II

TRENDS
IN INTERGENERATIONAL MOBILITY

BY ISABEL V. SAWHILL, THE BROOKINGS INSTITUTION

The previous chapter showed that because of economic growth and because people are free to move up and down within the ranks, there is considerable economic mobility in American society. It is also true that one's relative economic status as an adult is significantly influenced by the income of the family in which one grew up.

To what extent, however, has intergenerational mobility changed over time? Are Americans more or less mobile across generations than they were in the past? To answer this question, this chapter focuses primarily on the last half century, for which the best data exists, but uses evidence from earlier periods in order to place the findings in historical context.

People will disagree about the ideal amount of intergenerational mobility and thus about how to interpret any trend. Still, knowing what the trends have been is useful for interpreting other developments in American society and in assessing the degree to which the opportunity to get ahead exists.

This chapter concludes that over the long sweep of American history, families have moved up the ladder primarily as a result of the nation's economic growth. In short, through much of the nation's history, absolute mobility was high. But for the most recent generations, those born after about 1970, economic growth has had less impact on the average family and absolute mobility has declined.

In some periods, economic growth has been broadly shared as it was in the 1950s and 1960s, and at other times, such as from the 1970s until now, it has led to growing gaps between rich and poor. This increasing inequality along with slower economic growth make it more important than ever that children have an opportunity to improve their relative status by moving up the economic ladder.

But has relative mobility increased? Although the research base for coming to any firm conclusions is limited and the studies do not all agree, taken as a whole, the current literature does not suggest that the rate of relative mobility has changed much since about 1970. If anything, relative mobility may have declined.

WHY MOBILITY CHANGES

Imagine a society in which all upward mobility was the result of economic growth but in which everyone stayed in the same relative position as their parents:

- If the growth were broadly and equally shared, everyone's income would increase by the same percentage.
- If growth were not broadly shared, then everyone's income might still rise but by different percentage amounts, and income gaps at the end of the period would be larger if inequality were increasing or smaller if it were declining.
- If there were no growth, but simply a change in individual fortunes, or relative mobility, some people, mainly the poor, would be better off and others, mainly the rich, would be worse off at the end of the period.

What makes studying economic mobility so difficult is that in actuality, all three sources of change in people's fortunes—growth, inequality, and mobility—are occurring at the same time. The ladder may be getting taller as the result of economic growth; the rungs on the ladder may be getting further apart or closer together as the result of changes in inequality; and the ability of people to move from one rung to another may be getting more or less constrained as the result of relative mobility. By considering trends in each source of change separately we can gain a better understanding of what has been happening to the ladder over the past few decades and thus see more clearly what determines the economic well-being of individual Americans.

TABLE 1

Trends in Real Median Family Income

	Annual Growth Rate	Generational Income Ratio[2]
1947-1973	2.8%	2.0
1973-1999	0.9%	1.2
1999-2005	-0.3%	NA

Source: Mishel, Bernstein, and Allegretto, 2007; and U.S. Census Bureau, Table F-6.

TRENDS IN GROWTH OR ABSOLUTE MOBILITY

Since 1880, the U.S. per capita gross domestic product has increased at an average of about 70 percent over each generation (roughly every 25 years).[1] Focusing on the period since 1947, when data on household incomes first became available, Table 1 shows that the rate of growth of the typical family's income increased unusually rapidly in the first few decades of this period and then slowed after 1973. For example, between 1947 and 1973, incomes roughly doubled. Since 1973, the increase over a generation's time has been much smaller, about 20 percent. For this reason alone, upward mobility in recent decades has slowed, and relative mobility and income inequality have become more important sources of a family's economic status.

Efforts to measure intergenerational mobility going back to the nineteenth century have had to rely on imperfect data, some of it far more qualitative than what is available for recent decades. However, such studies generally found higher rates of absolute mobility in the United States than in Europe or in Britain. Much of the greater intergenerational mobility in the United States noted in these historical studies was due to the faster rate of growth that the United States experienced as compared with the older economies of Europe. In other words, there was a high rate of absolute mobility. A farmer's son could become a skilled factory worker, and the factory worker's son could become a computer programmer.

