

ECONOMIC MOBILITY OF BLACK AND WHITE FAMILIES

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The 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 chapter explores the differences between white and black families with regard to economic success and income mobility. As with other chapters in this volume, 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 the Chapter V

"Economic Mobility of Men and Women," 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 U.S. 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.¹ 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 5-year averages of their

parents' income in the period 1967–1971.² 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 \$4,000.³ Thirty years later, median personal income was \$22,000 for comparably aged white women. As in other chapters in this volume, this initial analysis of U.S. 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.

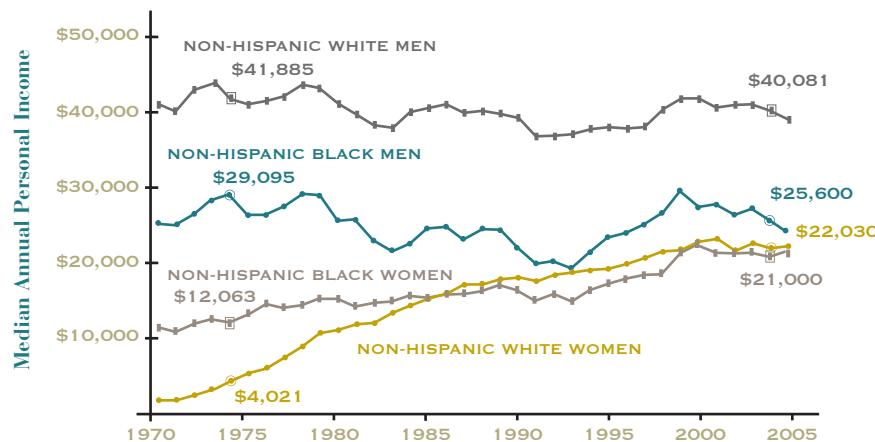
During this time period, 1974–2004, white and black men in their 30s experienced a decline in incomes, with the largest decline among black men. Non-Hispanic black men in their 30s today earn 12 percent less than men

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 2004.⁴ 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.⁵ 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.⁶

FIGURE 1

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

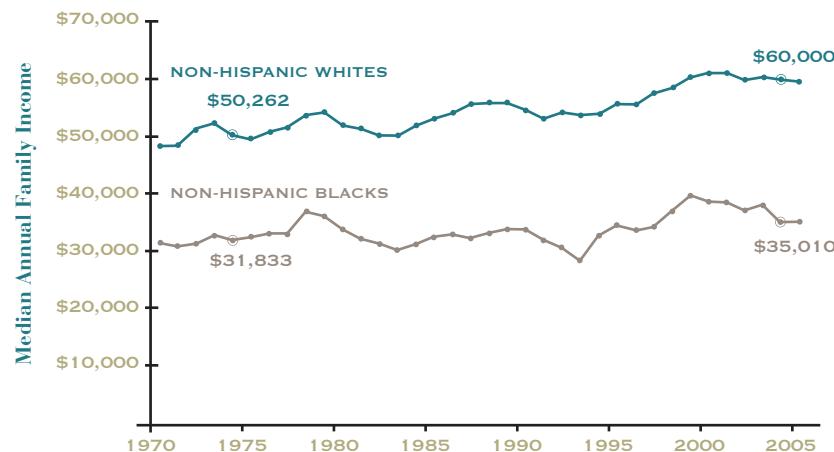


Note: All men and women ages 30-39, including those with no personal income, are included in these estimates.

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 2.⁷

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.⁸

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.⁹ At the same time, many researchers believe that the low personal income of black men plays a role in explaining low marriage rates.¹⁰

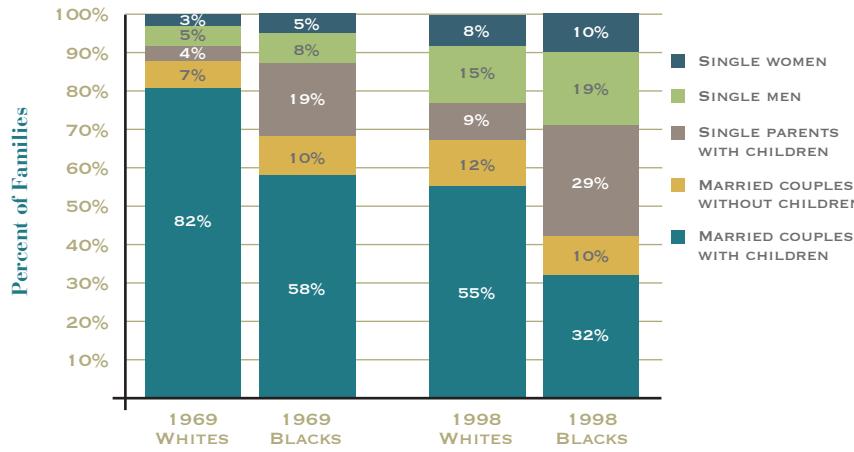
Many of the racial patterns in family income and composition evident in the U.S. Census Bureau's annual surveys are also found in the longitudinal data in the Panel Study on Income Dynamics (PSID), the sample used in the intergenerational analyses that follow. Although the age cohort is broader in the PSID and there are other differences between the data sets, the broad trends in family income are similar, as shown in Table 1.¹¹ Trends in family composition are also similar.¹²

