in their 30s today have incomes slightly below their fathers' incomes.

Regarding personal income, therefore, women have experienced more absolute mobility than men. With regard to family income, however, men and women's absolute mobility experiences are much more similar.

An examination of family incomes of matched pairs of parents and children reveals that both sons and

daughters have higher family incomes than their parents, by a ratio of about two to one. In fact, sons are slightly more likely than daughters to exceed parents in absolute levels of family income.

An analysis of movements up and down the income ladder finds that both sons and daughters benefit from having high-income parents and are disadvantaged by having low-income parents. Most of the differences in relative mobility between sons and daughters are small. One notable exception is in the lowest income families, where daughters are even less likely than sons to break out of the bottom fifth of the income distribution.

The same pattern is seen in a mobility typology that contains elements of both absolute and relative mobility measures. Men and women are fairly similar overall in mobility, except women are slightly likely

to be downwardly mobile in the double sense of making less money and moving down one or more quintile.

For men, the intergenerational transmission is driven by a relatively strong relationship between the earnings of fathers and sons. For women, the general tendency to marry men whose earnings and income prospects are similar to those of one's parents plays an important role in explaining observed mobility patterns. More generally, this chapter highlights the importance of recognizing that economic mobility generally occurs within the context of families, and is not solely a result of individuals operating as lone economic agents.

## APPENDIX A. The PSID Sample and Family Income

The **sample** for this analysis is 2,367 individuals who were between the ages of 0 and 18 in 1968 and have been tracked into adulthood through the Panel Study of Income Dynamics (PSID), an annual survey collecting information on family income and other characteristics. The PSID core sample includes an oversampling of low-income households (commonly referred to as the Survey of Economic Opportunity (SEO) sample) in addition to a regular cross-sectional national sample (the Survey Research Center (SRC) sample). Both components of the sample were included in the analysis, although two-thirds of the low-income sample observations were dropped from the sample in 1997 as a cost-saving measure and thus were excluded from the analysis.

The **unit of analysis** is the individual child. Individual **survey weights** were used to adjust for the likelihood of sample selection (given the purposeful oversampling of low-income households and the subsequent sample reduction) and also to adjust for non-random attrition. Despite these adjustments, the sample may suffer from non-random attrition, that is, individuals who have dropped out of the sample may differ from those who remain in the sample. The sample does not include immigrants who entered the country since 1968, nor does the analysis focus on generations born before 1950 or after 1968.

**Family cash income** is the focus of the analysis, including taxable income (such as earnings, interest and dividends) and cash transfers (such as Social Security and welfare) of the head, spouse and other family members. The PSID definition of family, used in this analysis, includes single-person families and unmarried cohabiting couples who share resources, in addition to families related by blood, marriage or adoption. Family cash income does not include the value of non-cash compensation such as employer contributions to health insurance and retirement benefits, nor does it include the effect of taxes or non-cash benefits such as food stamps. All incomes are reported in 2006 dollars, using the CPI-U-RS to adjust for inflation.

**Parental family income** is based on total family income averaged over five years, 1967-1971, following family income for the head of the family in which the child resided in 1968. This income is referred to as the child's parents' income, although the sample includes children living with grandparents or other relatives and it includes income of all members of the family (head, spouse, and other family members). Average age of the children's parents was 40.9 at the time of survey interview (1968-1972). Five-year averages are used as a proxy for life-time income.

**Children's adult income** is based on total family income (of the family in which the adult child resides), averaged over five years of income. Because the PSID shifted from annual to biennial data collection in the mid 1990s, the five years of data are collected over a seven-year interval (income in 1995, 1996, 1998, 2000, and 2002). Family income data are collected at ages 27-34 for the youngest children in the sample (those born in 1968) and ages 45-52 for the oldest children (those 18 in 1968). Average age of the children was 39.4 at the time of survey interviews (1996-2003).

**Negative and zero incomes** are bottom-coded to \$1, and individuals with missing data for two or more years in either five-year period were dropped. As noted above, this restriction resulted in dropping the portion of the SEO sample that was discontinued in 1997.

## APPENDIX B. Four-part Typology of Economic Mobility of Sons and Daughters

As in the report on “Economic Mobility of Families across Generations,” it is important to demonstrate how men and women move beyond their parents in both absolute and relative terms. As already shown, sons are slightly more likely than daughters to surpass the family incomes of their parents (69 percent compared to 64 percent), and there are fewer differences between men and women in relative movement up and down the income distribution. These two measures of mobility are integrated in a four-part mobility typology, presented in the table on page 10. It shows the following:

- **About one-third of both sons and daughters are *upwardly mobile*** in the sense of both getting ahead of their parents’ family income and moving ahead of their parents’ income ranking (36 percent of sons and 33 percent of daughters).
- **Another one-fourth of sons and daughters are *riding the tide*** and are making more than their parents but remain in the same economic position (27 percent of sons and 26 percent of daughters).
- **As with all children, there is a small percentage (5 to 6 percent) of both sons and daughters who are *falling despite the tide***; although they have more income than their parents they fall behind their parents’ economic position.
- **Daughters appear to be slightly more likely to be *downwardly mobile* than sons.** More than one-third (36 percent) of daughters make less than their parents’ income and fall behind or remain at their parents’ economic position, compared to 31 percent of sons.

**Much of the observed differences between men and women are concentrated in the experiences of children in the bottom fifth.** Almost two-thirds of men born to parents in the bottom fifth are upwardly mobile, while only half of women are.

*Please see table on next page.*

## APPENDIX B, continued. New Typology: Mobility of Sons and Daughters

*Children's Chances of Experiencing both Absolute and Relative Mobility, by Parents' Family Income and Gender (Percent in Each Category)*

MEN	PARENTS' FAMILY INCOME RANK					ALL CHILDREN
	BOTTOM QUINTILE	SECOND QUINTILE	MIDDLE QUINTILE	FOURTH QUINTILE	TOP QUINTILE	
<b>Upwardly Mobile</b> Higher income and up 1 or more quintiles	65	55	35	27	N/A <sup>(1)</sup>	36
<b>Riding the Tide</b> Higher income and same quintile	20	20	28	35	35	27
<b>Falling Despite the Tide</b> Higher income and down 1 quintile	N/A <sup>(2)</sup>	2	4	10	13	6
<b>Downwardly Mobile</b> Lower income and lower/same quintile <sup>(3)</sup>	15	23	34	29	52	31
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

WOMEN	PARENTS' FAMILY INCOME RANK					ALL CHILDREN
	BOTTOM QUINTILE	SECOND QUINTILE	MIDDLE QUINTILE	FOURTH QUINTILE	TOP QUINTILE	
<b>Upwardly Mobile</b> Higher income and up 1 or more quintiles	53	49	37	25	N/A <sup>(1)</sup>	33
<b>Riding the Tide</b> Higher income and same quintile	27	21	19	30	33	26
<b>Falling Despite the Tide</b> Higher income and down 1 quintile	N/A <sup>(2)</sup>	1	10	8	6	5
<b>Downwardly Mobile</b> Lower income and lower/same quintile <sup>(3)</sup>	20	29	34	37	61	36
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: Totals may not add due to rounding.

(1) Those in the top quintile cannot meet this definition, because there is no quintile above the top quintile.

(2) Those in bottom quintile cannot meet this definition, because there is no quintile below the bottom quintile.

(3) Any observation with income exactly equal to parents is also classified as downwardly mobile. Source: PSID tabulations.