Relative mobility during this period also rose as educational opportunities reached more and more Americans, discrimination against formerly excluded groups diminished, and employment practices shifted toward placing greater emphasis on merit and less on social connections of various kinds.[3]

The research on this earlier period, in addition to being less detailed or reliable than the research since 1960 when better data became available, typically uses occupation or education rather than income to measure socioeconomic status.[4] Its significance lies in the fact that it shows that one reason that the United States has often been described as "the land of opportunity" is because the nation experienced strong economic growth through much of its history.

TRENDS IN INEQUALITY

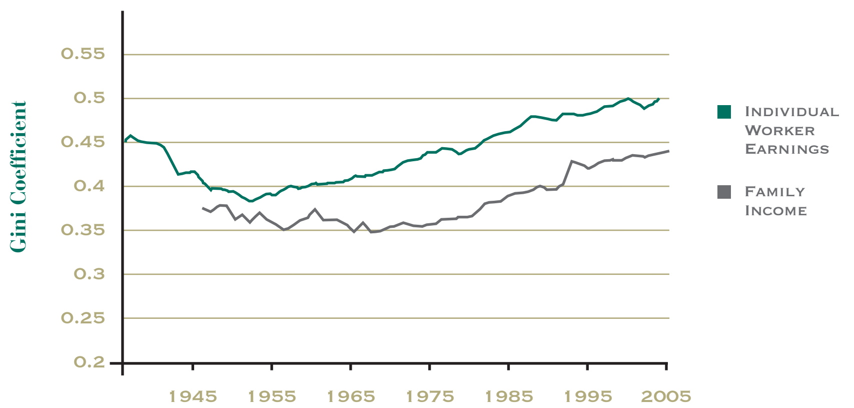
Although President Kennedy famously noted that a rising tide lifts all the boats, in a period of rising inequality, some boats rise more than others. As illustrated in Figure 1, inequality of individual earnings, which fell from the 1930s until the mid-1950s in the United States, has been rising ever since. Inequality of family income continued to fall until the late 1960s and has risen sharply since that time.[5]

In a society in which all incomes are virtually the same, relative mobility would be irrelevant since people could not improve their economic status significantly by changing ranks. But in a society with very unequal incomes where one stands on the ladder matters a great deal. The stakes associated with winning or losing are high. Because the United States is now a country where inequality is high by historical standards, relative mobility matters much more than it did in the past.

Some people believe that increased inequality in the United States has been offset by high or rising relative mobility over the past few decades.[6]

When researchers note that the rich are getting richer and the poor are getting poorer, they base such statements not on the paths of specific individuals over time but instead on what has happened to different income groups (typically divided into five equal-sized fifths or quintiles). But people move between income groups. Those in the bottom quintile at the beginning of a period are not necessarily the same people who are in the bottom quintile at the end of the period. The fact that the bottom quintile as a whole may have experienced fewer gains than those higher up in the income distribution tells us nothing about what is happening to particular individuals who may have started out in the bottom quintile and ended up somewhere else. It could be that those in the bottom quintile in 1970, for example, had all moved into the middle quintile by 2000.

FIGURE 1 **Trends in Inequality of U.S. Worker Earnings and Family Income, 1937–2005**



Sources: U.S. Census Bureau, Table F-4; and Kopczuk, Saez, and Song, 2007. Based on Social Security earnings data for all employees, aged 18 to 70, in commerce and industry with earnings above minimum threshold ($2,575 in 2004).

So when one compares the change in average incomes by quintile it provides an incomplete picture of what is happening to actual families or the individuals within them. Think of a hotel in which some of the rooms are luxurious executive suites while others are small and modest. The executive suites may be getting fancier over time and the modest rooms ever more modest. But if a different group of people occupies the executive suites each year, and everyone has a decent shot at staying in these fancier rooms, people have less reason to complain. Relative mobility is similar to this kind of room-changing. In particular, if relative mobility had increased at the same time that income inequality has risen, then there would be less reason for concern about rising inequality.[7]

If the inequality of family incomes has been rising since the late 1960s, is there any evidence that this has been partially or completely offset by a change in relative mobility or in one's chances of moving up or down relative to one's parents?

TRENDS IN RELATIVE MOBILITY

After considering some of the reasons for possible changes in relative mobility and the difficulty of measuring the trend, this section concludes with a summary of what the research suggests about such trends.

