

EXECUTIVE SUMMARY

**UPWARD INTERGENERATIONAL ECONOMIC MOBILITY
IN THE UNITED STATES**

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In an era of rising income inequality, understanding the extent of economic mobility from one generation to the next in America has never been more important. Only if there is considerable opportunity for children from disadvantaged backgrounds to move beyond their parents' place in the income distribution, may economic inequality be viewed as tolerable. This report introduces two new and flexible measures to examine upward relative mobility—the extent to which children can rise above their parents' position when compared to their peers. The report also explores various factors that might account for racial differences in upward economic mobility rates. Using the National Longitudinal Survey of Youth and measuring family income averaged over several years, the report discusses the following key findings:

The vast majority of individuals, 71 percent, whose parents were in the bottom half of the income distribution actually improved their rankings relative to their parents. However, the amount of their movement was not large.

- Only about 45 percent of those who started in the bottom half moved up the income distribution by more than 20 percentiles relative to their parents' ranking.
- Many of those who did manage to exceed their parents' income started near the very bottom, where exceeding one's parents is not a very steep hurdle. As a result, only 38 percent of individuals who started in the bottom half of the income distribution moved to the top half of the distribution as adults.

Men experience sharply higher rates of upward economic mobility than women.

- While 41 percent of women who start in the bottom income quintile remain there, just 27 percent of men do.
- Only 38 percent of women who start in the bottom half of the income distribution surpass their parents by at least 20 percentiles, compared to 51 percent of men.
- Further, women born to parents in all 5 quintiles are significantly more likely to fall down to the bottom quintile than men. For example, women born to parents in the fourth and top quintiles are more than twice as likely as men to fall to the bottom quintile.

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Blacks experience dramatically less upward economic mobility than whites.

- Forty-four percent of blacks will remain in the bottom income quintile in adulthood compared with just 25 percent of whites.
- Although the vast majority of blacks in the bottom half of the income distribution will exceed their parents' place in the distribution, the extent of their movement is markedly lower than that of whites.
 - Only about 35 percent of blacks who start in the bottom half of the income distribution will increase their relative position by 20 percentiles compared to nearly 50 percent of whites.

Rates of upward economic mobility are highest for white men, followed by white women, black men and, finally, black women.

- The economic mobility gender gap is more pronounced among whites and the economic mobility racial gap is more pronounced among men.

Measures of human capital during adolescence, particularly tests scores, could explain the entire black-white upward economic mobility gap.

- Individuals, both black and white, with higher academic test scores are more likely to move up and out of the bottom quintile. Both black and white children born in the bottom quintile with median academic test scores are twice as likely to move up and out of the bottom quintile than if they had scores in the lowest percentile of the test score distribution.
- Some other factors, such as self-esteem and health, also appear to be important in determining upward economic mobility, but they account for little of the racial gap in economic mobility.
- The racial gap in economic mobility out of the bottom quintile remains even when controlling for single- or two-parent families.

The new measures introduced in this report can help us to further understand and identify the factors that promote or impede upward economic mobility, a task that is vital to ensure that the American Dream is within the reach of those at the bottom.