# NOTES

<sup>1</sup> As explained in more detail in Appendix A, adult family incomes are observed in 1995, 1996, 1998, 2000 and 2002. This five-year average is compared to parents' family incomes in 1967-1971. The adult children ranged in age from 27 to 45 years in the first year of adult income data (1995) and from 34 to 52 years in the last year of adult income data (2002).

<sup>2</sup> The CPS data analysis focuses on adults in their 30s because economists have found income in one's 30s to be a better indicator of long-run income than income at earlier ages (see Solon, 1999). Another advantage of examining adults 30-39 in the CPS is that there is some overlap in ages with adults in the PSID sample (who range in age from 27 to 52). Personal income includes before-tax earnings, interest and dividends from capital, cash benefits from government programs (such as Social Security, welfare, or unemployment compensation), alimony, and other cash income. It does not include the value of non-cash compensation such as employer contributions to health insurance and retirement benefits, nor does it include the effect of taxes or non-cash benefits such as food stamps. See "Economic Mobility of Families Across Generations" for discussion of non-cash contributions to economic well-being.

<sup>3</sup> Kearney, 2006.

<sup>4</sup> Brookings tabulations of data from the Annual Economic and Demographic Supplement of the CPS. Among women 16 and older, labor force participation has increased from 43 percent in 1970 to 59 percent in 2003 (Bureau of Labor Statistics, 2005).

<sup>5</sup> Brookings tabulations of data from the Annual Economic and Demographic Supplement of the CPS. Among women 16 to 64, the percentage of women workers who work full-time, full-year has increased from 41 percent in 1970 to 59 percent in 2003 (Bureau of Labor Statistics, 2005).

<sup>6</sup> Mishel, Bernstein and Allegretto, 2007, Tables 3.5 and 3.6. Wages at the 20th percentile for male workers fell by 6 percent, whereas wages at the 20th percentile for female workers increased by 16 percent.

<sup>7</sup> See U.S. Census Bureau, Historical Income Table P-40. Based on median earnings of full-time, year-round workers 15 years old and over as of March of the following year.

<sup>8</sup> These two years, 1969 and 1998, were selected as the approximate midpoint of the 1967-1971 and 1995-2002 time spans used in the subsequent PSID data analysis.

<sup>9</sup> About two-thirds of unmarried individuals without children live alone or with unrelated individuals; the remaining one-third lived with their parents or other relatives.

<sup>10</sup> Note that although both generations show low marriage rates in the bottom quintile, there is an important difference between the generations in the income analysis. Whereas low marriage rates among parents can be a direct influence on parental family income as well as vice versa, low marriage rates in the children's generation cannot be seen as having a direct causal influence on the income levels of their parents some 30 years earlier.

<sup>11</sup> McLanahan, 2004.

<sup>12</sup> The difference between men and women overall is statistically significant ( $p=.010$ ). None of the differences between men and women in the individual quintiles are significant with 95 percent confidence, but the pattern of differences is significant under a joint test ( $p=.048$ ).

<sup>13</sup> A chi-squared test shows that we can reject at the 99 percent level of confidence the hypothesis that boys and girls have identical expected distributions.

<sup>14</sup> John E. Morton and Ianna Kachoris of Pew's Economic Mobility Project collaborated with the author in developing the mobility typology presented in Appendix B.

<sup>15</sup> The intergenerational elasticity coefficient (IGE) comes from a linear regression equation estimating the relationship between children's and parents' income, with both child and parental income expressed in logarithmic measures. It measures the percentage difference in expected child income associated with a one percent difference in parental income. To interpret the IGE, imagine a group of parents whose income is 80 percent higher than average. If they are in a society with an IGE of 0.5, then their children would, on average, have incomes 40 percent higher than average (80 percent  $\times$  0.5). And at the extreme of an IGE of 0, any large group of children would have average incomes unrelated to the income of their parents.

<sup>16</sup> See Chadwick and Solon, 2002. Their IGE estimates are based on analysis of PSID data.

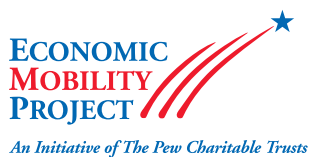
<sup>17</sup> The 75 percent moving down one income quintile is over a base that excludes the bottom quintile (from which downward movement is impossible).

<sup>18</sup> See d'Addio, 2007; McLanahan and Bumpass, 1988.

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## ACKNOWLEDGEMENTS

The report is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel V. Sawhill and Ron Haskins of The Brookings Institution, Laura Chadwick of the U.S. Department of Health and Human Services, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

All Economic Mobility Project materials are guided by input from the Principals' Group and the project's Advisory Board. However, the views expressed in this report represent those of the author and not necessarily of any affiliated individuals or institutions.

## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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# ECONOMIC MOBILITY OF BLACK AND WHITE FAMILIES

## EXECUTIVE SUMMARY

ECONOMIC MOBILITY  
DESCRIBES THE ABILITY  
OF PEOPLE TO MOVE  
UP OR DOWN THE  
ECONOMIC LADDER  
WITHIN A LIFETIME  
OR FROM ONE  
GENERATION TO  
THE NEXT.

**T**he dream that one can rise up from humble beginnings and achieve a comfortable middle-class living, if not attain great wealth, transcends racial lines. But is this a reality for black and white families alike?

This report, by Julia Isaacs of The Brookings Institution, reviews overall income trends based on Census Bureau data and provides an intergenerational analysis based on a longitudinal data set that allows a direct match of the family income of parents in the late 1960s to their children's family income in the late 1990s to early 2000s.<sup>1</sup>

In brief, trends show that median family incomes have risen for both black and white families, but less so for black families. Moreover, the intergenerational analysis reveals a significant difference in the extent to which parents are able to pass their economic advantages onto their children. Whereas children of white middle-income parents tend to exceed their parents in income, a majority of black children of middle-income parents fall below their parents in income and economic status. These findings are provided in more detail below.

### **Median family income for both black and white families has increased over the last 30 years, but income gaps still persist.**

- ★ Between 1974 and 2004, white and black men in their 30s experienced a decline in income, with the largest decline among black men. However, median family incomes for both racial groups increased, because of large increases in women's incomes. Income growth was particularly high for white women.
- ★ The lack of income growth for black men combined with low marriage rates in the black population has had a negative impact on trends in family income for black families.

<sup>1</sup> The data sources for this report are the Current Population Survey (for the overall income trends) and the Panel Study for Income Dynamics (for the intergenerational analysis). All income data presented here are in real dollars, using the CPI-U-RS to adjust for inflation.

**THE MAJORITY OF  
BLACK CHILDREN BORN  
TO MIDDLE-INCOME  
PARENTS GROW UP TO  
HAVE LESS INCOME  
THAN THEIR PARENTS.**

- ★ There was no progress in reducing the gap in family income between blacks and whites. In 2004, median family income of blacks ages 30 to 39 was only 58 percent that of white families in the same age group (\$35,000 for blacks compared to \$60,000 for whites).
- ★ Black children grow up in families with much lower income than white children.