Possible Reasons for Changes in Relative Mobility

There are several reasons why we might expect relative mobility to have increased over the past half century. First, government investments in children that target the less advantaged and effectively enhance their productivity relative to children from more advantaged backgrounds would tend to increase mobility.

On the other hand, greater family investments, which usually favor more advantaged children given their parents' greater financial and non-financial resources, would have the opposite effect.

Recent decades have seen some of both effects. The 1960s War on Poverty and increased spending on means-tested programs, along with the opening of opportunities for women and minorities that followed the activism of that period, might have increased mobility for children born in the 1970s and 1980s who are in their young adult years now. Examples of family investments that may have decreased relative mobility include a widening gap in marriage rates between more and less educated mothers and the different developmental trajectories this implies for their children.[8] Another example is parental investments in higher education that are increasingly correlated with parents' income.[9] As seen in Chapter VIII "Education and Economic Mobility," these differential investments in higher education are coming at the same time that the returns to higher education have risen. Thus unequal parental investments in higher education could reduce intergenerational relative mobility. The net effects of these or other developments over the past few decades are difficult to predict.

Measuring Trends in Relative Mobility

Relative mobility can be measured in two ways. The first is by inspecting a mobility table much like the one found in Chapter I "Economic Mobility of Families Across Generations." It shows that a child growing up in a family at the bottom of the income distribution has much less of a chance of rising to the top than one who has middle-income origins, for example.

A second measure of mobility is "intergenerational income elasticity."[10] This measure attempts to capture in a single number the strength of the overall relationship between a child's parents' income and that child's income as an adult. Most estimates of this measure find that it is in the neighborhood of 0.5. This means that, on average, if a child's parents' income is 20 percent higher than the average family in the parents' generation, then the chances are that the child will have an income that is 10 percent higher than the average for his or her generation. In short, this mobility measure is 0.5, about half of the advantage of growing up in a more affluent family is transmitted from parents to their children.

There have been only limited studies of trends in intergenerational income mobility, and those that exist do not all agree with one another. Research in this area has been plagued by the limited data available. Obtaining a good answer about trends requires data covering several different generations of adults for whom information on their family's economic status when they were children is available.

What the Research on Relative Mobility Has Found

A pioneering study using the more sophisticated data and techniques now available indicates that there was an increase in occupational and income mobility among men born in the 1930s or 1940s (who reached maturity in the 1960s) in comparison to earlier cohorts.[11]

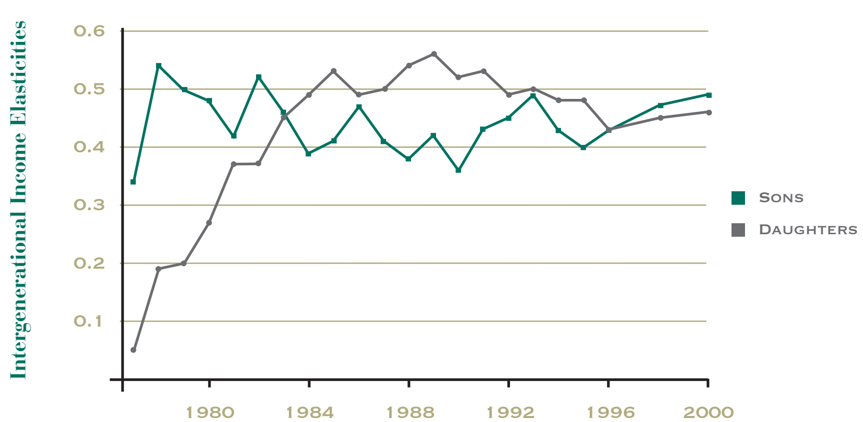
After that period, income mobility appears to have leveled off, at least for men.[12] Among women, relative mobility appeared to increase somewhat between the 1970s and the 1990s. This may be because in the earlier period far fewer women were in the labor market, with the result that their family income was determined more by whom they married than by their own achievements. The increase in mobility for women suggests that parental background is more important in determining marriage outcomes than labor market outcomes.

