Pursuing the American Dream:
Economic Mobility Across Generations

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Introduction and Key Findings

The ideal that all Americans have equality of opportunity regardless of their economic status at birth is the crux of the American Dream and a defining element of our national psyche. This study investigates the health and status of that dream by analyzing economic mobility—Americans' movement up and down the economic ladder—during the past generation. *Pursuing the American Dream: Economic Mobility Across Generations* is an update to the Economic Mobility Project's (EMP) foundational work, *Getting Ahead or Losing Ground: Economic Mobility in America*, originally released in 2008.[1]

This chart book moves the project's work forward in two ways. First, the income mobility estimates have been adjusted for family size to account for shifts in family demographics across generations.[2] Second, the analyses now include mobility estimates of personal earnings and family wealth in addition to family income. Using Panel Study of Income Dynamics (PSID) data through 2009, the study provides the most current estimates of mobility and the first estimates that overlap with the recession.

Pursuing the American Dream looks closely at the mobility experiences of Americans on different rungs of the economic ladder, divided into five equal parts or quintiles. The study measures mobility in two ways. *Absolute mobility* measures whether a person has more or less income, earnings, or wealth than his or her parents did at the same age.[3] *Relative mobility* measures a person's rank on the income, earnings, or wealth ladder compared to his or her parents' rank at the same age.

Descriptive information on how the distribution of income and wealth has changed between the parents' and children's generations also is included. While information about aggregate changes across generations does not capture the unique experience of any one parent-child pair, it does provide important context about how the economic environment in which people strive to climb the ladder has changed over the past generation.

Considering both absolute and relative mobility together and in the context

of changing distributions is essential to understanding the full picture of opportunity in America.

Family Income

The vast majority of Americans have higher family incomes than their parents did.[4]

- Eighty-four percent of Americans have higher family incomes than their parents had at the same age, and across all levels of the income distribution, this generation is doing better than the one that came before it.

- Ninety-three percent of Americans whose parents were in the bottom fifth of the income ladder and 88 percent of those whose parents were in the middle quintile exceed their parents' family income as adults.

Americans raised at the bottom and top of the family income ladder are likely to remain there as adults, a phenomenon known as "stickiness at the ends."

- While a majority of Americans exceed their parents' family incomes, the extent of that increase is not always enough to move them to a different rung of the family income ladder.

- Forty-three percent of Americans raised in the bottom quintile remain stuck in the bottom as adults, and

70 percent remain below the middle. Forty percent raised in the top quintile remain at the top as adults, and 63 percent remain above the middle.

- Only 4 percent of those raised in the bottom quintile make it all the way to the top as adults, confirming that the "rags-to-riches" story is more often found in Hollywood than in reality. Similarly, just 8 percent of those raised in the top quintile fall all the way to the bottom.

Family Wealth

Half of Americans surpass their parents in terms of family wealth.[5]

- Fifty percent of Americans have greater wealth than their parents did at the same age.

- Seventy-two percent of Americans whose parents were in the bottom fifth of the wealth ladder and 55 percent of those whose parents were in the middle quintile exceed their parents' family wealth as adults.

There is stickiness at the ends of the wealth ladder.

- Sixty-six percent of those raised in the bottom of the wealth ladder remain on the bottom two rungs themselves, and 66 percent of those raised in the top of the wealth ladder remain on the top two rungs.

Mobility by Race

Blacks have a harder time exceeding the family income and wealth of their parents than do whites.

- Sixty-six percent of blacks raised in the second quintile surpass their parents' family income compared with 89 percent of whites.

- Only 23 percent of blacks raised in the middle surpass their parents' family wealth compared with over half (56 percent) of whites.

Blacks are more likely to be stuck in the bottom and fall from the middle than are whites.

- Over half of blacks (53 percent) raised in the bottom of the family income ladder remain stuck in the bottom as adults, compared with only a third (33 percent) of whites. Half of blacks (56 percent) raised in the middle of the family income ladder fall to the bottom two rungs as adults compared with just under a third of whites (32 percent).

- Half of blacks (50 percent) raised in the bottom of the family wealth ladder remain stuck in the bottom as adults, compared with only a third (33 percent) of whites. More than two-thirds of blacks (68 percent) raised in the middle fall to the bottom two rungs of the ladder as adults compared with just under a third of whites (30 percent).

Mobility by Education

A four-year college degree promotes upward mobility from the bottom and prevents downward mobility from the middle and top.

- Almost one-half (47 percent) of those raised in the bottom quintile of the family income ladder who do not earn a college degree are stuck there as adults, compared with 10 percent who do earn a college degree. Similarly, 45 percent without a college degree are stuck in the bottom of the family wealth ladder compared with 20 percent with a degree.

- Having a college degree makes a person more than three times more likely to rise from the bottom of the family income ladder all the way to the top, and makes a person more than four times more likely to rise from the bottom of the family wealth ladder to the top.

- Thirty-nine percent raised in the middle of the family income ladder who do not get a college degree fall from the middle, compared with less than a quarter (22 percent) of those with a degree. Similarly, 39 percent raised in the middle of the family wealth ladder who do not earn a degree fall down the wealth ladder, compared with 19 percent with a degree.

Chart Book

Family Income

Family income is one of the most common ways economic mobility is measured. Family income includes all taxable income (such as earnings, interest, and dividends) and cash transfers (such as Social Security and welfare) of all family members.[6] These estimates are adjusted for inflation and for family size.

Americans' absolute mobility by family income shows a glass half full.

Eighty-four percent of Americans have higher family incomes than their parents did, and across all levels of the income distribution, this generation is doing better than the one that came before it. In fact, those at the bottom of the income ladder are the most likely to exceed their parents' income as adults—93 percent do so.

Figure 1

Eighty-four Percent of Americans Exceed their Parents' Family Income
Percent with family income above their parents, by parents' quintile

All Adult Children	84%
Raised in Top Quintile	70%
Raised in Fourth Quintile	85%
Raised in Middle Quintile	88%
Raised in Second Quintile	86%
Raised in Bottom Quintile	93%

Percent with Higher Family Income than their Parents
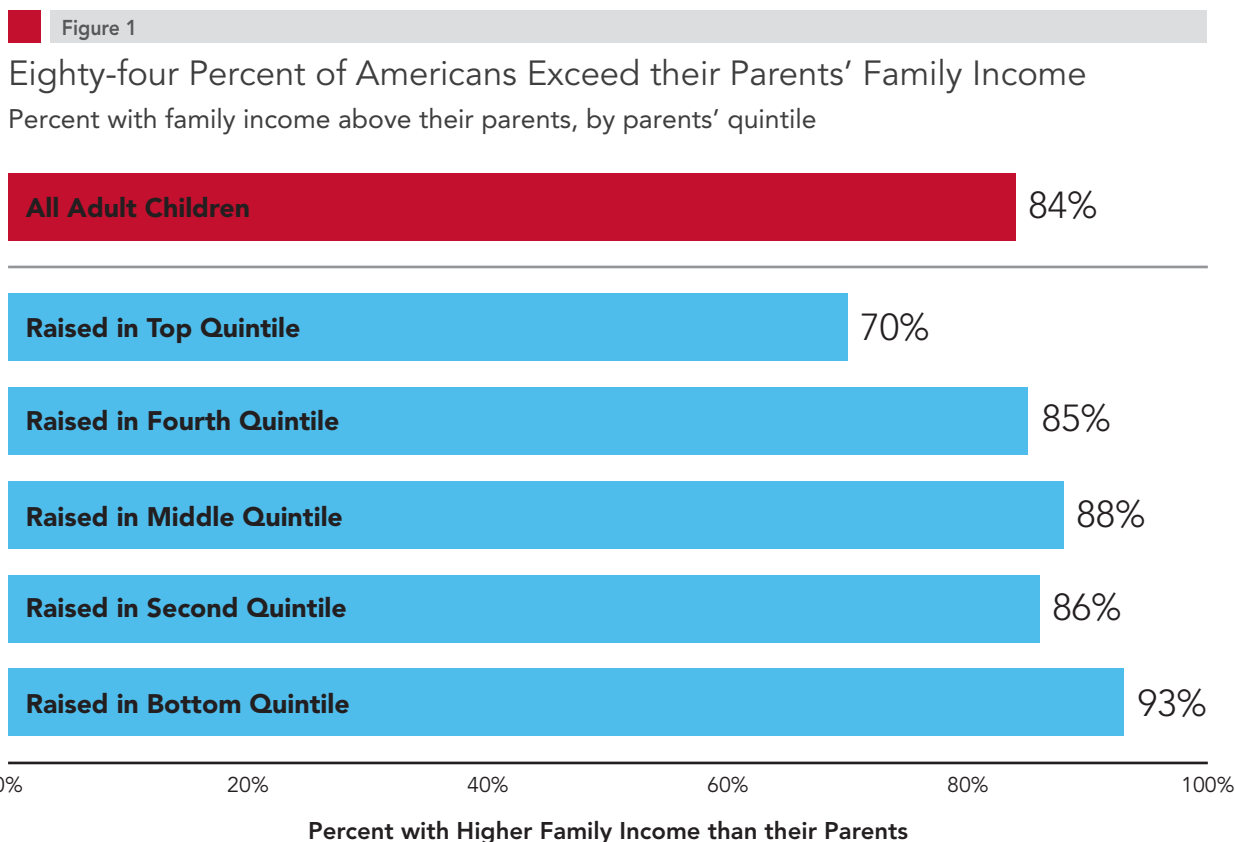
Note: Income is adjusted for family size.

The Size of Absolute Mobility Gains and Losses Differs Across the Income Ladder

Change in family income, by parents' quintile

The darker the color gradient, the more people represented at each point.