### **White children are more likely to surpass parents' income than black children at a similar point in the income distribution.**

- ★ Overall, approximately two out of three blacks (63 percent) exceed their parents' income after the data are adjusted for inflation, similar to the percentage for whites.
- ★ However, a majority of blacks born to middle-income parents grow up to have less income than their parents. Only 31 percent of black children born to parents in the middle of the income distribution have family income greater than their parents, compared to 68 percent of white children from the same income bracket. Odds of exceeding parental incomes are better for black children from other income groups, but are still substantially lower than those of white children in the same circumstances.<sup>2</sup>

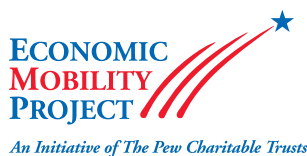
### **White children are more likely to move up the ladder while black children are more likely to fall down.**

- ★ More than one third (37 percent) of white children born to parents in the middle income group move up to the fourth or fifth quintile, compared to only 17 percent of black children whose parents have approximately the same levels of income.
- ★ Startlingly, almost half (45 percent) of black children whose parents were solidly middle class end up falling to the bottom of the income distribution, compared to only 16 percent of white children. Achieving middle-income status does not appear to protect black children from future economic adversity the same way it protects white children.
- ★ Black children from poor families have poorer prospects than white children from such families. More than half (54 percent) of black children born to parents in the bottom quintile stay in the bottom, compared to 31 percent of white children.

<sup>2</sup> It may seem odd that the chances of surpassing parental income are similar for blacks and whites overall, yet lower for blacks within each income group. This apparent contradiction is explained by the disproportionate number of black children starting at the bottom of the income distribution, where the probability of surpassing low parental income is fairly high for both blacks and whites (73 and 90 percent, respectively).

While the literature on intergenerational mobility by race is limited, similar black-white differences are emerging in other studies. However, the literature, like this analysis, is hindered by the small number of minority households in the longitudinal surveys. Analysis of additional data sets, as well as more extensive research on the factors contributing to racial differences, is needed to better understand the differences in mobility experiences uncovered in this analysis.

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## ACKNOWLEDGEMENTS

The report is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel V. Sawhill and Ron Haskins of The Brookings Institution, Christopher Jencks of Harvard University, Tom Hertz of American University, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

All Economic Mobility Project materials are guided by input from the Principals' Group and the project's Advisory Board. However, the views expressed in this report represent those of the author and not necessarily of any affiliated individuals or institutions.

## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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# ECONOMIC MOBILITY OF BLACK AND WHITE FAMILIES

BY JULIA B. ISAACS, THE BROOKINGS INSTITUTION

**T**he belief that one's child will be better off than oneself is a foundation of the American Dream. The dream that one can rise up from humble beginnings and achieve a comfortable middle-class living, if not attain great wealth, transcends racial lines. But is this a reality for black and white families alike?

This report explores the differences between white and black families with regard to economic success and income mobility. As with previous reports in this series it seeks to answer two main questions. The first, focusing on absolute mobility, asks about the economic progress of white and black families over recent generations. Do children of black and white Americans advance beyond their parents in terms of family income?

The second question, focusing on relative mobility, asks about movement up and down the income ladder. Do black and white children starting on similar rungs on the ladder have an equal shot at rising in society?

## *About the Study*

As described in previous reports

of the Economic Mobility Project, economic mobility is increasingly a family enterprise. Accordingly the study focuses on family incomes. The analysis looks first at overall income trends, based on data from the Census Bureau's Current Population Survey (CPS). Then, a direct comparison is made between the incomes of individuals and their own parents, to measure changes across generations in both absolute income levels and relative economic standing.

The analysis focuses solely on black and white families because of data constraints of the Panel Study of Income Dynamics (PSID), the longitudinal survey used for the intergenerational analysis. The PSID survey has repeatedly interviewed a sample of families and their descendants since 1968, allowing comparison of the children's income as adults with their family's income in childhood.<sup>1</sup> To reduce the effects of year-to-year fluctuations in income, total family incomes of the now-grown children are averaged across five recent years (1995, 1996, 1998, 2000 and 2002) and compared to the five-year averages of their parents' income in the period 1967–1971.<sup>2</sup>

Further methodological discussion of the PSID data sample and how family income is defined is provided in Appendix A.

## REAL INCOME GROWTH OF WHITE AND BLACK INDIVIDUALS AND FAMILIES

**Over the past three decades, personal income has increased for both white and black women in their 30s, while falling for both white and black men of the same age.**

As illustrated in Figure 1, median personal income has increased more than fivefold for non-Hispanic white women, after adjusting for inflation. In 1974, many white women in their 30s were stay-at-home mothers with little, if any, earnings, and median personal income was only \$4,000.<sup>3</sup> Thirty years later, median personal income was \$22,000, for comparably aged white women. As in previous reports in this series, this initial analysis of Census Bureau data focuses on personal incomes of adults in their 30s in 1974 and 2004, to facilitate comparison across a typical generation.

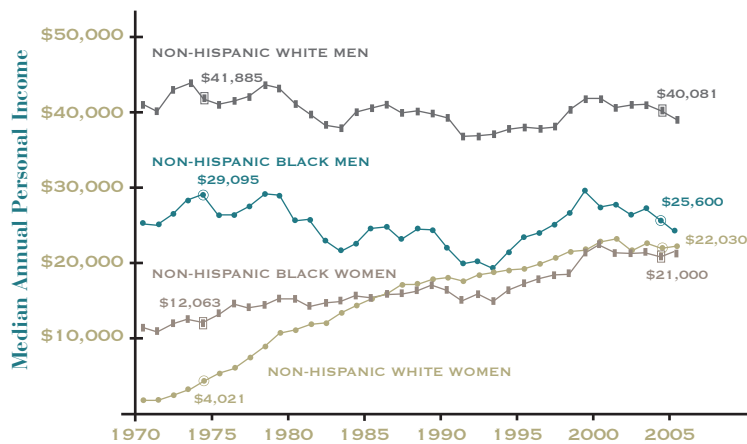
Income growth was not as large for black women ages 30 to 39 because they had much higher levels of employment and income (median of \$12,000) in 1974. One generation later, median personal income for non-Hispanic black women rose to \$21,000, or about 95 percent the level of non-Hispanic white women.

**Incomes of black men have been fluctuating without improvement and were lower in 2004 than 1974.** During this time period, 1974–2004, white and black men in their 30s experienced a decline in incomes, with the largest decline among black men. Non-Hispanic black men in their 30s today earn 12 percent less than

men in their father's generation earned. Median personal income for non-Hispanic black men for this age cohort is only 64 percent of median income for non-Hispanic white men of the same age.

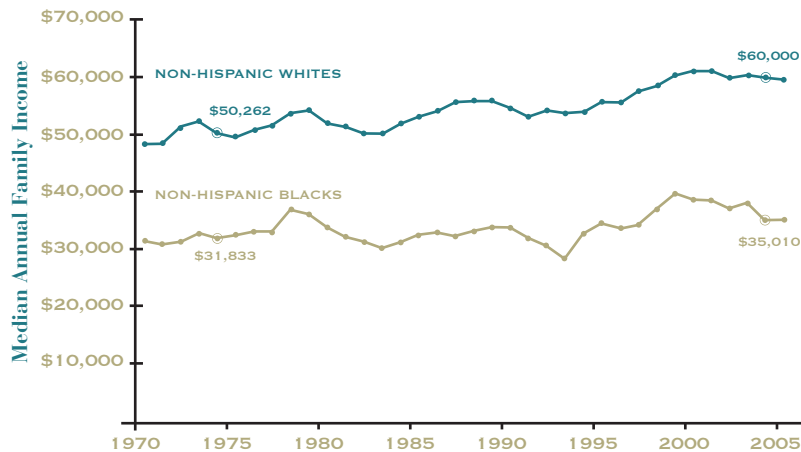
Much of the difference between white and black men is tied to differences in wages of full-time workers. Among full-time workers age 16 and older, median weekly earnings of black men were 78 percent of white men's earnings in 2004.<sup>4</sup> The black-white gap in male earnings has declined historically, with a large decline from the 1960s to the mid 1970s, but there has been much less improvement over the past three decades.<sup>5</sup> Blacks also have lower income than whites due to lower employment rates. The percentage of men 16 and over who were employed in 2004 was 70.4 for white men and 59.3 percent for black men.<sup>6</sup>

FIGURE 1

**Median Personal Income of White and Black Men and Women Ages 30-39 (2004 Dollars)**

Notes: All men and women ages 30-39, including those with no personal income, are included in these estimates. Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the CPS, 1971-2006.