Recently, several researchers have used particularly innovative techniques to tease more out of the limited data that exists. One such study, by Lee and Solon, uses the Panel Study of Income Dynamics to study children born between 1952 and 1975, who were 25 to 48 in 2000, the last year for which data were available. This study finds no evidence of any major change in intergenerational income mobility over this period for men. Figure 2 shows the intergenerational income elasticities for sons and daughters who reached adulthood (age 25) between 1977 and 2000. The results for daughters show some decrease in mobility for this group early in the period, in contrast to the findings discussed above, but this result may be anomalous.[13] Using the same data, Hertz similarly finds no evidence of a long-term trend for those children born between 1952 and 1975 who were observed as adults between 1977 and 2000.[14]

Not all researchers accept these two studies as the last word on the topic. Using another approach to measuring trends, Levine and Mazumder, for example, come to a different conclusion. They look at the extent to which siblings who grow up in the same family and thus have similar family backgrounds have adult incomes that reflect this common background or whether their incomes diverge substantially as they make their own way in the world. If the correlation between the incomes of siblings has decreased that would be an indication that mobility has risen. Conversely, if the correlation has risen, it would suggest that family background is becoming more important and that mobility is declining.

FIGURE 2

Income Mobility for Sons and Daughters, 1977–2000



Source: Lee and Solon, 2006. Based on family income data from the Panel Study of Income Dynamics for children born between 1952 and 1975. Family income is observed when the children are at least 25 years old.

Using this approach, Levine and Mazumder conclude that intergenerational mobility has decreased over the past few decades. Adults who are now in their 40s, for example, seem to have experienced less mobility than those of the previous generation who are now in their late 50s and early 60s.

Specifically, they find that the correlation between brothers' annual incomes has risen from 0.21 for brothers born between 1944 and 1952 who entered the labor force in the 1970s to 0.42, for those born between 1957 and 1965 who entered in the late 1980s. This doubling of the correlation coefficient strongly implies that there has been less relative intergenerational income mobility for the younger cohort of adults.[15] In another recent paper, Aaronson and Mazumder attempt to circumvent the lack of data covering multiple generations by creating synthetic parents (based on age, ancestry, and state of residence from census data) for children who reach adulthood in different years.[16] They find an increase in intergenerational mobility between 1940 and 1980 but declines thereafter.

Overall, the most direct evidence of relative mobility across generations does not suggest any strong trend, but as these last two studies indicate, some research points to a decline in recent decades.

CONCLUSION

As inequality has increased, the debate about the extent of mobility in American society has heightened. As income gaps have widened, the opportunity that children have to do better than their parents is increasingly important. Children often move up or down the income ladder relative to their parents. Whether they do so at a faster or slower rate than they did in the past is not a settled question. But since the rungs of the ladder are further apart than they used to be, the effects of family background on one's ultimate economic success are larger and may persist for a longer period of time.

Over the next decade, as the children who grew up in the 1980s and later reach their prime earning years, the story could change, but there is not yet sufficient data to say with any confidence what their experience will be.

NOTES

[1] Per capita real GDP increased by 63 percent between 1880 and 1905 (25 years), by 49 percent between 1905 and 1929 (24 years), and by 89 percent between 1929 and 1955 (26 years). The generational income ratio was thus roughly 1.7 over this period. These data are from the Bureau of Economic Analysis, supplemented by Maddison, 1982. The reason we do not always use exactly the same number of years to measure "a generation's time" is that abnormally high or low unemployment rates can skew the results unless some adjustments in the length of the period are made. For more on the role of growth in creating upward mobility across generations see Hout, 1988; and McMurrer and Sawhill, 1998, pp. 48-49.

[2] The two earlier subperiods in the table each cover 29 years, roughly the length of a generation. The income ratio is median family income at the end versus the beginning of the period.

[3] See Biblarz et al., 1996; Ferrie, 2005; and Grusky, 1989. Also, see Beller and Hout, 2006, for evidence on occupational mobility from 1930 through 1979 but note that these data reflect changes in occupational structure over this period and thus reflect both absolute and relative mobility. For one attempt to sort out the role played by changes in absolute versus relative mobility for a portion of this period, see Hout, 1988; and McMurrer and Sawhill, 1998, chapter 6, pp. 45-50.

