

SUMMARY OF KEY FINDINGS: “GETTING AHEAD OR LOSING GROUND: ECONOMIC MOBILITY IN AMERICA.”

ECONOMIC MOBILITY OF FAMILIES ACROSS GENERATIONS

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

- The current generation of adults is better off than the previous one, because of real income growth, but their incomes are more unevenly distributed. (*‘Across Generations’ Figure 1*)
- Compared to their parents, they also live in families that are smaller and where there is more often a second earner. Women’s incomes have grown while men’s have stagnated. (*‘Men & Women’ Figures 1, 2 &3*)

One’s economic position on the income ladder in adulthood is heavily influenced by that of one’s parents.

- Children born to parents with income on the bottom rung of the ladder are highly likely (42 percent) to also be in the bottom rung in adulthood, while those born to parents on the top rung are very likely to stay at the top (39 percent). This is known as “stickiness at the ends.” (*‘Across Generations’ Figure 4*)
- The rags to riches story is more often found in Hollywood than in reality – only 6 percent of children born to parents at the bottom make it to the top of the income distribution. (*‘Across Generations’ Figure 4*)

Of the two-thirds of Americans who make more than their parents’ family income, one-half (or 34 percent of all Americans) are upwardly mobile, meaning they also move up at least one rung on the income ladder ahead of their parents.

- One-quarter of all Americans (27 percent) are *riding the tide* – making more than their parents’ income but remaining on the same income rung as their parents. A small number (5 percent) are *falling despite the tide*, making more than their parents’ family income, but slipping to a lower rung. The remaining (33 percent) are *downwardly mobile*, making less than their parents and falling down the income ladder. (*‘Across Generations’ Table 1*)

TRENDS IN ECONOMIC MOBILITY

For most of our history, Americans have experienced rapid economic growth and therefore upward absolute mobility. Over the last generation, however, economic growth has slowed without evidence of an offsetting increase in relative mobility.

- Between 1947 and 1973, the typical family’s income roughly doubled. But since 1973 median family income has slowed, increasing by about 20 percent. (*‘Trends’ Table 1*)
- While economic growth has slowed, income inequality has increased. As a result, an individual family’s fortunes have become more dependent on the opportunity to compete with other families for the economy’s rewards.
- The hope that increased opportunity (or relative intergenerational mobility) would offset the effects of slower growth or more unequal incomes is not supported by most evidence. Research, though mixed, suggests that the rate of relative mobility has not changed much since 1970 and, if anything, it may have declined.

INTERNATIONAL COMPARISONS OF ECONOMIC MOBILITY

Recent economic studies challenge the traditional view that the United States has more economic mobility than other countries. In fact, the best available evidence suggests that the U.S. stands out as having less, not more, intergenerational relative mobility than Canada and several European countries.

- About half (50 percent) of parental earnings advantages are passed onto sons in the United States compared to less than 20 percent in high-mobility European countries. This means that it takes an average of six generations for family economic advantage to disappear in the United States compared to three generations in Canada, Finland, Norway and Denmark. (*‘International’ Figure 2*)
- 42 percent of American men born into the poorest fifth of families stay in the bottom fifth of the earnings distribution as adults, compared to 25 to 30 percent in some other countries.
- A smaller percentage of Americans move from the bottom to the top fifth in one generation, than do people in other European countries. Note that Americans making such a climb travel a further distance in absolute dollars than do Europeans because of greater earnings inequality in the United States. (*‘International’ Table 1*)

WEALTH AND ECONOMIC MOBILITY

While there is movement throughout the income and wealth distribution, there remains considerable “stickiness” at the tails of both distributions. Specifically, on wealth:

- 36 percent of children born to parents in the bottom wealth quintile remain in the bottom as adults, and 36 percent of children born to parents in the top quintile remain in the top as adults. (*‘Wealth’ Figure 8*)
- Only 7 percent of children born to parents in the bottom wealth quintile make it to the top quintile in adulthood.
- 35 percent of adult children of parents in the bottom wealth quintile move up to the top 3 quintiles and 41 percent of those born to parents at the top move down to the bottom 3 quintiles. Those born to parents in the middle of the wealth distribution have an almost equal likelihood of moving up or moving down a quintile or more.

ECONOMIC MOBILITY OF MEN AND WOMEN

Sons and daughters have fairly similar rates of mobility across generations. That is, family incomes of both sons and daughters resemble their parents’ to a similar degree.

- One exception is lower mobility rates for daughters of low-income parents as compared to sons of low income parents – 47 percent of daughters born to parents on the bottom rung stay on the bottom rung, compared to 35 percent of sons. (*‘Men & Women’ Figure 5*)

ECONOMIC MOBILITY OF BLACK AND WHITE FAMILIES

The American Dream is not a reality for black and white families alike.

- In every income group, blacks are less likely than whites to surpass their parents’ family income and more likely to fall down the economic ladder. (*‘Black & White Families’ Figures 4, 5 & 6*)

These trends are particularly startling for children born to middle income black parents – the analysis suggests that black parents who achieve middle income status are not able to pass their economic advantages onto their children in the same way as white parents.

- Only 31 percent of black children born to middle-income parents make more than their parents’ family income, compared to 68 percent of white children. (*‘Black & White Families’ Figure 4*)
- Almost half (45 percent) of black children whose parents were solidly middle income end up falling to the bottom of the income distribution, compared to only 16 percent of white children. (*‘Black & White Families’ Figure 6*)

IMMIGRATION: WAGES, EDUCATION AND MOBILITY

Upward economic mobility remains a reality for today’s immigrants but trends are showing signs of change.

- Immigrants continue to seize opportunities to make a better life for themselves and their families, both upon arrival and in subsequent generations.
- While second generation immigrants continue to earn higher wages on average than non-immigrant Americans, wages for both first and second generation immigrants are decreasing substantially relative to non-immigrant wages, raising questions about the degree of future potential economic mobility. (*‘Immigration’ Figure 7*)

EDUCATION AND ECONOMIC MOBILITY

Regardless of parental income, adult children are more likely to surpass their parents’ income in absolute terms if they have a college degree and more likely to reach the top quintile if they have a college degree.

- For those born to parents in the bottom quintile, only 5 percent of those without a college degree make it to the top income quintile, compared to 19 percent that do have a college degree. (*‘Education’ Fig. 6*)

Still, family background plays a strong role in upward relative mobility regardless of college education.

- 54 percent of those born to parents in the top quintile who have a college degree remain at the top, nearly triple the percentage of college graduates born to parents at the bottom that make it to the top of the income distribution. (*‘Education’ Figure 6*)
- 23 percent of children born to parents at the top of the income distribution *without* a college degree remain in the top quintile in adulthood, but a similar percent (19 percent) of those born into the bottom quintile that *have* a college degree reach the top quintile.

By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project seeks to focus public attention on this critically important issue and generate an active policy debate about how best to ensure that the American Dream is kept alive for generations that follow.