FIGURE 2

**Median Family Income of White and Black Adults, Ages 30-39 (2004 Dollars)**

Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the CPS, 1971-2006.

**Family incomes have risen for both racial groups primarily because the increase in women's incomes has outpaced the decline in men's incomes.**

Family income, the primary focus of this study, often involves a combination of male and female personal incomes. For those who are married, family income is based on the cash income of both spouses as well as any other family members. For single individuals (who are treated as one-person families), family income is simply the individual's personal income.

### There was no progress in reducing the gap in incomes between black and white families.

Consistent with the trends in individual incomes, the increase in family incomes was larger for whites in their 30s (19 percent) than for blacks (10 percent). In 2004, the family income of blacks ages 30 to 39 was only 58 percent that of comparably aged whites (\$35,000 compared to \$60,000), as shown in Figure 2.<sup>7</sup>

Blacks have lower incomes than whites across all age cohorts, not just the cohort aged 30 to 39. Income differences are particularly pronounced at the bottom of the income distribution. In 2006, close to one fourth (24.3 percent) of black individuals had family incomes below the federal poverty thresholds, a poverty rate that is nearly three times the 8.3 percent rate for non-Hispanic

whites. However, these rates do represent some progress since 1967, when black poverty rates were 39.3 percent and white poverty rates were 11.0 percent.<sup>8</sup>

### The lack of income growth for black men combined with low marriage rates in the black population has had a negative impact on trends in family incomes of blacks in the United States.

While much of the racial disparity in family income and poverty rates is a result of lower earnings and incomes of blacks, particularly black men, large differences in family structure also contribute to differences in family economic well-being. As shown in Figure 3, blacks are less likely than whites to be in married couple families, and both races have seen a decline in marriage across the generations. Low marriage rates undoubtedly contribute to low family

incomes; high percentages of blacks in their 30s are single parents with children or single men and women, and so are largely reliant on income from only one adult in the family.<sup>9</sup> At the same time, many researchers believe that the low personal income of black men plays a role in explaining low marriage rates.<sup>10</sup>

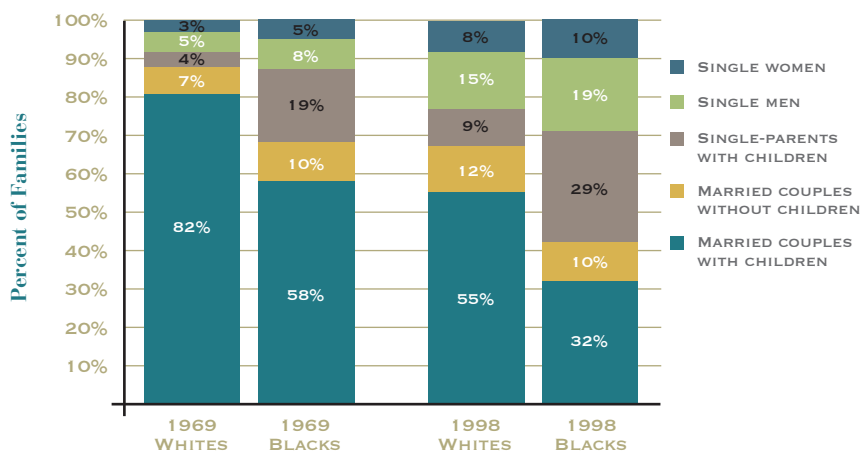
Many of the racial patterns in family income and composition evident in the Census Bureau's annual surveys are also found in the longitudinal data in the Panel Study on Income Dynamics (PSID), the sample that will be used in the intergenerational analyses to follow. Although the age cohort is broader in the PSID and there are other differences between the data sets, the broad trends in family income are similar, as shown in Table 1, below.<sup>11</sup> Trends in family composition are also similar.<sup>12</sup>

### Black children grow up in families with much lower incomes than white children.

Median family income for parents of black children was \$27,100 in 1967–1971, compared to \$61,100 for parents of white children, in inflation-adjusted dollars. The lower economic status into which black children are born is also evident in the fact that nearly two-thirds (62 percent) of black children were born to parents in the bottom fifth, or quintile, of the overall income distribution. Only 8 percent of black children were born to parents in the middle fifth of the income distribution, compared to 22 percent of white children.

FIGURE 3

Family Composition of White and Black Adults Ages 30–39



Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the CPS, 1970 and 1999.

Note that there were too few black parents in the top quintile to generate income or mobility statistics for this group of children.<sup>13</sup>

As documented in “Mobility of Families across Generations,” another report in this series, parental income has a strong influence on childhood economic success. Given the lower economic circumstances of black children, it does not seem likely that black and white children have equal chances of economic success. Indeed, median family income for the second generation was much lower for blacks than whites, \$41,900 for blacks and \$78,800 for whites.

But the further question here is whether blacks and whites with parents of similar income levels have equal experiences of mobility. The study explores both how overall trends in economic growth translate into upward movement in absolute

dollars (absolute mobility) and how families move up and down the income ladder relative to others in the population (relative mobility).

#### **ABSOLUTE MOBILITY: BLACKS ARE LESS LIKELY THAN WHITES TO ADVANCE BEYOND PARENTS AT EACH INCOME LEVEL**

An earlier report in this series found that two out of three Americans who were children in 1968 grow up to have higher incomes than their parents, after adjusting for inflation. But is this equally true for both black and white children?

Using the data in the PSID sample, direct comparisons can be made between the family incomes of individuals and their own parents, providing a new measure of mobility that goes beyond the simple comparisons across generations.

**When the data are *not* controlled for income, blacks and whites have similar chances of having adult incomes higher than their parents.**

About two thirds of blacks and whites have higher family incomes, as shown in Figure 4 (the difference between the two racial groups is not statistically significant). This outcome, however, is driven by the disproportionate number of blacks in the lowest quintile, where the probability of surpassing low parental income is high for both whites and blacks (90 percent for whites and 73 percent for blacks).

**When the data are controlled for parental income quintile, at each income level, black adult children are less likely than their white counterparts to have higher income than their parents.**

<b>TABLE 1</b>		<b>Parents' Income of White and Black Children in PSID Sample</b>		
	<b>WHITE CHILDREN</b>	<b>BLACK CHILDREN</b>	<b>ALL CHILDREN</b>	
Median Family of Parents, 1967–1971 (In 2006 Dollars)	\$61,100	\$27,100	\$55,600	
<b>Percentage of Children Living in Each Income Quintile, based on Parental Income 1967–1971</b>				
Parents in top fifth: (\$81,200 or more)	23	**	20	
Parents in fourth fifth: (\$65,100–\$81,200)	23	7*	20	
Parents in middle fifth: (\$48,800–\$65,100)	22	8	20	
Parents in second fifth: (\$33,800–\$48,800)	19	23	20	
Parents in bottom fifth: (0 to \$33,800)	13	62	20	
<b>All Children</b>	<b>100</b>	<b>100</b>	<b>100</b>	

Notes: \* Interpret data with caution due to small sample size. \*\* Too few observations to report estimate.