$400K

$300K

○ Top Quintile

● Fourth Quintile

● Middle Quintile

● Second Quintile

● Bottom Quintile

$200K

Difference Between Parent and Child Family Income

$100K

▲ adult children's gains over parents

adult children with the same income as parents

$0

adult children's losses under parents ▼

-$100K
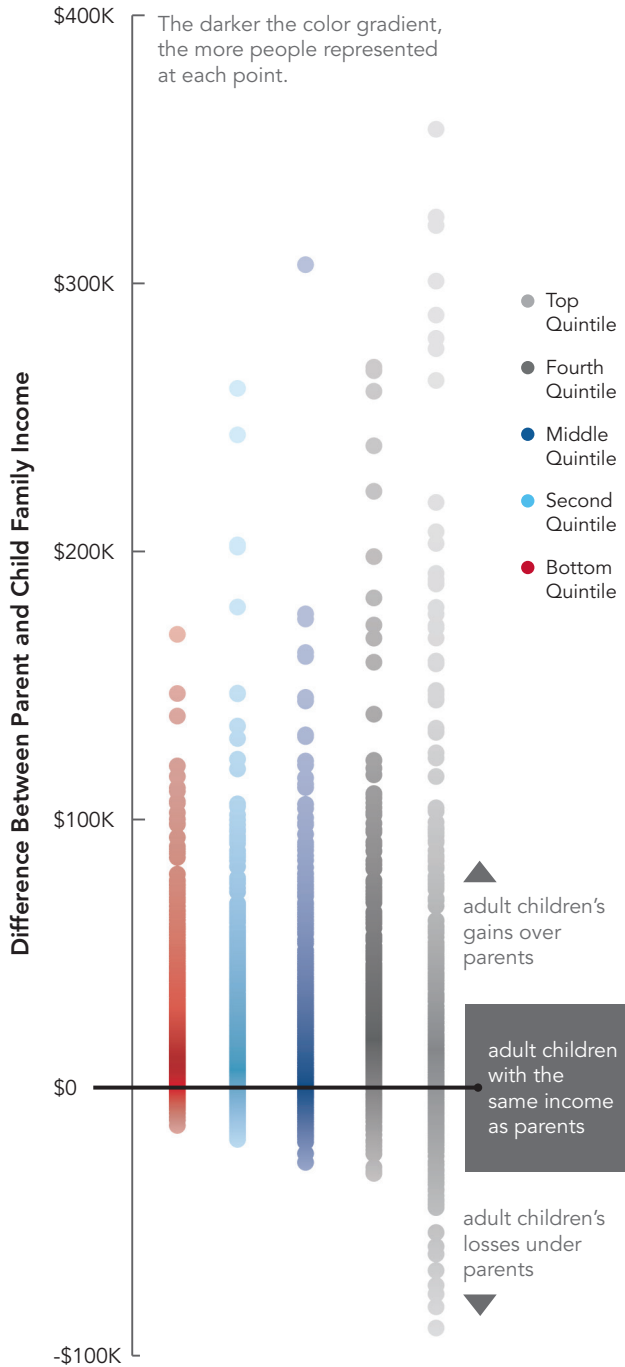
Notes: Income is adjusted for family size. Six observations above $400,000 and two observations below -$100,000 were removed from the analysis for scaling purposes.

However, the *magnitude* of income changes varies across the income distribution.

At all levels, Americans are likely to exceed their parents' family incomes, but the extent of their income growth varies by quintile. Americans raised in the bottom who surpass their parents' incomes do so by the smallest absolute amounts, while Americans raised in the top who surpass their parents' incomes do so by the largest absolute amounts. Figure 2 displays changes in Americans' family income compared with their parents', depending on the income quintile in which they were raised. Adult children whose family income is no different from their parents' are shown at the $0 mark.

Americans' relative mobility outcomes by family income show a glass half empty.

Americans raised at the top and bottom of the income ladder are likely to remain there themselves as adults. Forty-three percent of those who start in the bottom are stuck there as adults, and 70 percent remain below the middle quintile. Only 4 percent of adults raised in the bottom make it all the way to the top, showing that the "rags-to-riches" story is more often found in Hollywood than in reality. At the other end of the ladder, 40 percent of those raised in the top stay there as adults, and 63 percent remain above the middle quintile.

This lack of relative mobility is called "stickiness at the ends" because those at the ends of the income distribution tend to be stuck there over a generation. By contrast, those raised in the middle income quintile come closer to experiencing mathematically perfect mobility, in which they are equally likely to end up in each quintile of the distribution.

Figure 3

Americans Raised at the Top and Bottom Are Likely to Stay There as Adults
Chances of moving up or down the family income ladder, by parents' quintile

Percent of Adult Children in Each Family Income Quintile

Bottom Quintile: 43%, 27%, 17%, 9%, 4%
43% are stuck at the bottom

Second Quintile: 25%, 24%, 18%, 20%, 14%

Middle Quintile: 14%, 20%, 23%, 24%, 19%

Fourth Quintile: 9%, 20%, 23%, 24%, 24%

Top Quintile: 8%, 10%, 19%, 23%, 40%
40% are stuck at the top

Parents' Family Income Quintile

Percent of Adult Children with Income in the:
- Top Quintile
- Fourth Quintile
- Middle Quintile
- Second Quintile
- Bottom Quintile

Note: Numbers are adjusted for family size.

Why do more Americans experience upward absolute mobility than upward relative mobility?

The rungs of the income ladder have widened during the past generation, reflecting economic growth at all levels, but especially at the top. Median income in the bottom income quintile increased by 74 percent between the two generations, compared with 126 percent in the top income quintile (see Figure 4). The difference between the size of the rungs between the two generations means that while the vast majority of Americans exceeded their parents' family incomes, the extent of that increase—particularly at the bottom—was not always enough to move them to a different rung of the income ladder.

Growth Has Occured at Every Rung of the Ladder But Has Been Largest at the Top

Change in the overall income distribution from parents' generation to children's generation

Legend:
- Top Quintile
- Fourth Quintile
- Middle Quintile
- Second Quintile
- Bottom Quintile

Y-axis: Family Income (2008 dollars)

Parents' Generation:
- $39,800 AND ABOVE
- $30,300–$39,800
- $23,400–$30,300
- $15,600–$23,400
- LESS THAN $15,600

MEDIANS (Parents' Generation):
- $49,075
- $34,596
- $27,036
- $20,010
- $11,064

Children's Generation:
- $81,700 AND ABOVE
- $59,300–$81,700
- $44,000–$59,300
- $28,900–$44,000
- LESS THAN $28,900

MEDIANS (Children's Generation):
- $111,115
- $68,539
- $51,177
- $36,969
- $19,202

Percentage changes:
- 126%
- 98%
- 89%
- 85%
- 74%

Notes: Numbers are adjusted for family size. Each quintile contains 20 percent of the weighted sample. The dashed line represents the 95th percentile of the PSID sample.

Analyzing both absolute and relative mobility is necessary for understanding mobility in America.

Looking at both absolute and relative mobility demonstrates why the picture of mobility in America shows a glass both half full and half empty.

On the one hand, more than one-third of Americans are upwardly mobile, defined here as experiencing gains in both absolute and relative mobility. Thirty-five percent of Americans have higher income and move up at least one rung on the ladder relative to their parents. Moreover, a minority of Americans—only 16 percent—are downwardly mobile, defined here as experiencing downward absolute mobility and having static or downward relative mobility (i.e. either remaining in the same quintile or moving down).

However, gains in absolute mobility are not always enough to propel Americans up the ladder. Thirty-six percent of those who start in the bottom experience absolute mobility gains but are still stuck in the bottom quintile as adults. Moreover, across the distribution, 20 percent of Americans are "falling despite the rising tide"—they make more money than their parents did, but have actually fallen to a lower rung of the income ladder. Another 29 percent have higher family incomes but are at the same place on the income ladder as their parents were.

Absolute income gains combined with relative stickiness at the ends underscore why looking at both absolute and relative mobility is so critical for understanding opportunity in America.

Figure 5

Most Americans Experience Absolute Upward Mobility but Few Experience Relative Upward Mobility

Chances of experiencing both absolute and relative mobility, by parents' quintile

| | | Parents' Family Income Quintile | | | | |
	Bottom Quintile	Second Quintile	Middle Quintile	Fourth Quintile	Top Quintile	All Families
Upwardly mobile Higher income and up 1 or more quintiles	57%	51%	43%	24%	N/A[1]	35%
Riding the rising tide Higher income and same quintile	36%	24%	23%	24%	38%	29%
Falling despite the rising tide Higher income and down 1 quintile	N/A[2]	11%	21%	36%	32%	20%
Downwardly mobile Lower income and lower/same quintile	7%	14%	12%	15%	30%	16%

(Row group label at left: **Adult Children**)

Notes: Numbers are adjusted for family size. Numbers in each column may not sum to 100 percent due to rounding.

[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 the bottom quintile cannot meet this definition of "falling despite the rising tide" because there is no quintile below the bottom quintile.

Examining earnings mobility provides a deeper understanding of income mobility.

Personal earnings are a component of family income based on one family member's salary or wages from employment. Personal earnings provide greater insight into the importance of employment-based wages for economic mobility.[7]

The measures below compare sons in the children's generation to fathers in the parents' generation. This is the most accurate "apples to apples" comparison that can be done intergenerationally because women's labor force participation rates have grown dramatically during the past generation. Comparing daughters' earnings to their mothers' earnings could overstate the gains made by women in the past generation, while comparing daughters' earnings to their fathers' could understate women's gains.

Most sons are meeting or exceeding their fathers' earnings in absolute terms.

Overall, 59 percent of sons earn more than their fathers did at the same age, and only in the top quintile do less than half of sons exceed their fathers' earnings. Among sons raised in the bottom, 85 percent exceed their fathers' earnings. Sons raised in the middle and fourth earnings quintiles are about equally likely to make more than their fathers as they are to make less.