[4] For the most part, these alternative measures do not tell a fundamentally different story than income, and so we can use them to flesh out the picture of what has happened across several generations. See Harding et al., 2005, p. 121, for evidence that this is a reasonable assumption.

[5] These figures use the Gini coefficient to measure inequality. If incomes were completely equal the coefficient would be zero. If one person had all of the income, the coefficient would be one. Thus an increase in the coefficient signals an increase in inequality.

[6] The *Wall Street Journal* editorial page notes, for example, that claims of rising income inequality are "so much populist hokum" because the United States is "marked by rapid and mostly upward mobility." The editorial cites a Treasury study as evidence for this assertion. *Wall Street Journal*, November 13, 2007.

[7] This chapter does not review the extensive literature on what has been happening to intragenerational mobility—that is, to movements up and down the income scale over one's career—but the same issue arises in thinking about intergenerational mobility.

[8] On the marriage gap, see Ellwood and Jencks, 2004; on the different developmental trajectories that this gap implies, see McLanahan et al., 2005.

[9] See Ellwood and Kane, 2000; and Haveman and Smeeding, 2006.

[10] There are two measures of relative mobility that are commonly used in the literature. This chapter emphasizes intergenerational income elasticity. Another common measure is the correlation between parents' and children's incomes (or other measures of socioeconomic status). The difference between the two is that the elasticity incorporates any change in inequality over the relevant time period. That is, the elasticity equals the correlation between parents' and child's income times the standard deviation of the log of children's income divided by the log of parents' income. See Harding et al., 2005, p. 144. While the two measures are the same if there is no change in inequality over the observed time period, they can show different trends in a time of growing inequality. When inequality is growing, then even historically normal rates of positional mobility can lead to more persistence of income differences across generations based on parental advantages.

[11] Featherman and Hauser, 1978.

[12] Harding et al., 2005. Table 3.2, p. 120; note that Harding et al.'s measure of mobility is the multiple correlation between a son or daughter's family income at age 30 to 59 with a set of background characteristics that include income, occupation, education, race, ethnicity, region, and number of siblings.

[13] The findings show an increase in intergenerational income elasticity and therefore a decrease in mobility up until about 1983 for daughters but the authors are reluctant to call this a true decrease given the sample size and other methodological problems. See Lee and Solon, 2006, p. 13.

[14] Hertz, 2007.

[15] Some of the correlation in the incomes of brothers is due to factors other than family income, such as school or community influences or shared genetic or cultural influences within the same family that are unrelated to family income. However, there is not much reason to believe that these have changed very much over this period. The sibling correlation coefficient is equal to the square of the intergenerational income elasticity plus factors that are uncorrelated with family income. For more details, see Solon, 1999, p. 1777.

[16] Aaronson and Mazumder, 2007. For example, in the 1970 census, children born between 1936 and 1940, were 25 to 29 and the family income of their synthetically matched parents can be estimated from the 1940 census, when they were ages 0 to 4, and the 1950 census, when they were 10 to 14. The results in the text refer to trends in the intergenerational elasticity. There is less of a trend in the intergenerational correlation. The latter measure suggests increased mobility in the 1970s but a return to historical levels in the 1980s and 1990s.

RESOURCES

Aaronson, Daniel and Bhashkar Mazumder. Forthcoming, 2008. "Intergenerational Economic Mobility in the U.S., 1940 to 2000." *Journal of Human Resources*, 43(1): 139-172.

Beller, Emily and Michael Hout. 2006. "Intergenerational Social Mobility: The United States in Comparative Perspective." *Future of Children*, 16(2): 19-36.

Biblarz, Timothy, Vern Bengston, and Alexander Bucur. 1996. "Social Mobility across Three Generations." *Journal of Marriage and the Family*, 58: 188-200.

Ellwood, David T. and Christopher Jencks. 2004. "The Spread of Single-Parent Families in the United States Since 1960." In *The Future of the Family*. Daniel P. Moynihan, Timothy M. Smeeding, and Lee Rainwater, eds. New York: Russell Sage Foundation.

Ellwood, David and Thomas J. Kane. 2000. "Who Is Getting a College Education: Family Background and the Growing Gaps in Enrollment." In *Securing the Future: Investing in Children from Birth to College*. Sheldon Danziger and Jane Waldfogel, eds. 283-324. New York: Russell Sage Foundation.