Source: PSID data tabulations of family income 1967–1971.

The difference is particularly pronounced for the middle-income group. After adjusting for inflation, the analysis found that two out of three white children from the middle quintile grow up to have higher real family incomes than their parents. In stark contrast, only one out of three black children from the same income group surpass their parents in absolute income levels. In other words, a majority of black children born to parents in the middle quintile grow up to have less family income than their parents in inflation-

adjusted dollars. Outcomes are better for black children from other income groups, but still substantially below outcomes for white children.<sup>14</sup>

The comparison of children’s income to their own parents’ income is extended in Figure 5, which reports the median family income of adult children for each racial and parental income group.

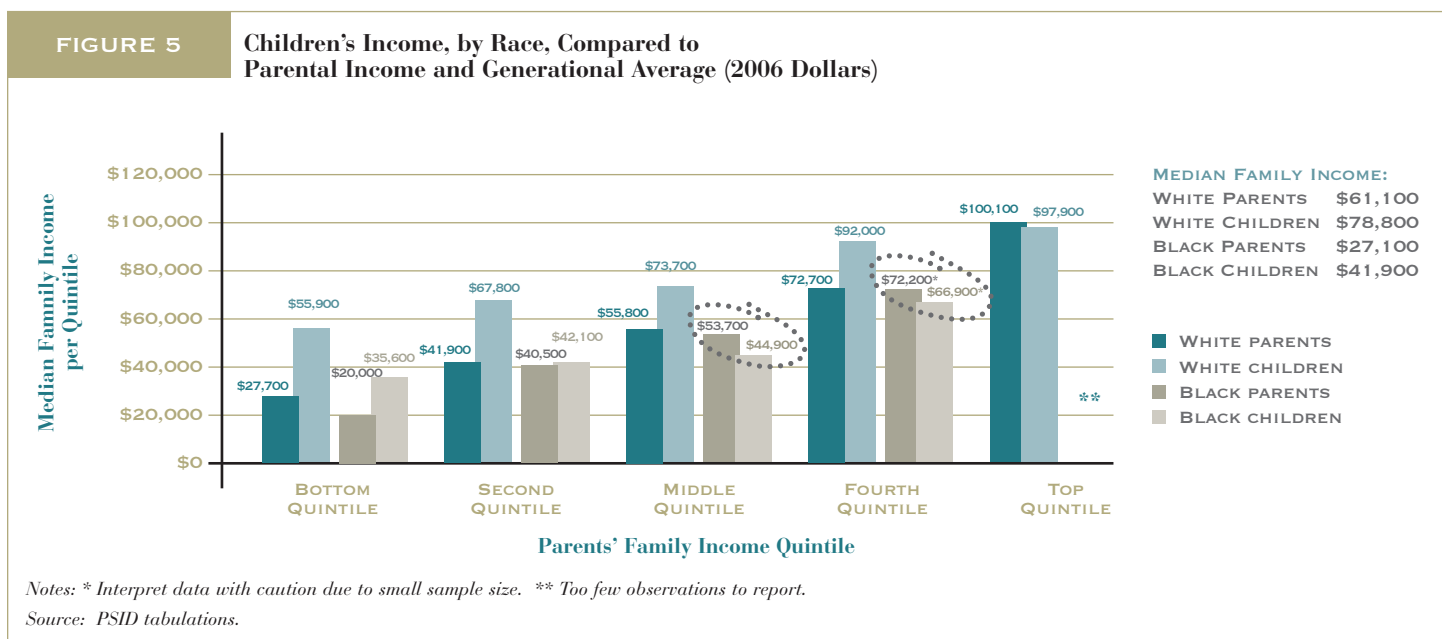
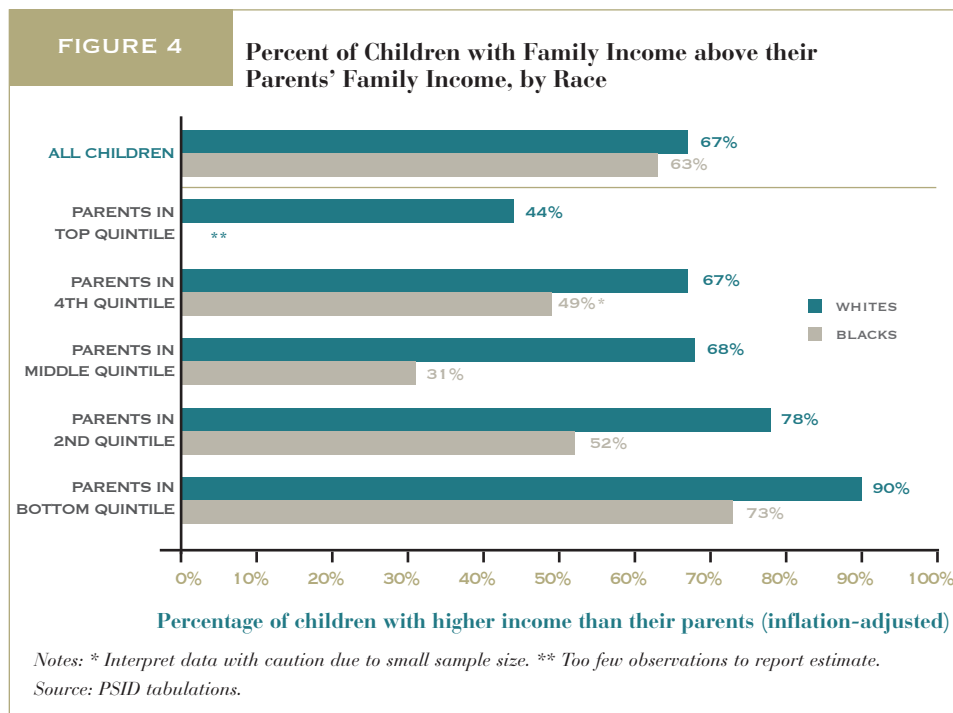
**Children from middle and upper middle class black families experience a generational drop in income that is in sharp contrast to the traditional American expectation that each generation will do better than the one that came before it.**

With the exception of children born to parents in the top quintile, white children end up having higher incomes than their parents. Only two groups of black children—those in the two lowest income groups—also

experience income growth above parents, though not as large as do white children born to parents in the same quintiles. Black children in the third and fourth quintiles end up with lower median income than their parents—by 7 percent and 16 percent, respectively.<sup>15</sup>

**RELATIVE MOBILITY:  
BLACKS EXPERIENCE LESS  
UPWARD MOBILITY AND  
MORE DOWNWARD  
MOBILITY THAN WHITES**

**For every parental income group,  
white children are more likely**



than black children to move ahead of their parents' economic rank, while black children are more likely than white children to fall behind.

The intergenerational analysis tracks the extent to which children move to different income quintiles from those occupied by their parents.<sup>16</sup> The analysis reveals that black children and white children do not have equal chances of moving up the income ladder, even after the analysis controls for initial placement.

This racial difference can be seen by examining movements of children in the middle income group, depicted in the central bars of Figure 6. More than one third (37 percent) of white children born to parents in the middle income group move upward to the fourth or fifth quintile, compared to only 17 percent of black children whose parents have approximately the same levels of income.