Figure 6

Most Sons Meet or Exceed the Earnings of their Fathers
Percent with personal earnings above their fathers, by fathers' quintile

All Adult Sons	59%
Raised in Top Quintile	46%
Raised in Fourth Quintile	52%
Raised in Middle Quintile	51%
Raised in Second Quintile	59%
Raised in Bottom Quintile	85%

0%   20%   40%   60%   80%   100%
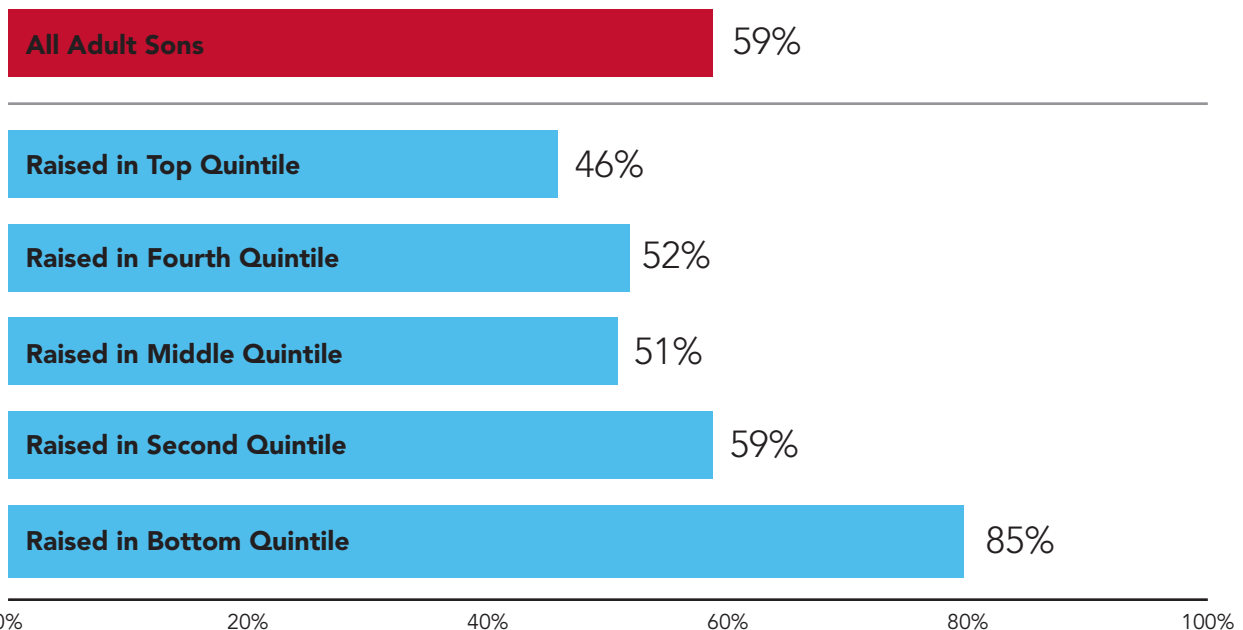
Sons raised by top earners are the most likely to be top earners themselves.

Even though sons raised in the top are the least likely to surpass their fathers' earnings, they are the most likely to stay in their fathers' place on the earnings ladder. Among sons raised in the top quintile, 43 percent remain in the top themselves, and another 22 percent have earnings above the middle quintile. At the other end of the ladder, more than half of sons raised in the bottom do not make it to the middle: 31 percent remain in the bottom and another 26 percent move only to the second quintile. Still, 42 percent of sons whose fathers were in the bottom group of earners make it to the middle quintile or higher with their own earnings.

Figure 7

Sons Raised in the Top Are the Most Likely to Stay in their Fathers' Earnings Group

Chances of moving up or down the personal earnings ladder, by fathers' quintile
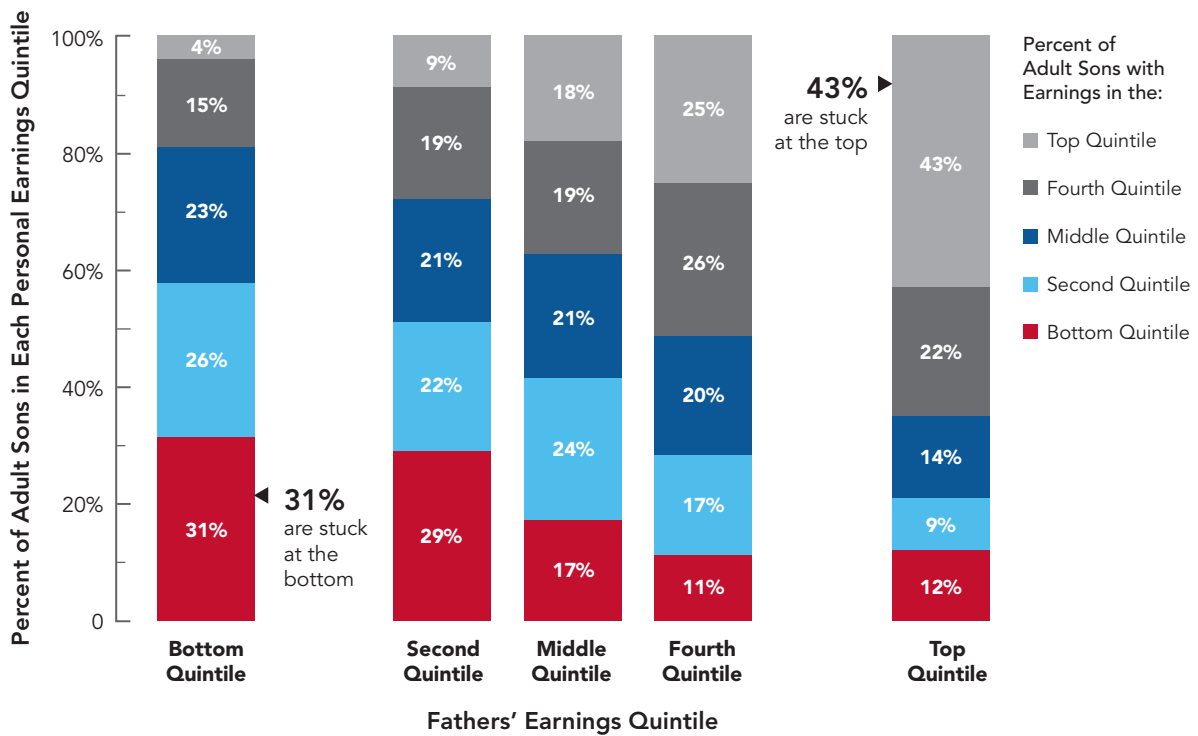
Mobility is a family enterprise.

One of the most striking changes that has occurred between the fathers' and sons' generations has been the degree to which women, specifically married women, have increased their participation in the labor force. Concurrent with this shift has been a slowdown in men's earnings gains and thus the reduction of men's contributions to overall family income. In the parents' generation, fathers' earnings constituted three-quarters of total family income. Today, men's earnings still constitute the majority of total family income, but their share has dropped to 61 percent.[8] In other words, for many families, experiencing upward *family income* mobility requires a couple's combined earnings.

Another trend to consider when examining the different patterns for income and earnings mobility is that men and women are increasingly partnering with those who are more like them than not, meaning high earners are forming unions with other high earners. Consequently, the family income of a combined high-earning couple is markedly higher than that of a low-earning one, contributing to the "stickiness at the ends" seen in family income measures.

Figure 8

Men's Earnings in the Parents' Generation Contributed More to Family Income

Average proportion of family income represented by male earnings

Fathers — 75%

Sons — 61%

0%   20%   40%   60%   80%   100%

Percent of Family Income Represented by Male Earnings
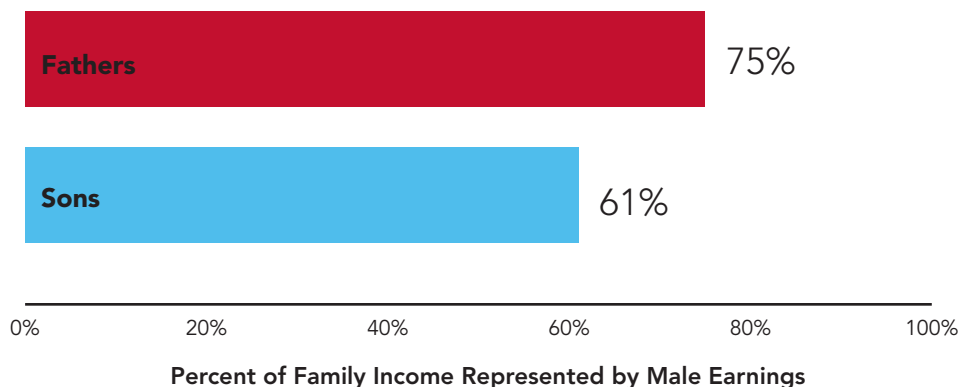
Family Wealth

The following analyses display mobility outcomes by *family wealth*, adjusted for inflation and age.[9] Family wealth includes total assets minus total debts.[10] Examples of assets include the value of checking or savings accounts, real estate, stocks, vehicles, private annuities or IRAs, and farms or businesses. The wealth measures also include home equity because of its importance to wealth accumulation.

Half of Americans surpass their parents in terms of absolute wealth mobility.

Fifty percent of Americans have more wealth than their parents did at the same age, ranging from 72 percent of those whose parents were at the bottom of the wealth ladder to just a quarter of those whose parents were at the top.

Figure 9

Half of Americans Exceed their Parents' Family Wealth

Percent with family wealth above their parents, by parents' quintile

All Adult Sons	50%
Raised in Top Quintile	25%
Raised in Fourth Quintile	45%
Raised in Middle Quintile	55%
Raised in Second Quintile	51%
Raised in Bottom Quintile	72%