Featherman, David L. and Robert M. Hauser. 1978. *Opportunity and Change*. New York: Academic Press.

Ferrie, Joseph P. 2005. "The End of American Exceptionalism? Mobility in the U.S. Since 1850." *Journal of Economic Perspectives*, 19(3): 199-215.

Grusky, David. 1989. "American Social Mobility in the 19th and 20th Centuries." Working paper no. 86-28. Madison, WI: University of Wisconsin Center for Demography and Ecology.

Harding, David J., Christopher Jencks, Leonard M. Lopoo, and Susan E. Mayer. 2005. "The Changing Effect of Family Background on the Incomes of American Adults." In *Unequal Chances: Family Background and Economic Success*. Samuel Bowles, Herbert Gintis, and Melissa Osborne Groves, eds. 100-144. New York: Russell Sage Foundation.

Haveman, Robert and Timothy Smeeding. 2006. "The Role of Higher Education in Social Mobility." *Future of Children*, 16(2): 125-150.

Hertz, Tom. 2007. "Trends in the Intergenerational Elasticity of Family Income in the United States." *Industrial Relations*, 46(1): 22-50.

Hout, Michael. 1988. "More Universalism, Less Structural Mobility: The American Occupational Structure in the 1980s." *American Journal of Sociology*, 93(6): 1358-1400.

Kopczuk, Wojciech, Emmanuel Saez, and Jae Song. 2007. "Uncovering the American Dream: Inequality and Mobility in Social Security Earnings Data Since 1937." Working Paper 13345. Cambridge, MA: National Bureau of Economic Research.

Lee, Chul-In and Gary Solon. 2006. "Trends in Intergenerational Income Mobility." Working Paper 12007. Cambridge, MA: National Bureau of Economic Research.

Levine, David I. and Bhashkar Mazumder. 2007. "The Growing Importance of Family: Evidence from Brothers' Earnings." *Industrial Relations*, 46(1): 7-21.

Maddison, Angus. 1982. *Phases of Capitalist Development*. New York: Oxford University Press.

McLanahan, Sara, Elisabeth Donahue, and Ron Haskins. 2005. "Introducing the Issue." *Future of Children*, 15(2): 3-12.

McMurrer, Daniel P. and Isabel V. Sawhill. 1998. *Getting Ahead: Economic and Social Mobility in America*. Washington, D.C.: Urban Institute Press.

Mishel, Lawrence, Jared Bernstein, and Sylvia Allegretto. 2007. *The State of Working America 2006/2007*. An Economic Policy Institute Book. Ithaca, NY: ILR Press, an imprint of Cornell University Press.

Solon, Gary. 1999. "Intergenerational Mobility in the Labor Market." In Orley Ashenfelter and David Card, eds. vol. 13. *Handbook of Labor Economics*, 1761-1800. Amsterdam: North Holland.

U.S. Census Bureau. Historical Income Tables—Families. Table F-4. http://www.census.gov/hhes/www/income/histinc/f04.html.

U.S. Census Bureau. Historical Income Tables—Families. Table F-6. http://www.census.gov/hhes/www/income/histinc/f06ar.html.

U.S. Department of Commerce. Bureau of Economic Analysis. National Income and Product Accounts Table 7.1.

Wall Street Journal. 2007. "Movin' On Up." November 13.

ACKNOWLEDGEMENTS

This chapter is authored by Isabel Sawhill 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 Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Julia Isaacs and Ron Haskins of The Brookings Institution, John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts, Christopher Jencks of Harvard University, Bhashkar Mazumder of The Federal Reserve Bank of Chicago, Gary Solon of Michigan State University, and Michael Hout of the University of California-Berkeley.

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.

The Pew Charitable Trusts (www.pewtrusts.org) is driven by the power of knowledge to solve today's most challenging problems. Pew applies a rigorous, analytical approach to improve public policy, inform the public and stimulate civic life. We partner with a diverse range of donors, public and private organizations and concerned citizens who share our commitment to fact-based solutions and goal-driven investments to improve society.

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.

ECONOMIC MOBILITY PROJECT
An Initiative of The Pew Charitable Trusts

THE PEW CHARITABLE TRUSTS