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

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.

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

As documented in Chapter I “Economic Mobility of Families Across Generations,” 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**

As reported earlier in this volume, 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.

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-

TABLE 1

Parents’ Income of White and Black Children in PSID Sample

	WHITE CHILDREN	BLACK CHILDREN	ALL CHILDREN
Median Family Income of Parents, 1967–1971 (In 2006 Dollars)	\$61,100	\$27,100	\$55,600
Percentage of Children Living in Each Income Quintile, based on Parental Income 1967–1971			
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
All Children	100	100	100

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

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

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

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

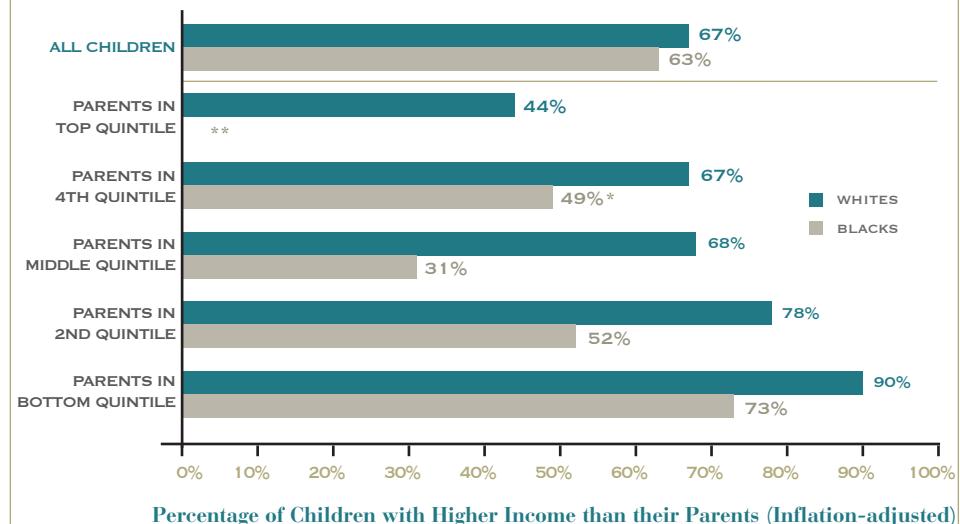
experience income growth above their parents, though not as large as do white children born to parents in the same quintiles. Black children in the third and fourth quintiles end up with lower median income than their parents—by 7 percent and 16 percent, respectively.¹⁵

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

For every parental income group, white children are more likely

FIGURE 4

Percent of Children with Family Income above their Parents' Family Income, by Race