0%   20%   40%   60%   80%   100%

Percent with Higher Family Wealth than their Parents

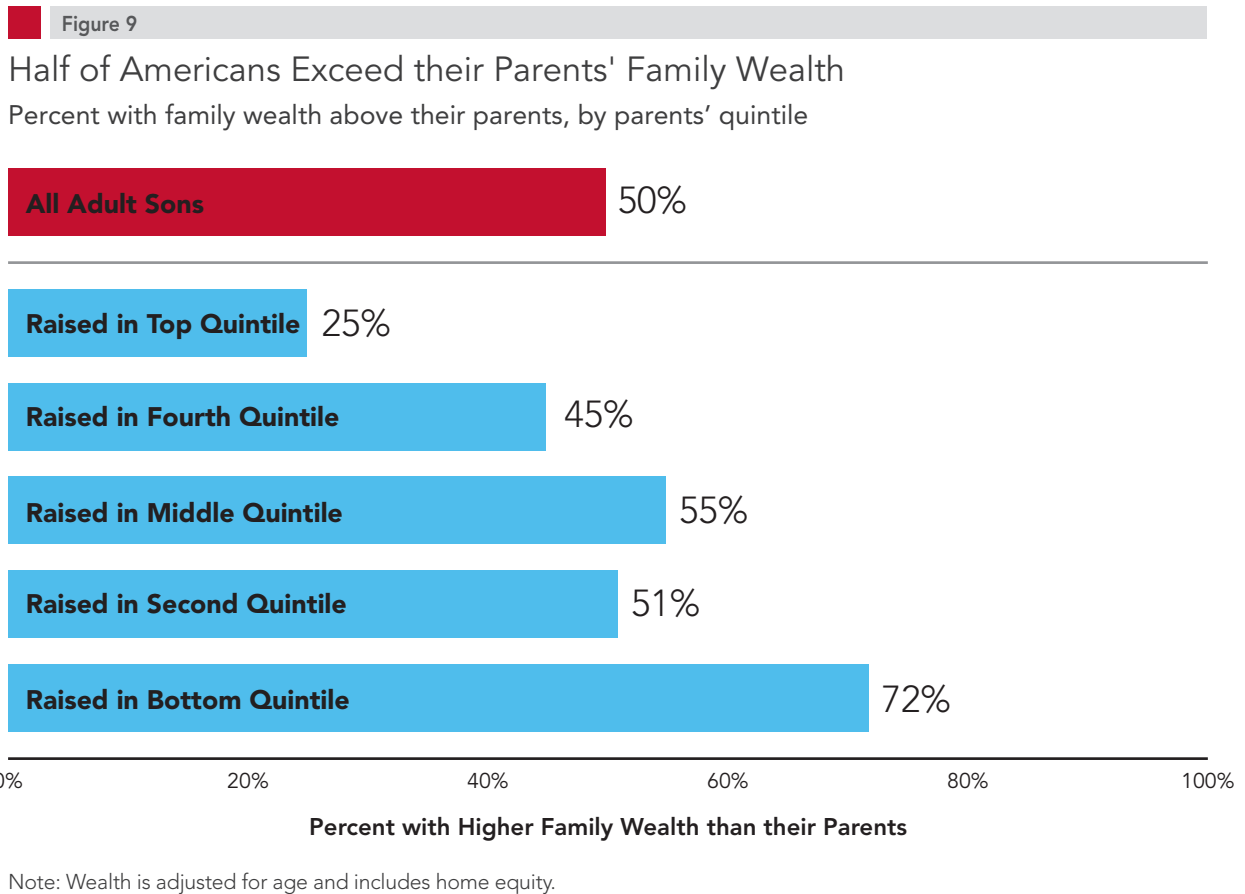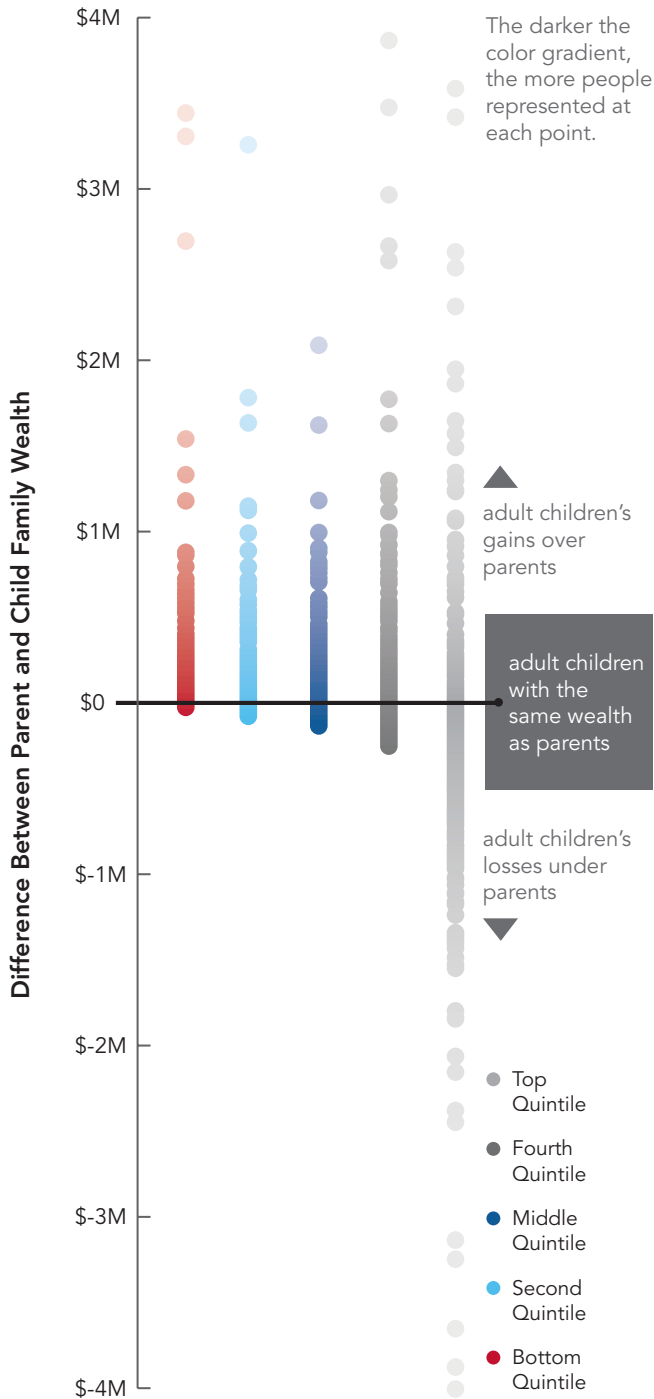Note: Wealth is adjusted for age and includes home equity.

Figure 10

Americans Raised in the Top Have the Most Variation in Wealth Relative to their Parents

Change in family wealth, by parents' quintile

The darker the color gradient, the more people represented at each point.

adult children's gains over parents

adult children with the same wealth as parents

adult children's losses under parents

● Top Quintile

● Fourth Quintile

● Middle Quintile

● Second Quintile

● Bottom Quintile

Difference Between Parent and Child Family Wealth

Note: Wealth is adjusted for age and includes home equity. Four observations above $5,000,000 and five observations below -$5,000,000 were removed from the analysis for scaling purposes.

Americans raised in the top of the wealth distribution have the most variation in wealth relative to their parents.

Those raised in the top quintile of the wealth ladder have the greatest range in their own wealth quintile as adults, with many holding fewer assets than the previous generation (shown in Figure 10 by the concentration of wealth losses below the $0 line). Of course, those whose parents were at the top of the wealth distribution face the highest bar to exceed their parents' wealth, at $270,218 or more.

By contrast, Americans raised at the bottom of the wealth ladder are the most likely to have more wealth than their parents did, in part because their parents had few or no assets. In the parents' generation, the bottom wealth quintile contained people with less than $31,110 in wealth. Of note, 5.6 percent of those in the parents' generation reported having less than $1,000 in family assets, demonstrating that the bar for surpassing the previous generation's wealth was much lower still in some families.

Relative wealth mobility reveals clear stickiness at the ends.

As with family income, the magnitude of absolute mobility gains and declines does not always translate into changing positions on the wealth ladder. Americans whose parents were at the top and bottom of the wealth ladder are likely to be at the top and bottom themselves. Forty-one percent of those raised in the bottom are stuck there as adults, and 66 percent never make it to the middle rung. Similarly, 41 percent of children whose parents were in the top of the wealth distribution remain there as adults, and 66 percent never fall to the middle or below.

	Figure 11

Family Wealth is Sticky at the Top and Bottom of the Ladder

Chances of moving up or down the family wealth ladder, by parents' quintile
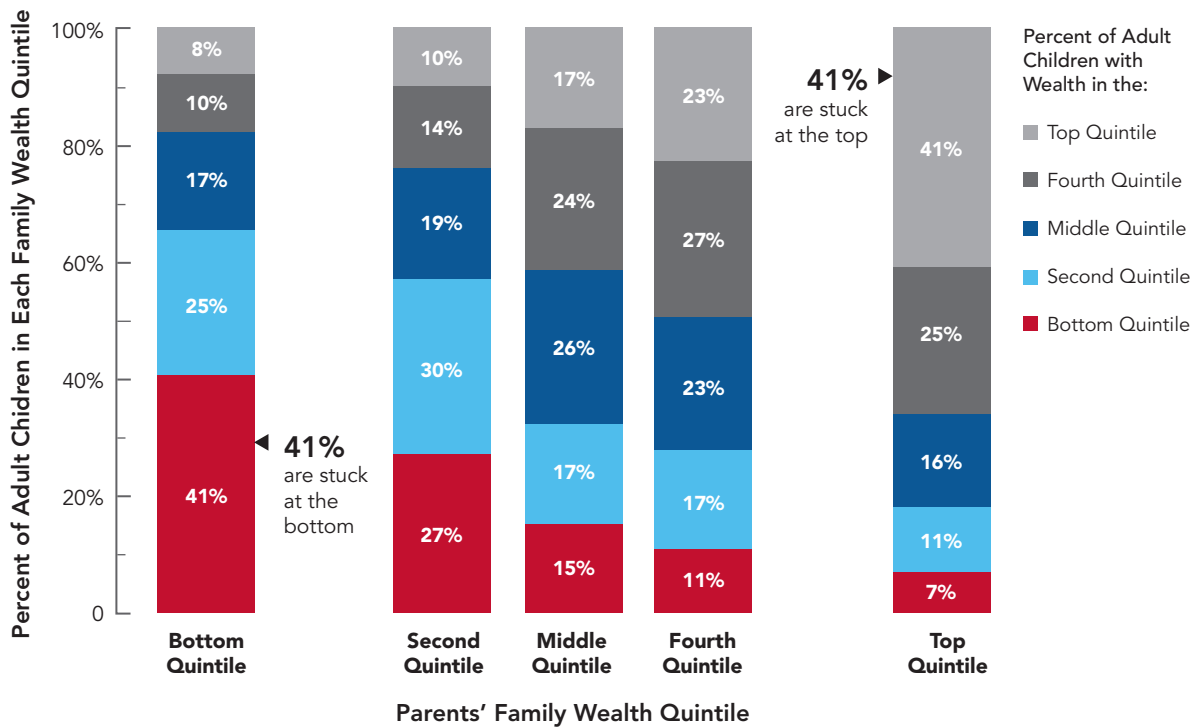
Note: Wealth is adjusted for age and includes home equity.