**Achieving middle-income status—with parental incomes of about \$49,000 to \$65,000 in 2006 dollars—does not appear to protect black children from future economic adversity the same way it protects white children.**

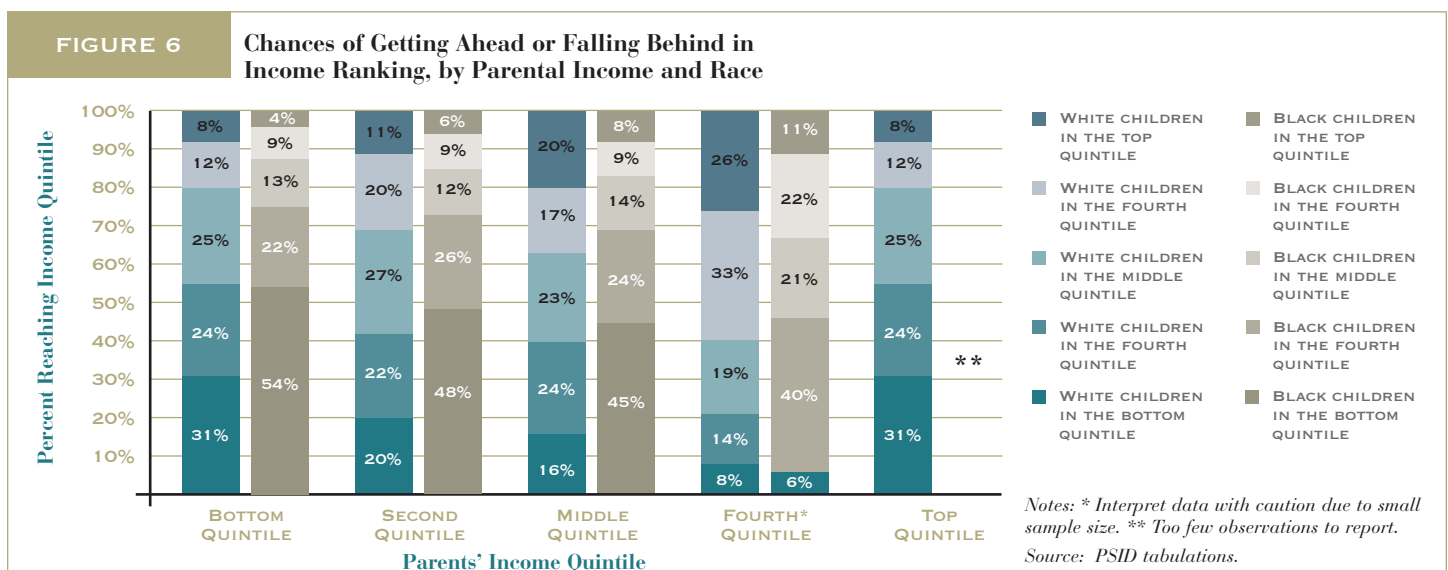
A startling 45 percent of black children whose parents were solidly middle income end up falling to the bottom income quintile, while only 16 percent of white children born to parents in the middle make this descent.

Similar trends are found in other income groups as well. In another disturbing example, 48 percent of black children and 20 percent of white children descend from the second-to-bottom income group to the bottom income group. In addition, black children who start at the bottom are more likely to remain there than white children (54 percent compared to 31 percent).

In general, white children in the sample are roughly twice as likely as black children to rise to the top quintile after controlling for parental income levels. Black children are much more likely to fall to the bottom quintile.

### NEW MOBILITY TYPOLOGY REINFORCES FINDINGS

As a final step in the analysis, the absolute and relative mobility measures presented in this report were integrated in a combined analysis that shows the chances that white and black children move beyond their parents in both absolute income levels and relative economic standing.<sup>17</sup> As shown in detail in Appendix B, this integrated mobility analysis reinforces the findings already reported on absolute mobility. When the data are not controlled for income, there is not much difference in the mobility experiences of black and white Americans. However, within income groups, there are



large differences, with white children more upwardly mobile than black children. This apparent contradiction is explained by the fact that outcomes for blacks are strongly influenced by the large number of black children in the bottom fifth of the income distribution – and low-income children of both races have good odds of surpassing their own parents' income.

**FINDINGS ARE  
CONSISTENT WITH  
AVAILABLE LITERATURE  
BUT UNANSWERED  
QUESTIONS REMAIN**

Many readers may want to know more about the robustness of these findings, as well as the underlying factors contributing to the sharp differences in both absolute and relative mobility experiences of white and black families. Are the findings reported for this sample true of black families more generally? And would the differences remain if the analysis controlled not just for income, but also for educational and occupational status, family wealth, family structure, health status, neighborhood, parental attitudes and behaviors, and other variables?

While the literature on intergenerational mobility by race is limited, similar black-white differences are emerging in other studies (see Appendix C). A few studies also suggest that the racial

gap is reduced but not eliminated when additional factors are included in the analysis.

It is important to note that the literature is uniformly hindered by the small number of minority households in the longitudinal surveys. In addition, the PSID, which is the data source for this report and much of the research on intergenerational mobility, has been criticized for having insufficient documentation of the procedures used to sample low-income minority households.<sup>18</sup> Analysis of additional data sets (including administrative data sets with larger sample sizes), as well as more extensive research on the factors contributing to racial differences, is needed to better understand the differences in mobility experiences uncovered in this analysis.

**CONCLUSION**

While incomes have grown for both white and black families since the early 1970s, white families still have considerably higher incomes than black families. Some of the differences in economic outcomes reflect the persistent effect of income differences from the early 1970s, passed down from parents to children. In addition, the mobility analyses in this report show that even within income groups, white children have better economic outcomes than black children. In terms of absolute, relative, and integrated mobility measures,

white children have substantially more upward mobility than black children of comparable incomes.

The findings for black children in the bottom fifth present a sobering picture, but one familiar from the broad literature on black child poverty. Namely, black children who are born into the bottom fifth of the income distribution have a hard time escaping upward, and a harder time than poor white children. What is not usually reported, however, is that low-income children—both black and white—have fairly good chances of exceeding their parents' income.

The findings for black children born to middle-income parents may be more startling. Many middle-income black parents have seen their children's incomes fall below their own; and disturbingly high numbers of black children have fallen from the middle to the bottom of the income distribution. Economic success in the parental generation—at least as measured by family income—does not appear to protect black children from future economic adversity the same way it protects white children.

## APPENDIX A. The PSID Sample and Family Income

The **sample** for this analysis is 2,367 individuals who were between the ages of 0 and 18 in 1968 and have been tracked into adulthood through the Panel Study of Income Dynamics (PSID), an annual survey collecting information on family income and other characteristics. The PSID core sample includes an oversampling of low-income households (commonly referred to as the Survey of Economic Opportunity (SEO) sample) in addition to a regular cross-sectional national sample (the Survey Research Center (SRC) sample). Both components of the sample were included in the analysis, although two thirds of the low-income sample observations were dropped from the sample in 1997 as a cost-savings measure and thus were excluded from the analysis.

The **unit of analysis** is the individual child. Individual **survey weights** were used to adjust for the likelihood of sample selection (given the purposeful oversampling of low-income households and the subsequent sample reduction) and also to adjust for non-random attrition. Despite these adjustments, the sample may suffer from non-random attrition, that is, individuals who have dropped out of the sample may differ from those who remain in the sample. The sample does not include immigrants who entered the country since 1968, nor does the analysis focus on generations born before 1950 or after 1968.