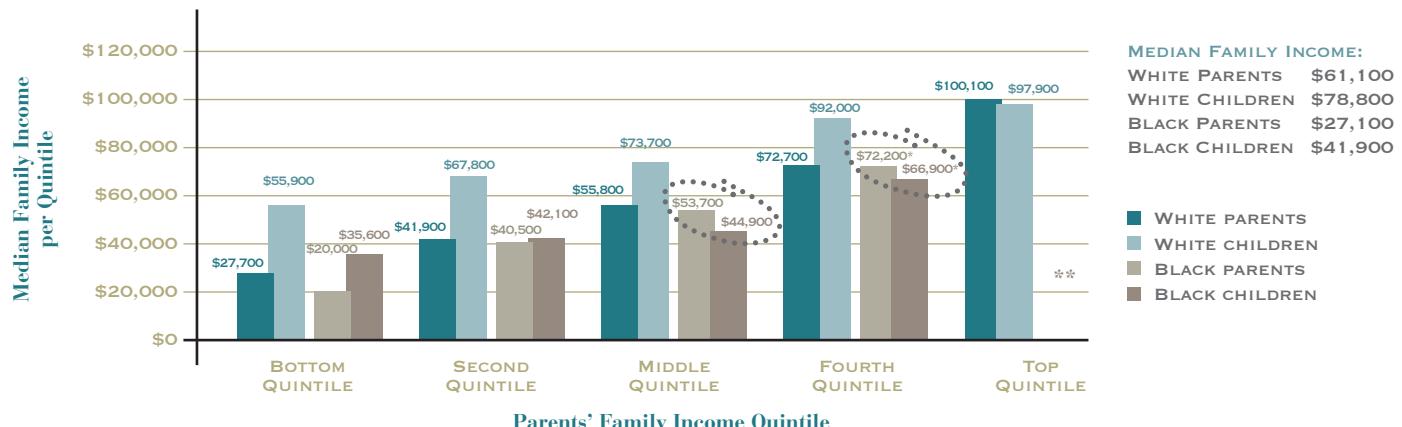


* Interpret data with caution due to small sample size. ** Too few observations to report estimate.

Source: Brookings tabulations of PSID data.

FIGURE 5

Children's Income, by Race, Compared to Parental Income and Generational Average (2006 Dollars)



* Interpret data with caution due to small sample size. ** Too few observations to report.

Source: Brookings tabulations of PSID data.

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.¹⁶ The analysis reveals that black children and white children do not have equal chances of moving up the income ladder, even after controlling 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).

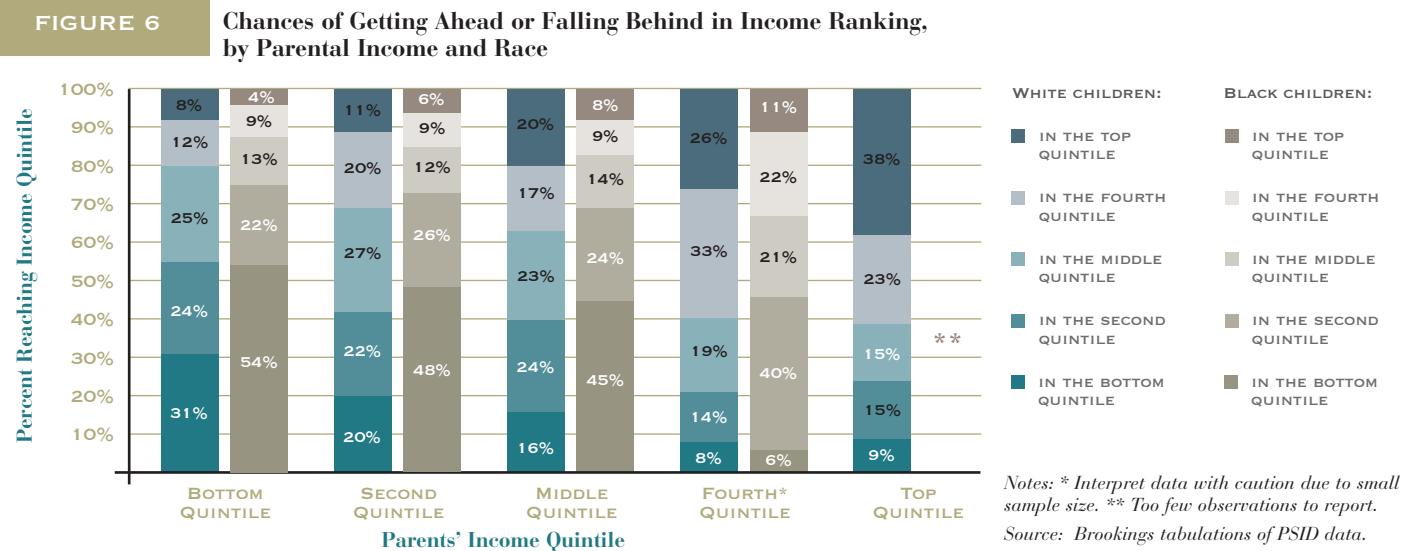
In general, white children in the sample are roughly twice as likely as black children to rise to the top quintile after controlling for parental income levels. Black children are much more likely to fall to the bottom quintile.

NEW MOBILITY TYPOLOGY REINFORCES FINDINGS

As a final step in the analysis, the absolute and relative mobility measures presented in this chapter 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.¹⁷ As shown in detail in Appendix D, 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,

FIGURE 6

Chances of Getting Ahead or Falling Behind in Income Ranking, by Parental Income and Race



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 will 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 E). 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 study 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.¹⁸ 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 presented here 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.

NOTES

¹ This analysis 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, see 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 study.

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; and 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); and 24 observations with parental income in the fourth quintile (from \$65,100 to \$81,200). The small number of observations in the fourth and fifth 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 bottom, second, and middle quintiles, and between 90 and 95 percent confidence for the fourth 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 in 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 middle 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 D.

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.

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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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