The bottom three rungs of the wealth ladder have compressed during the past generation.

As with family income mobility, investigating the changing shape of the overall wealth distribution over time puts the absolute and relative wealth mobility findings in context (see Figure 12). During the past generation, the amount of wealth held by people at each rung of the ladder has diverged: Wealth has decreased at the bottom and middle and has increased at the top two rungs of the ladder. The wealth compression is especially notable at the bottom: Median wealth for those in the lowest wealth quintile decreased from just under $7,500 in the parents' generation to less than $2,800 in the children's generation. Conversely, at the top of the wealth distribution, median wealth increased from just under $500,000 in the parents' generation to almost $630,000 in the children's generation.

Figure 12

Wealth Has Declined at the Bottom and Middle and Risen at the Top

Change in the overall wealth distribution from parents' generation to children's generation

Legend:
- Top Quintile
- Fourth Quintile
- Middle Quintile
- Second Quintile
- Bottom Quintile

Y-axis: Family Wealth (2008 dollars) — $0, $0.5M, $1.0M, $1.5M, $2.0M, $2.5M, $3.0M

Parents' Generation
- LESS THAN $31,100
- $31,100–$85,000
- $85,000–$142,400
- $142,400–$270,000
- $270,000 AND ABOVE

Values: $7,439 ◄ ; $55,937 ◄ ; $116,792 ◄ ; $189,429 ◄ ; MEDIANS $495,510 ◄

Children's Generation
- LESS THAN $20,300
- $20,300–$73,100
- $73,100–$164,200
- $164,200–$367,100
- $367,100 AND ABOVE

Values: ► $2,748 ; ► $44,653 ; ► $111,008 ; ► $244,879 ; MEDIANS $629,853 ►

Percent changes: -63% ; -20% ; -5% ; 29% ; 27%

Notes: Wealth is adjusted for age and includes home equity. Each quintile contains 20 percent of the weighted sample. The dashed line represents the 95th percentile of the PSID sample.

Mobility by Race

The mobility estimates reported in the prior sections focus on all Americans; however, when further analyzed by race, striking differences emerge.[11]

Blacks are much more likely to be raised at the bottom of the family income and wealth ladders than are whites.

Before reviewing differences in mobility by race, it is important to note that the percentage of blacks and whites raised at the top and bottom of the income and wealth ladders differs dramatically. Just over two-thirds (65 percent) of blacks were raised at the bottom of the income ladder compared with only 11 percent of whites. The same pattern exists for family wealth: 57 percent of blacks were raised at the bottom, but only 14 percent of whites were. At the other end of the income and wealth ladders, almost one-quarter (23 percent) of whites were raised at the top versus only 2 percent of blacks.

In fact, the percentage of black families at the top two rungs of the family income and wealth ladders is so small that median and absolute mobility estimates cannot be calculated with statistical certainty. Therefore, the absolute mobility and median wealth figures report mobility estimates for blacks only on the bottom three rungs of the ladder.

Figure 13

Blacks Are More Likely to Start in the Bottom of the Income and Wealth Distributions

Percentage of Americans raised in each quintile, by race

	Family Income		Family Wealth	
	Black	**White**	**Black**	**White**
Raised in Top Quintile	2%	23%	2%	23%
Raised in Fourth Quintile	7%	23%	6%	22%
Raised in Middle Quintile	8%	22%	7%	23%
Raised in Second Quintile	18%	21%	28%	19%
Raised in Bottom Quintile	65%	11%	57%	14%

Notes: Income is adjusted for family size. Wealth is adjusted for age and includes home equity. Numbers in each column may not sum to 100 percent due to rounding.

Figure 14

Blacks Have a Harder Time Exceeding their Parents' Family Income and Wealth than Whites

Percent with family income and wealth above their parents, by race and parents' quintile
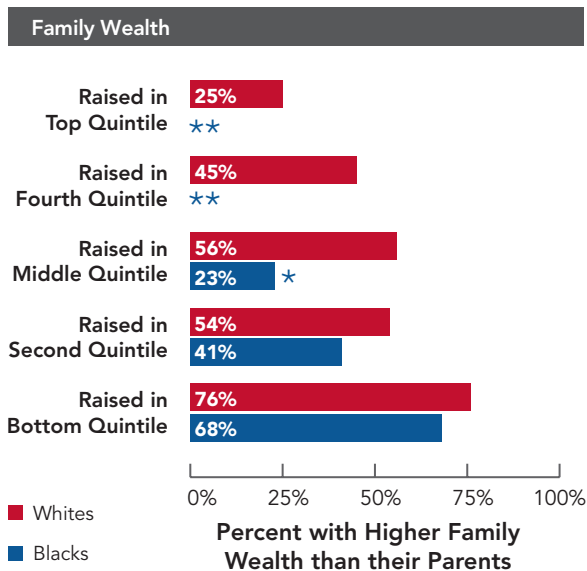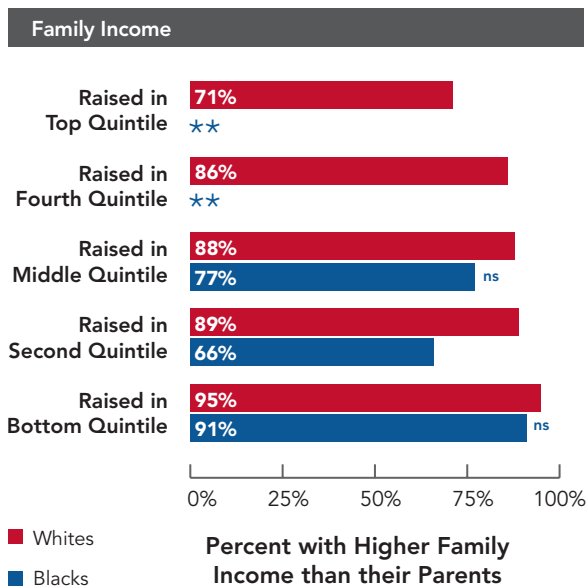
Family Income

Raised in Top Quintile **	71%
Raised in Fourth Quintile **	86%
Raised in Middle Quintile	88% / 77% ns
Raised in Second Quintile	89% / 66%
Raised in Bottom Quintile	95% / 91% ns

0%   25%   50%   75%   100%

■ Whites
■ Blacks

Percent with Higher Family Income than their Parents

Family Wealth

Raised in Top Quintile **	25%
Raised in Fourth Quintile **	45%
Raised in Middle Quintile	56% / 23% *
Raised in Second Quintile	54% / 41%
Raised in Bottom Quintile	76% / 68%

0%   25%   50%   75%   100%

■ Whites
■ Blacks

Percent with Higher Family Wealth than their Parents

Notes: Income is adjusted for family size. Wealth is adjusted for age and includes home equity.

* Interpret data with caution due to small sample size.

** Too few observations to report estimates.

ns: The difference between blacks and whites is not statistically significant at the p<.05 level.

Blacks have a harder time exceeding their parents' family income and wealth than whites.

A gap in absolute mobility exists between blacks and whites for both family income and wealth. For family income, a majority of all Americans exceed their parents; however, blacks have lower absolute mobility gains than whites.[12] The black-white absolute mobility gap for family income is largest at the second rung of the ladder—89 percent of whites surpass their parents' income compared with 66 percent of blacks.

While many fewer Americans surpass their parents' wealth than surpass their parents' income across the distribution, a majority in the bottom three quintiles do. However, when further analyzed by race, only 23 percent of blacks raised in the middle exceed their parents' wealth compared with 56 percent of whites. Only in the bottom do a majority of blacks surpass their parents' wealth, but a black-white gap of 8 percentage points still exists.

Blacks are more likely to be stuck in the bottom and more likely to fall from the middle of the family income and wealth ladders than are whites.

A significant black-white gap also exists for relative mobility. More than half of black adults (53 percent for family income and 50 percent for family wealth) raised at the bottom remain stuck there as adults, but only a third of whites (33 percent for both) do.

Blacks also are more downwardly mobile than whites. For family income, over half (56 percent) raised in the middle fall to the bottom or second rung as adults, compared with almost a third (32 percent) of whites. For family wealth, more than two-thirds (68 percent) of blacks raised in the middle fall to the bottom or second rung as adults, compared with just under a third (30 percent) of whites.