**Family cash income** is the focus of the analysis, including taxable income (such as earnings, interest and dividends) and cash transfers (such as Social Security and welfare) of the head, spouse and other family members. The PSID definition of family, used in this analysis, includes single-person families and unmarried cohabiting couples who share resources, in addition to families related by blood, marriage or adoption. Family cash income does not include the value of non-cash compensation such as employer contributions to health insurance and retirement benefits, nor does it include the effect of taxes or non-cash benefits such as food stamps. All incomes are reported in 2006 dollars, using the CPI-U-RS to adjust for inflation.

**Parental family income** is based on total family income averaged over five years, 1967–1971, following family income for the head of the family in which the child resided in 1968. This income is referred to as the child's parents' income, although the sample includes children living with grandparents or other relatives and it includes income of all members of the family (head, spouse, and other family members). Average age of the children's parents was 40.9 at the time of survey interview (1968–1972). Five-year averages are used as a proxy for life-time income.

**Children's adult income** is based on total family income (of the family in which the adult child resides), averaged over five years of income. Because the PSID shifted from annual to biennial data collection in the mid 1990s, the five years of data are collected over a seven-year interval (income in 1995, 1996, 1998, 2000, and 2002). Family income data are collected at ages 27–34 for the youngest children in the sample (those born in 1968) and ages 45–52 for the oldest children (those 18 in 1968). Average age of the children was 39.4 at the time of survey interview (1996–2003).

**Negative and zero incomes** are bottom-coded to \$1, and individuals with missing data for two or more years in either five-year period were dropped. As noted above, this restriction resulted in dropping the portion of the SEO sample that was discontinued in 1997.

## APPENDIX B. *New Typology: Mobility of White and Black Families*

As a supplemental step in the analysis, the absolute and relative mobility measures presented in the report were integrated in a combined view to describe more fully how black and white Americans experience economic mobility.

**When the data are not controlled for income, there is not much difference in the mobility experiences of black and white Americans.<sup>19</sup>**

- Overall, slightly more than one third of both black and white children are “upwardly mobile” in the double sense of rising above their parents in dollar levels and moving up at least one income quintile, as shown in the table below.
- About one-fourth of both racial groups are “riding the tide,” that is, rising above parental income levels in inflation-adjusted dollars, but without moving up an income quintile.
- A small group of families (6 percent of white families and 2 percent of black children) are “falling despite the tide.” They get ahead of their parents’ income in absolute terms but fall back one quintile.
- Finally, one third or more are “downwardly mobile,” dropping below parents in both income level and income quintile.

**However, within income groups, there are large differences, with white children more upwardly mobile than black children.**

This contrast is illustrated by comparing children in the middle income group. More than one third of white children whose parents are in the middle quintile are upwardly mobile and one third are downwardly mobile. Among black children from the middle quintile, however, only 17 percent are upwardly mobile and more than two thirds (69 percent) are downwardly mobile. Similarly, white children in other income groups have higher rates of upward mobility than black children, while black children fall more heavily into the downwardly mobile category.<sup>20</sup>

How is it possible for blacks to be so similar to whites in the overall mobility findings when they lag behind whites in upward mobility within income groups? As noted when discussing mobility findings in the full report, the positive mobility results for all black children are driven by the large number of children in the bottom fifth of the income distribution, where likelihood of exceeding low parental income is fairly high for both racial groups.

*Please see table on next page.*

## APPENDIX B, continued. New Typology: Mobility of White and Black Families

White and Black Children's Chances of Experiencing both Absolute and Relative Mobility, by Parents' Family Income (Percent Children in Each Category)

WHITES	PARENTS' FAMILY INCOME RANK					ALL CHILDREN
	BOTTOM QUINTILE	SECOND QUINTILE	MIDDLE QUINTILE	FOURTH QUINTILE	TOP QUINTILE	
<b>Upwardly Mobile</b> Higher income and up 1 or more quintiles	69	58	37	26	N/A <sup>(1)</sup>	34
<b>Riding the Tide</b> Higher income and same quintile	21	19	23	33	34	27
<b>Falling Despite the Tide</b> Higher income and down 1 quintile	N/A <sup>(2)</sup>	1	7	8	10	6
<b>Downwardly Mobile</b> Lower income and lower/same quintile <sup>(3)</sup>	10	22	32	33	56	33
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

BLACKS	PARENTS' FAMILY INCOME RANK					ALL CHILDREN
	BOTTOM QUINTILE	SECOND QUINTILE	MIDDLE QUINTILE	FOURTH QUINTILE	TOP QUINTILE	
<b>Upwardly Mobile</b> Higher income and up 1 or more quintiles	46	26	17	11*	**	37
<b>Riding the Tide</b> Higher income and same quintile	27	24	9	22*	**	24
<b>Falling Despite the Tide</b> Higher income and down 1 quintile	N/A <sup>(2)</sup>	2	5	16*	**	2
<b>Downwardly Mobile</b> Lower income and lower/same quintile <sup>(3)</sup>	27	48	69	51*	**	37
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: Totals may not add due to rounding.\* Interpret data with caution due to small sample size. \*\* Too few observations to report.

(1) Those in the top quintile cannot meet this definition of "upwardly mobile," because there is no quintile above the top quintile.

(2) Those in bottom quintile cannot meet this definition of "downwardly mobile," because there is no quintile below the bottom quintile.

(3) Any observation with income exactly equal to parents is also classified as downwardly mobile.

## APPENDIX C Research Literature on Black-White Differences in Intergenerational Income Mobility

How do the findings in this report compare to results of other researchers? And does multivariate research indicate whether the differences observed in simple cross-tabulations would remain if the analysis controlled not just for income, but also for a host of other parental characteristics? Preliminary responses to these questions are provided in the following brief review of the literature on black-white differences in intergenerational mobility.

Economist Tom Hertz (2005, 2006) finds similar relative mobility patterns to those displayed in Figure 6. In fact, his analyses, which include all individuals in the PSID who were born between 1942 and 1972, show even larger racial disparities, particularly with regard to black children being trapped in the bottom of the income distribution. From this pattern, he concludes that much of the overall intergenerational persistence of poverty in America is driven by the experience of black children. More generally, he argues that a key channel for the overall transmission of economic status from parents to children in the United States is the passing down of skin color and other characteristics that are correlated with race and that have social and economic consequences for their children.

Two forthcoming studies also report large differences in relative mobility between black and white families. Debopam Bhattacharya and Bhashkar Mazumder (forthcoming) find that blacks are less likely than whites to transition out of the bottom of the income distribution, based on analysis of data from the National Longitudinal Survey of Youth. Dalton Conley (forthcoming) reports on upward as well as downward mobility by race, and, consistent with this report, finds substantial downward mobility among black families with high incomes.

Two studies of sibling correlations in earnings provide somewhat conflicting evidence about mobility differences by race. Anders Björklund and colleagues (2002) find that correlations in the United States drop from 0.43 to 0.32 (a drop of 0.11), when moving from the full PSID sample to a white-only sample, suggesting that race explains a sizable amount of the similarity of income between brothers in the United States. In a similar analysis of data from the National Longitudinal Surveys, David Levine and Bhashkar Mazumder (2007) finds a somewhat smaller drop (of 0.04 to 0.07 depending on the time period), suggesting a smaller impact of race.