Figure 15

Blacks Are More Likely to Stay in the Bottom and Fall from the Middle
Chances of moving up or down the family income ladder, by race and parents' quintile
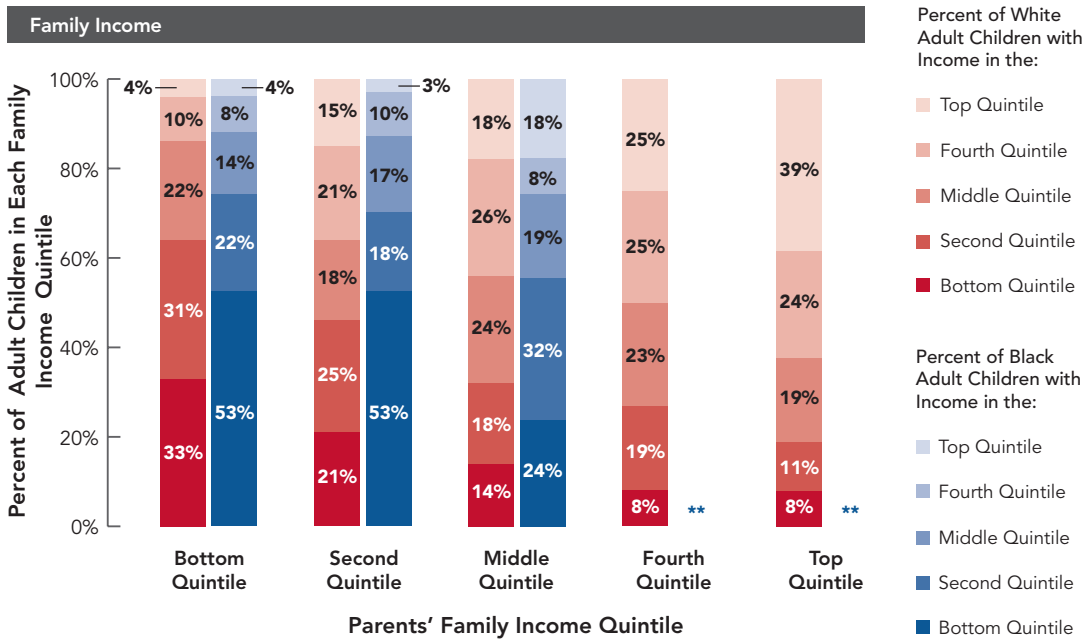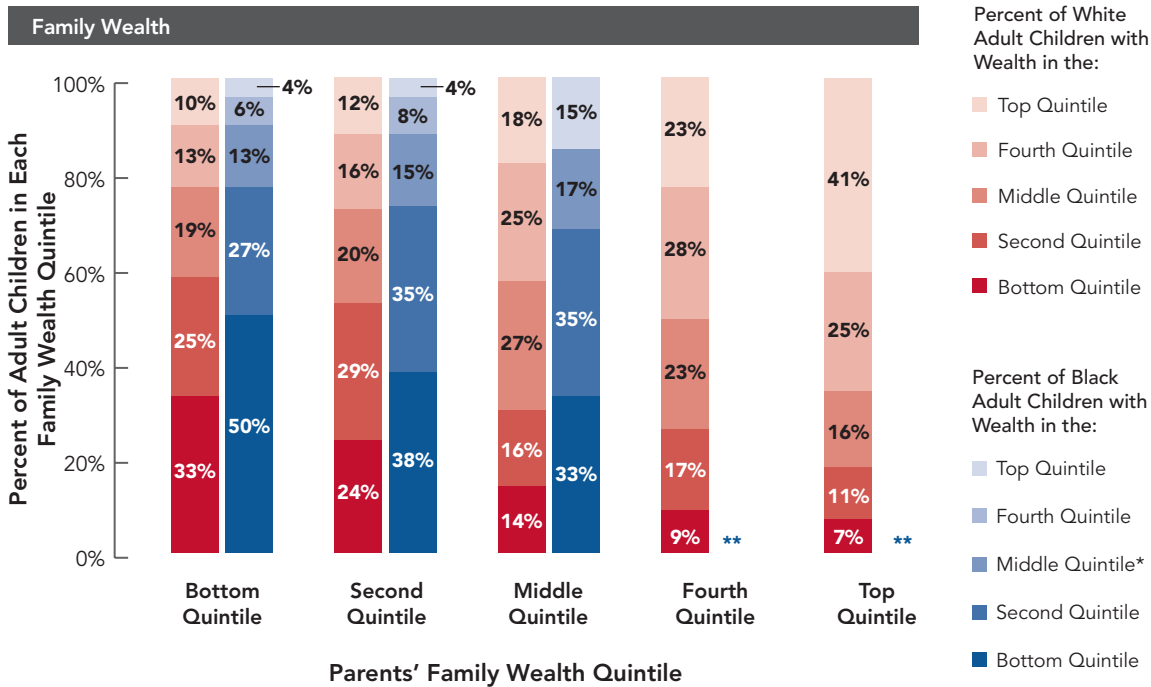

Note: Income is adjusted for family size.

** Too few observations to report estimates.

Figure 15 (Continued)

Blacks Are More Likely to Stay in the Bottom and Fall from the Middle
Chances of moving up or down the family wealth ladder, by race and parents' quintile

Note: Wealth is adjusted for age and includes home equity.

* Interpret data with caution due to small sample sizes.

** Too few observations to report estimates.

Median family income and wealth is higher for whites than for blacks at all levels of the income distribution.

Shifting away from parent-child pairs and looking only at median income and wealth levels across the two generations sheds light on why there is such a stark black-white mobility gap (see Figure 16). Median family income for blacks is just over $29,000, compared with more than $55,000 for whites, and median family income is lower for blacks than for whites at every rung of the ladder for which there are reliable estimates. Blacks also have less family wealth than do whites, and the racial wealth gap increases sharply between the bottom and the middle.

Figure 16

Whites Have Higher Family Income and Wealth Across the Distribution

Median family income and wealth, by quintile

Family Income

Legend: White Parents, White Children, Black Parents, Black Children

Median Family Income (in thousands of dollars)

Bottom Quintile: White Parents $12,352; White Children $38,385; Black Parents $9,106; Black Children $28,083

Second Quintile: White Parents $20,120; White Children $46,869; Black Parents $19,050; Black Children $27,311

Middle Quintile: White Parents $27,132; White Children $55,254; Black Parents $25,576; Black Children $42,427

Fourth Quintile: White Parents $34,665; White Children $59,421; Black Children **

Top Quintile: White Parents $49,119; White Children $69,977; Black Children **

Family Income Quintile

Family Wealth

Median Family Wealth (in thousands of dollars)

Bottom Quintile: White Parents $8,291; White Children $54,587; Black Parents $2,989; Black Children $19,709

Second Quintile: White Parents $57,560; White Children $65,140; Black Parents $45,048; Black Children $36,499

Middle Quintile: White Parents $116,585; White Children $142,035; Black Parents $117,133 *; Black Children $57,216 *

Fourth Quintile: White Parents $194,285; White Children $166,963; Black Children **

Top Quintile: White Parents $495,289; White Children $266,095; Black Children **

Family Wealth Quintile

Notes: Income is adjusted for family size. Wealth is adjusted for age and includes home equity.

* Interpret data with caution due to small sample size.

** Too few observations to report estimates.

Mobility by Education

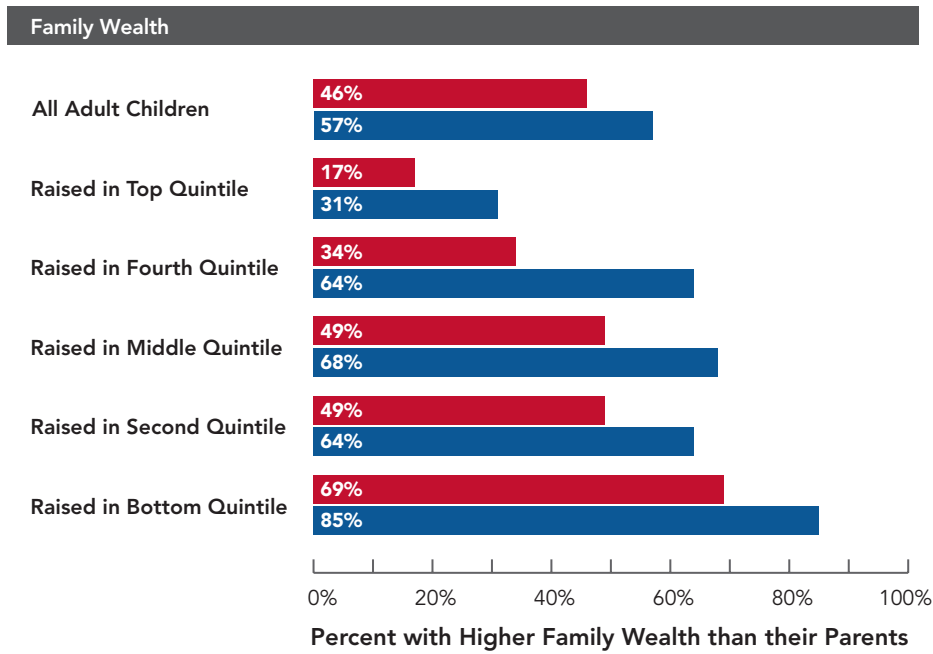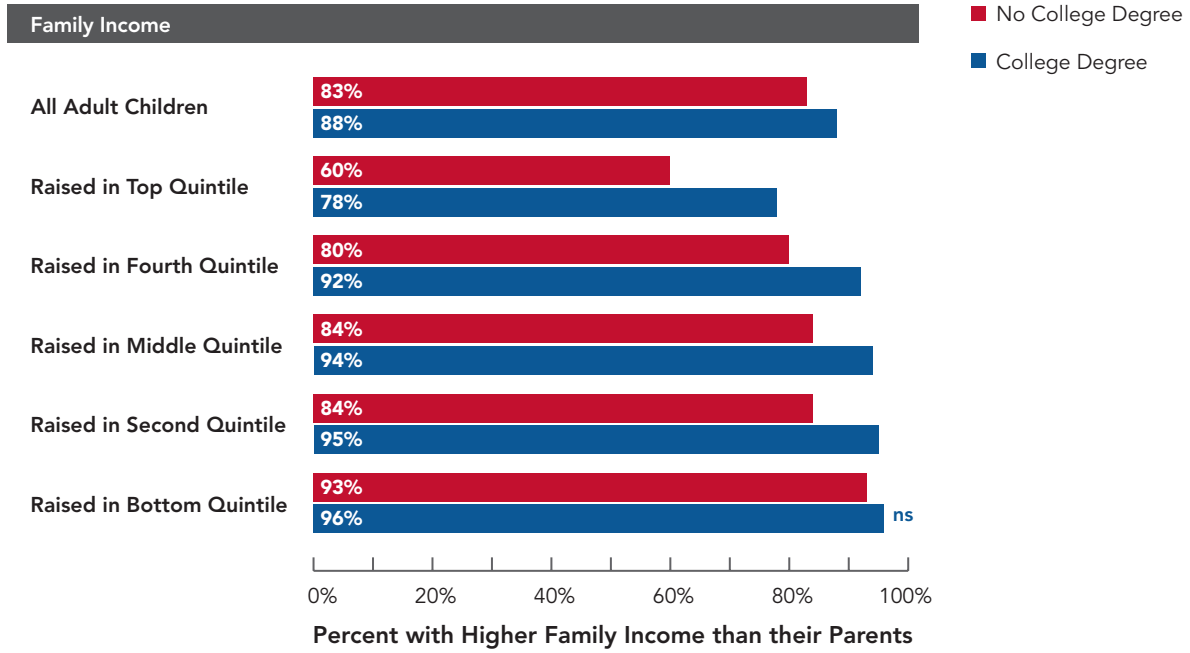**Having a college degree improves Americans' chances of surpassing their parents' family income and wealth.**

Having a college degree has long been viewed as one of the most promising ways to climb the economic ladder, and for good reason. The wage premium associated with a college degree rose dramatically during the past generation, and increased returns on education directly translate into upward absolute mobility gains.[13] For example, 88 percent of those with a college degree exceed their parents' family income, compared with 83 percent without a college degree (see Figure 17).[14]

College degree holders also have greater absolute wealth mobility than non-degree holders. Overall, 57 percent of college graduates have more assets than their parents, compared with less than half (46 percent) of those without a college degree. The greatest gains in absolute wealth during the prior generation were for college degree holders raised in the bottom wealth quintile; 85 percent have more wealth than their parents. For those raised in the fourth wealth quintile, the advantage of a college degree is most notable: nearly two-thirds (64 percent) of college graduates have more wealth than did their parents, compared with just one-third (34 percent) of non-graduates.

Figure 17

College Graduates Are More Likely to Exceed their Parents' Family Income and Wealth

Percent with family income and wealth above their parents', by education and parents' quintile

Family Income

■ No College Degree
■ College Degree

	No College Degree	College Degree
All Adult Children	83%	88%
Raised in Top Quintile	60%	78%
Raised in Fourth Quintile	80%	92%
Raised in Middle Quintile	84%	94%
Raised in Second Quintile	84%	95%
Raised in Bottom Quintile	93%	96% ns

Percent with Higher Family Income than their Parents

Family Wealth

	No College Degree	College Degree
All Adult Children	46%	57%
Raised in Top Quintile	17%	31%
Raised in Fourth Quintile	34%	64%
Raised in Middle Quintile	49%	68%
Raised in Second Quintile	49%	64%
Raised in Bottom Quintile	69%	85%

Percent with Higher Family Wealth than their Parents

Notes: Income is adjusted for family size. Wealth is adjusted for age and includes home equity.

ns: The difference between those with and without a college degree is not statistically significant at the p<.05 level.

Earning a four-year college degree promotes upward mobility from the bottom and prevents downward mobility from the middle and top of the family income and wealth ladders.

A college degree makes individuals much less likely to become stuck at the bottom of the family income and wealth ladders. For those raised at the bottom of the family income ladder, almost one half (47 percent for family income) without a college degree are stuck there as adults, compared with 10 percent with a college degree. Similarly, 45 percent without a degree are stuck at the bottom of the family wealth ladder, compared with 20 percent with a degree. Having a four-year degree also makes one more likely to rise from the bottom of the ladder all the way to the top—over three times more likely for family income and over four times more likely for family wealth.

A college education additionally protects against downward mobility. At the top of the family income ladder, over half (51 percent) of those with a college degree raised at the top stay there compared with a quarter of those without a college degree. Thirty-nine percent without a college degree fall from the middle compared with only 22 percent with a degree. Similar patterns exist for family wealth.

Figure 18

College Graduates Are More Upwardly Mobile from the Bottom and Less Likely to Fall from the Top and Middle

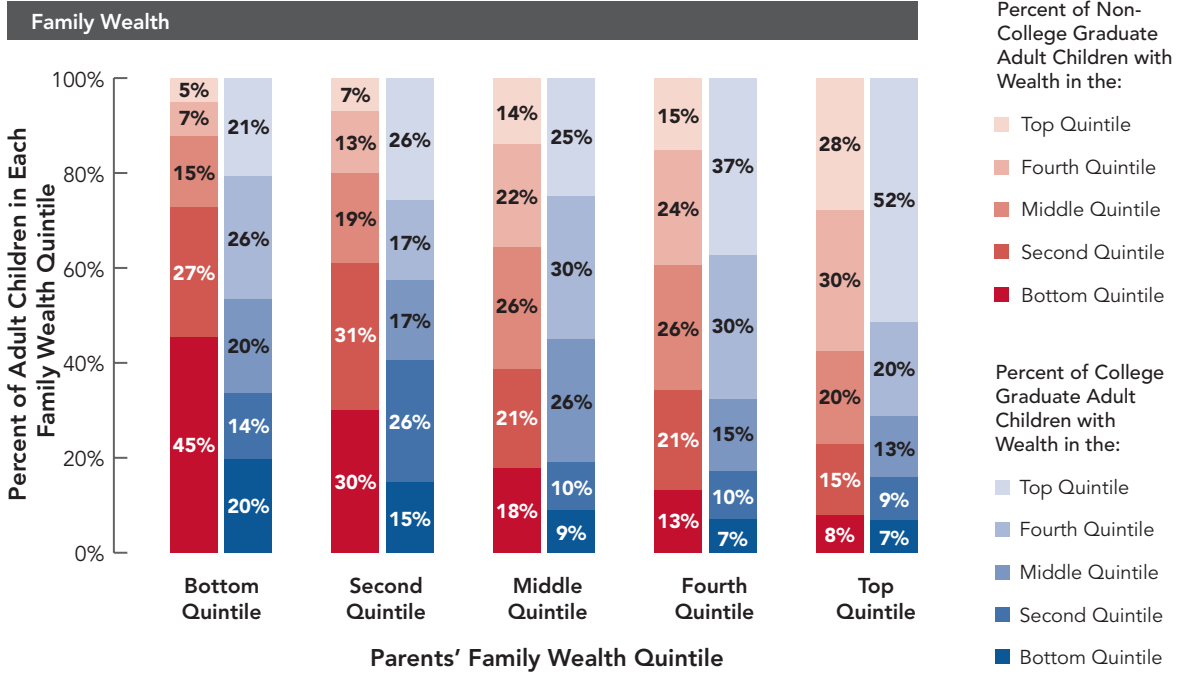Chances of moving up or down the family income ladder, by education and parents' quintile
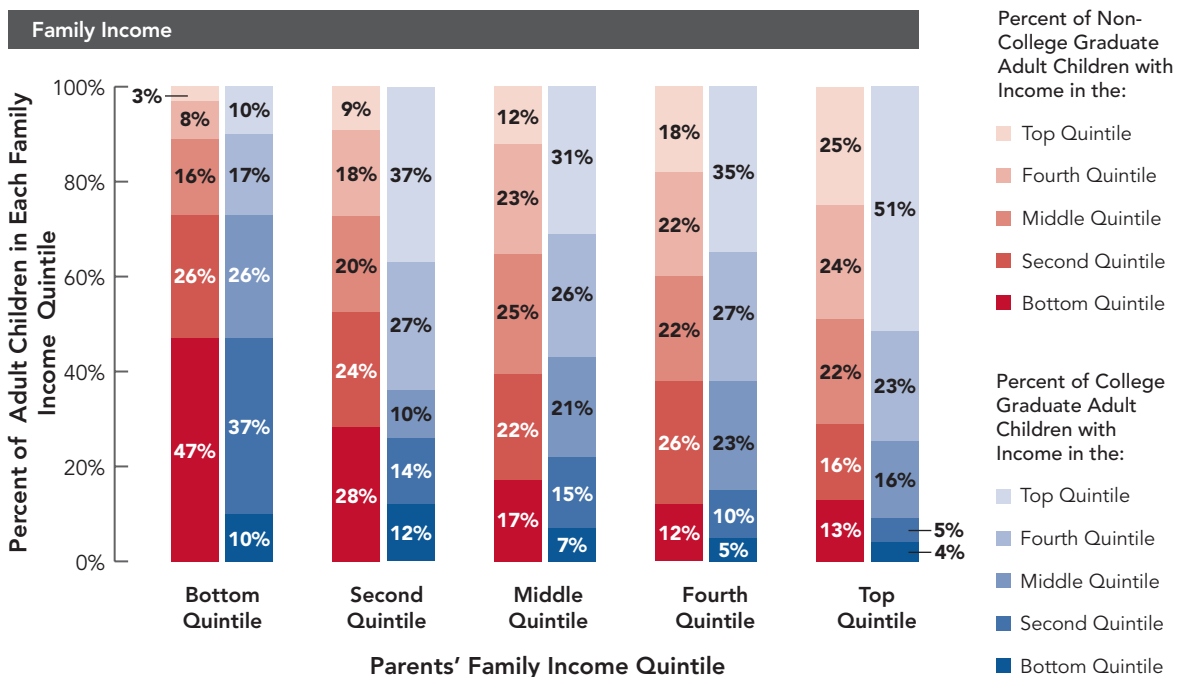
Note: Income is adjusted for family size.

Figure 18 (Continued)

College Graduates Are More Upwardly Mobile from the Bottom and Less Likely to Fall from the Top and Middle

Chances of moving up or down the family wealth ladder, by education and parents' quintile

Family Wealth

Percent of Adult Children in Each Family Wealth Quintile

Parents' Family Wealth Quintile

Percent of Non-College Graduate Adult Children with Wealth in the:
- Top Quintile
- Fourth Quintile
- Middle Quintile
- Second Quintile
- Bottom Quintile

Percent of College Graduate Adult Children with Wealth in the:
- Top Quintile
- Fourth Quintile
- Middle Quintile
- Second Quintile
- Bottom Quintile

Note: Wealth is adjusted for age and includes home equity.

Conclusion

The best available data on economic mobility provide a mixed view. While a majority of Americans exceed their parents' family income and wealth, the extent of their absolute mobility gains are not always enough to move them to a different rung of the economic ladder. Furthermore, the persistence of the black-white mobility gap undercuts the ideal of equality of opportunity, a concept central to the idea of the American Dream.

The findings highlight the importance of better understanding key drivers of economic mobility—including postsecondary education, savings and asset building, and neighborhood poverty—for policy makers seeking to promote and protect the American Dream for generations to come. To learn more about economic mobility drivers and read the complete catalog of Economic Mobility Project research, visit www.economicmobility.org.

Appendix

Data and Sample

All analyses in this chart book use data from the Panel Study of Income Dynamics (PSID), a longitudinal data set that has followed families from 1968 to the present. The PSID has been conducted continuously since 1968; annually from 1968 to 1997 and biannually between 1997 and 2009. The PSID is unique among data sets because it continues to follow family members even after they split off from their original households to form separate households. This quality makes it well-suited to study intergenerational economic mobility because data for both parents and children are available at comparable points in their adult life courses. Consequently, it is one of the richest data sets available in the United States that follows multiple generations within families over time.