With regard to the possible factors contributing to black-white differences in income mobility, Hertz (2006) finds that the income gap between blacks and whites in the second generation is reduced, but only from 33 percent to 28 percent, when controlling for a vast array of parental attributes—not just parental income, but also parental education, family structure, annual hours worked by parents, homeownership, and parental attitudes and behaviors, among many others. After a number of different analyses, Hertz concludes that race itself is helping to determine economic outcomes for black children. He notes that he cannot distinguish whether this is a result of outright labor market discrimination, differences in quality of schooling, differential attitudes of children, or other unobserved factors. Bhattacharya and Mazumder (forthcoming) find that cognitive skills of the second generation measured during adolescence explain much of the mobility gap between races, although they note their analysis does not explain the source of this difference in test scores. Drawing on the studies of Hertz and Björklund et al., Samuel Bowles and Herbert Gintis (2002) argue that race, along with wealth and schooling, is one of the three largest channels of intergenerational status transmission in the United States.

In a review of literature from the 1960s, 1970s and 1980s, Mary Corcoran (1995) also finds some evidence that low-income status is passed down from black parents to black children, with race-based differences in economic

outcomes only somewhat reduced when controlling for various background characteristics. Dalton Conley (1999) argues that the wealth gap between black and white families explains much of the persistence of other inequalities that persist across generations. Not only do blacks have much fewer assets than whites, but intergenerational transmission of wealth from parents to children is the largest factor explaining why whites have higher levels of wealth than blacks.

This brief literature review is limited to the literature on intergenerational income mobility and race; the interested reader is also referred to the much larger literature on black-white differences in economic outcomes more generally.

# NOTES

1 The report focuses on black and white families, without separate analysis of other races, due to the sample size constraints of the PSID. Individuals of other races are included in the totals and in the full income distribution that was used to create income quintiles, but not in the black or white subgroups. The terms “blacks” and “whites” are used in keeping with the terminology recommended by the Office of Management and Budget for statistical reporting for Census Bureau and other reports (p. xxxvii of National Research Council, 2001).

2 Family income is defined as the cash income of all family members including the family head, spouse and other family members. All incomes are reported in inflation-adjusted dollars, using the Consumer Price Index Research Series (CPI-U-RS). Cash income does not include the value of non-cash compensation such as employer contributions to health insurance and retirement benefits, nor does it include the effect of taxes or non-cash benefits such as food stamps. (For further discussion of non-cash contributions to economic well-being see “Economic Mobility of Families Across Generations.”)

3 Personal income is based primarily on an individual’s own earnings, but it also includes income from interest and dividends, cash benefits, child support, and other cash income.

4 U.S. Census Bureau, 2007, Table 630.

5 Welch, 2003.

6 Bureau of Labor Statistics, 2005, Table 3.

7 In Figure 2, as in Figure 1, the unit of analysis is all adults in their 30s, not just family heads. The family income of adults in their thirties may therefore include the income of older (or younger) spouses, as well as other family members. Single adults are counted as a family of size one and included in family incomes reported throughout this report.

8 DeNavas-Walt, 2006. The poverty data in 1967 is for all whites; whites were not categorized by Hispanic origin in 1967.

9 Note, however, that single parents with children and single individuals may be living with their parents or other adult relatives, whose income would count toward family income.

10 Berlin, 2007; Wilson, 1987.

11 The ages in the PSID are 27–52 rather than ages 30–39. The sample includes all 1,607 white individuals and 730 black individuals who were children in 1968 and were still in the sample in 1995–2002, when data was collected on their family incomes as adults. The PSID sample differs from the CPS sample not just in age of adults under analysis, but in other ways. For example, the income data are from slightly different time periods: 1967–1971 for the parents’ generation and 1995–2002 for the children’s generation, based on data availability. Also note that in the PSID sample, white and black families may be of Hispanic origin, but the sample is limited to those who were in the country in 1968 and thus does not represent the large numbers of Hispanic families that have immigrated more recently. See Appendix A for further description of the PSID sample.

12 The PSID sample shows a similar black-white differential in family composition to the differences in Census Bureau data shown in Figure 3. For example, in 1968, 94 percent of the white parents were married, compared to 66 percent of the black parents. The gap was even wider among the younger generation (71 percent of whites and 35 percent of blacks were married in 1996).

13 The sample of 730 black individuals includes only 4 observations with parental income in the top quintile (income above \$81,200 in 2006 dollars, based on a ranking of parental family incomes for individuals of all races); 24 observations with parental income in the fourth quintile (from \$65,100 to \$81,200). The small number of observations in the 4th and 5th quintiles is partly due to the underlying income distribution in the population, but also reflects the fact the minority oversample in the PSID was concentrated on low-income households (with weights used to adjust the final statistics for this purposeful oversampling). No statistics are reported for the top quintile; statistics for the fourth quintile are flagged as imprecise due to small sample size.

14 Note that there are relatively few blacks in the middle three quintiles (24 in the fourth quintile, 50 in the middle quintile, 153 in the second quintile). Even so, differences between blacks and white are statistically significant (at 95 percent confidence for the 1st, 2nd and 3rd quintiles, and between 90 and 95 percent confidence for the 4th quintile, where, as noted, estimates are imprecise due to small sample size). Also note that the differences between blacks and whites would be reduced but not eliminated if incomes were adjusted for family size. Finally, note that black parents have somewhat lower incomes than white parents, even when grouped by quintiles. However, the difference in parental incomes the middle income quintile is not large: \$55,800 median for white parents in the middle quintile and \$53,700 median for black parents in the middle quintile.

15 The intergenerational drop in income in both the third and fourth quintiles is statistically significant.

16 For the parents’ generation, the bottom quintile includes those with incomes less than \$33,800, the second quintile is from \$33,800 to \$48,800, the middle quintile is from \$48,800 to \$65,100, the fourth quintile is from \$65,100 to \$81,200, and the top quintile is families with income above \$81,200. For the children’s generation, the bottom quintile includes individuals with family incomes less than \$40,300, the second quintile is from \$40,300 to \$62,000, the middle quintile is from \$62,000 to \$84,000, the fourth quintile is from \$84,000 to \$116,700, and the top quintile is individuals with family incomes above \$116,700. All incomes are in 2006 dollars.

17 John E. Morton and Ianna Kachoris of Pew’s Economic Mobility Project collaborated with the author in developing the mobility typology presented in Appendix B.

18 See Solon, 1992; and Brown, 1996 for more on the PSID’s oversample of low-income minority neighborhoods. As noted in Appendix A, this analysis includes only one third of the original low-income observations because two thirds of the low-income sample observations were dropped from interviewing in 1997. Thus the sample here is the regular cross-sectional sample, plus one third of the low-income sample, weighted to be nationally representative. Supplemental analyses conducted by the author find that the black-white differences remain largely unchanged if the minority low-income sample is dropped from the analysis. In fact, the differences are slightly larger. For example, when the low-income or “SEO” sample is dropped, 61 percent of blacks have income higher than their parents, compared to 63 percent under the full sample.

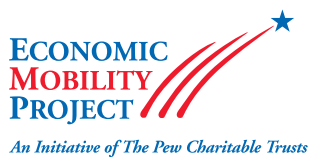
19 There is no statistical significance between blacks and whites in the “overall” column of Table 3, with the exception of the “falling despite the tide” category, where 2 percent of blacks is statistically different from 6 percent of whites.

20 The differences between blacks and whites in both upward mobility and downward mobility are statistically significant for every quintile except the fourth, where, as noted, estimates are imprecise due to small sample size.

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## ACKNOWLEDGEMENTS

The report is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel V. Sawhill and Ron Haskins of The Brookings Institution, Christopher Jencks of Harvard University, Tom Hertz of American University, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

All Economic Mobility Project materials are guided by input from the Principals' Group and the project's Advisory Board. However, the views expressed in this report represent those of the author and not necessarily of any affiliated individuals or institutions.

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The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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