The original PSID core sample is composed of two parts. One part includes an oversample of low-income households, or the Survey of Economic Opportunity (SEO) sample. The other part includes a cross-sectional national sample, or the Survey Research Center (SRC) sample. Both parts of the PSID sample were included in the analysis. It should be noted that two-thirds of the families in the SEO sample were dropped in 1997 from the PSID, so the two-thirds also are excluded from the analysis within this chart book.[15] Although the PSID added supplemental samples in the 1990s, including a sample of immigrants and a sample of Latinos, these samples are not a part of the analyses in this chart book because they lack historical family and economic data originating with the PSID in 1968.

Economic mobility in this study is examined through the lens of intergenerational mobility. Intergenerational mobility looks at how Americans are faring economically relative to how their parents fared at a comparable age by analyzing data from both parents and children within the same family. In this study, the sample was restricted to those families where the head of household had a child under the age of 18 in his or her household in 1968.[16] In the children's generation, 95 percent of the sample consisted of

children of the head of household. The remaining 5 percent included other related children, such as grandchildren. For simplicity's sake, the samples are referred to as children and parents.

Because the unit of analysis in this study is the adult child, the statistics are weighted using the children's most recently available weight as of 2009. The survey weights of each child were computed by the PSID survey designers to statistically adjust for the likelihood of sample selection and non-random attrition from the study. The application of weights in these analyses helps to reduce possible bias in the sample, but does not guarantee that bias is completely eliminated.

The data are analyzed using the total sample and also by race, education, and sex. Race is measured using the head of the household's reported race in 1968. If race is missing, reported race up to 1972 is used. Only white and black respondents are included due to small sample sizes for other racial/ethnic groups.[17] The sample includes a slightly larger proportion of whites (57 percent) compared with blacks (43 percent).

Education is measured according to whether the child is a college graduate. Children are determined to be college graduates if they reported that they had been in school for at least 16 years or more, between 2001 and 2009. Fewer

than a quarter (23 percent) of children are college graduates, and education is missing for only 6 percent of the sample.

Economic Status Measures

Three forms of intergenerational economic mobility are examined in this chart book: income mobility, earnings mobility, and wealth mobility. The following sections describe the sample used for each set of analyses and the specific methodological considerations for each indicator. For all measures, both the parent and the child must have at least three years of data to be included in the analysis. All economic status measures were inflated to 2008 dollars using the CPI-U-RS and CPI-U-X1.

Family Income

Income is defined as the total income derived from the 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 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 values less than or equal to zero are coded as $1.

The sample for the analysis of family income includes 2,736 children of the original PSID families who were between the ages of zero and 18 in 1968 and were tracked into adulthood.

For the parents, income is computed as the mean value of total family income taken in 1967, 1968, 1969, 1970, and 1971. Average age of the children's parents during this five-year time period was 40.9. Five-year averages are used as a proxy for lifetime income.

For the children, income is computed as the mean value of total family income taken in 2000, 2002, 2004, 2006, and 2008. Because the PSID shifted from annual to biennial data collection in the mid 1990s, the five years of data are collected over an eight-year interval. The average age of the adult children from whom income data were collected was 45 at the time of survey interview (2000 to 2008).

Estimates of economic mobility that use family income have been adjusted for family size.[18] The reason to adjust family income for family size is based on the notion of "economies of scale." In other words, families require more resources to support additional members but not on the same scale that would be required to support one individual living alone.

These analyses use a well-established method of adjusting for family size, often termed the "square root scale," that divides family income by the square root of the size of the family. This method assumes that a household of four people has needs that are twice that of an individual living alone.[19] Suppose two different households reported income in the previous year of $50,000, but one household was an individual living alone and another household was a family of four. The household of one would have an adjusted family income of $50,000 to devote to the individual's consumer needs. The household of four would have an adjusted family income of $25,000 ($50,000 divided by two, or the square root of four). This method is a way of equalizing family income by acknowledging that additional family members require additional expenses. This is particularly important when comparing generations, because family sizes, on average, have gotten smaller during the past 40 years.[20]

Personal Earnings

Earnings are defined as all labor earnings, such as wages and salary, bonuses, overtime, tips, and commissions. Earnings are a subset of family income. While family income includes all earnings from all family members as well as money from other sources ranging from investments to cash transfers, earnings constitute what one individual contributes to family income from his or her employment alone. Unlike family income, individual

earnings were not family-size adjusted because they constitute one person's contribution to the whole. Therefore, family income and individual earnings should not be compared in this study because of this difference in family-size adjustments.

The sample for the analysis of individual earnings includes 1,014 sons of the original PSID fathers who were between the ages of zero and 18 in 1968 and were tracked into adulthood. This study examines the earnings of sons relative to their fathers in order to have comparable intergenerational mobility estimates. Mothers and daughters are not included in the earnings analyses because the dramatic increase in women's labor force participation in a generation's time would be conflated with intergenerational mobility.

For fathers, earnings are measured as the mean value of the head taken in 1967, 1968, 1969, 1970, and 1971. For sons, earnings are measured as the mean value taken in 2000, 2002, 2004, 2006, and 2008. If the son was the head of the household, the head's labor earnings for each year were used. If the son's relationship status was reported as spouse, the spouse's labor earnings in the particular year were used.

Family Wealth

The PSID first collected information on the wealth of respondents in 1984.

Wealth is the respondent's estimate of the value of his or her home equity, farm or business, checking and savings accounts, other debt, other real estate, stocks, vehicles, and other assets. Although wealth is measured in the PSID in terms of family holdings, wealth is not often easily accessed, nor readily distributed amongst all family members. For these reasons, wealth is not family-size adjusted in this study.

The sample size for the analysis of wealth includes 2,277 children of the original PSID families who were between the ages of zero and 18 in 1968 and were tracked into adulthood.

Because wealth was first collected in 1984, parents' wealth is measured in that year only. For the children, wealth is measured as the mean value taken in 2001, 2003, 2005, 2007, and 2009.

The limited availability of wealth data for parents produced differences in the mean ages for the parents and children. The average age of parents when wealth is measured was 55, and the average age of children was 46. To address the effects that an age gap in wealth measurement might have on intergenerational comparisons of wealth, age adjustments were performed on the data to make the parent and child generation wealth data more evenly matched. The adjustments are created by estimating a wealth-age profile based on a pooled sample of the parents and children. In particular, the

natural log (ln) of wealth is regressed on a quartic in age, and the residual from this regression is saved for each observation. The ln wealth value is predicted for each parent and child at an age of 40. The age-adjusted wealth measure is the exponentiated value of the sum of the predicted wealth measure and the residual from the regression model. For those with a negative wealth or no wealth, an age-adjusted wealth value equal to zero is assigned.

Endnotes

1 *Getting Ahead or Losing Ground: Economic Mobility in America* was funded by the Pew Economic Mobility Project in 2008. Julia Isaacs, Isabel Sawhill, and Ron Haskins of the Brookings Institution wrote the report based on analysis conducted by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University. This 2012 update was written by the Pew Economic Mobility Project based on analysis again conducted by Dr. DeLeire and Dr. Lopoo.

2 See the Appendix for details about the Panel Study of Income Dynamics (PSID) data and the family size adjustment methodology used in this report. Note that family size adjustments were not made in the 2008 report *Getting Ahead or Losing Ground*; therefore, direct comparisons between the two reports are not possible.

3 Measures of family income are adjusted for family size and inflation. Measures of earnings are adjusted for inflation. Measures of wealth are adjusted for inflation and age. See the Appendix for more details.

4 "Family income" includes all taxable income (such as earnings, interest, and dividends) and cash transfers (such as Social Security and welfare) of all family members. All mobility metrics on family income are adjusted for inflation and family size.

5 "Wealth" measures include home equity and are adjusted for inflation and age.

6 Family income does not include the value of non-cash compensation, such as employer contributions to health insurance, nor does it include the effect of taxes or non-cash benefits such as food stamps.

7 Personal earnings and family income are both inflation-adjusted, but only family income is adjusted for family size. Direct comparisons of income and earnings are not advised for this reason. See the Appendix for details.

8 The family income data used in this figure is not adjusted for family size in order to determine the share of non-family size-adjusted earnings that constituted the total.

9 These data are adjusted for age because the PSID first collected information on the wealth of respondents in 1984, resulting in a higher average age for parents compared with children. See the Appendix for more information.

10 Some of the families in this study had negative wealth when home equity was included because they had more debt than they had assets. In this data, 2.4 percent of the parent generation and 5.3 percent of the child generation had more debt than assets.

11 Data limitations prevent this analysis from including races or ethnicities other than whites and blacks. See the Appendix for more information.

12 Only at the second income rung are these differences statistically significant.

13 All income differences are significant, except at the bottom rung.

14 Of note, the difference between the absolute income mobility of non-college and college graduates would be more pronounced had family-size adjustments not been made. In the current generation, family sizes are larger on average for those with a college degree compared with those without a college degree. This may be because college degree holders delay

childbearing in the pursuit of education, increasing the likelihood that their families have children present in their households later in life, when the mobility analyses are conducted. As a result, family size adjustments may understate the family income advantage of a college degree because the family income of college graduates is divided over a larger number of family members.

15 The PSID dropped this sample for budgetary reasons.

16 Heads in the parent generation may be represented more than once depending on how many children they had in the data.

17 The PSID was designed in 1968 to study the dynamics of poverty. As an indirect consequence, the survey had a large sub-sample of black respondents. To compensate for the absence of Latinos and immigrant groups who emigrated to the United States after 1968, additional samples were added in 1990 (see Martha Hill, "The Panel Study of Income Dynamics: A User's Guide," Vol. 2 (1991), http://psidonline.isr.umich. edu/Guide/ug/psidguide.pdf). Because this study incorporates data from the parent generation in 1968, or before the additional Latino and immigrant samples were added, there are not enough data in the sample to explore mobility among Latinos.

18 PSID respondents report their income from the previous year because it is more accurate to report based on the last complete calendar year. Family size is measured at the time of survey. So, the previous year's income is adjusted given family size at the time of survey.

19 For additional information, see the Organization for Economic Development write-up "What Are Equivalence Scales?" that compares the different methods for adjusting family income for family size (http://www.oecd.org/dataoecd/61/52/35411111.pdf).

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