



# ECONOMIC MOBILITY OF MEN AND WOMEN

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Over the past generation, there has been a dramatic shift in women's participation in the workforce and contributions to family income. With this shift, studies of economic mobility, which have traditionally focused on the relationship of men's income to those of their fathers, have expanded to consider the experiences of women.

This chapter describes and compares men and women's economic success and income mobility across the generations: How have men and women fared economically over the past few decades? How do their incomes compare with incomes of their own parents? Do parents pass along their economic advantage or disadvantage to their sons and daughters in the same way?

To address these questions, the analysis focuses on a sample of 1,271 women and 1,096 men whose family incomes have been monitored from childhood to adulthood through the Panel Study of Income Dynamics (PSID). As explained in more detail in Appendix A, these men and women were ages 0 to 18 in 1968 and had an average

age of 39 in 1995–2002, when adult family incomes were observed.<sup>1</sup> The first sections of this chapter, however, use national income and labor data from the U.S. Census Bureau's Current Population Survey to outline income growth for men and women over time.

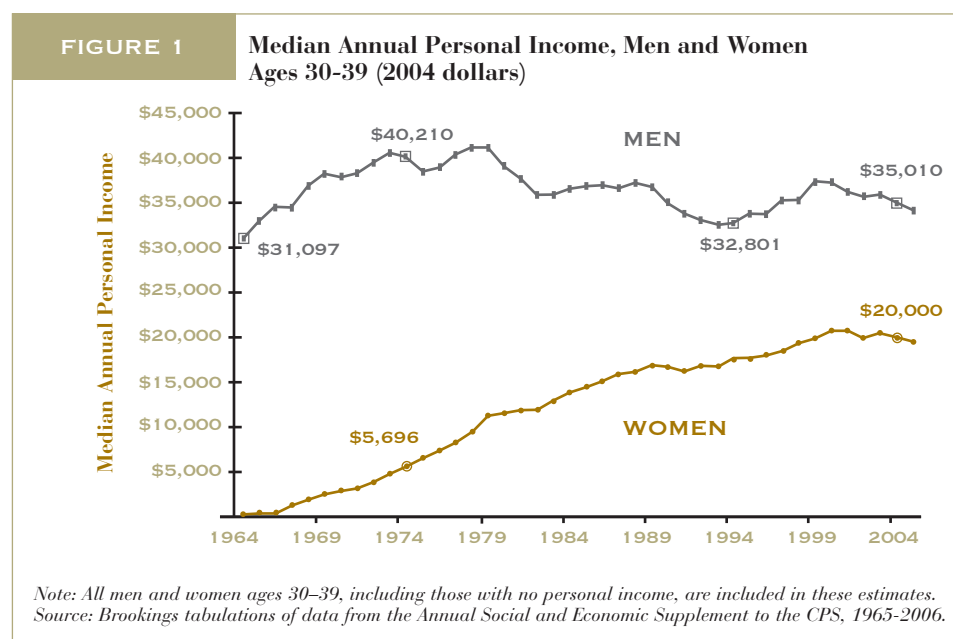
## WOMEN'S INCOMES GREW WHILE MEN'S INCOMES STAGNATED

**Women in their 30s today have substantially higher income than did women in their 30s in their mothers' generation; however, men in their 30s today have**

**not had the same experience of upward economic mobility.**

Figure 1, which compares growth in median personal incomes for all women and men in their 30s, offers generational comparisons: income growth from 1964 and 1994, and income growth from 1974 and 2004.<sup>2</sup>

Over the past several decades, economic opportunities for women have risen substantially as women have gained college degrees in higher numbers, spent more time in the paid workforce, and commanded higher hourly earnings than in earlier times.<sup>3</sup> The combination



of higher labor force participation and higher wages has led to substantial increases in women's personal income. Between 1974 and 2004, median personal income for women in their 30s increased from about \$5,700 to \$20,000 (in 2004 dollars, see Figure 1).

As found in previous studies of the Economic Mobility Project, men have not had the same experience. Inflation-adjusted median income for males ages 30–39 increased by only 5 percent between 1964 and 1994, from about \$31,000 to under \$33,000. The story is worse a decade later. Men in their 30s in 2004 had a median income of about \$35,000 a year, which was 12 percent less than the median income of \$40,000 for men in their fathers' generation, those who are now in their 60s. This cohort of men has not benefited from the economic “up-escalator” that has historically ensured that each generation would do better than the last.

Much of the difference in trends for men and women is due to flat or slightly declining trends in employment rates, hours worked, and wages for men during a period when all three components of annual earnings were increasing for women.

**Employment rates.** There was a decline in the proportion of men in their 30s who were employed, from 91 percent in 1964 to 86 percent in 2004. In contrast, employment rates for women in their 30s climbed from 39 percent of women in this age group in 1964 to 70 percent in 2004.<sup>4</sup> However, women do still spend more time than men moving in and out of the workforce as they balance work and family responsibilities.

**Hours worked.** Among those who worked, annual hours worked declined slightly (by 1 percent) for men in their 30s, while increasing

by 25 percent for women in their 30s over this same time period, 1964 to 2004.<sup>5</sup>

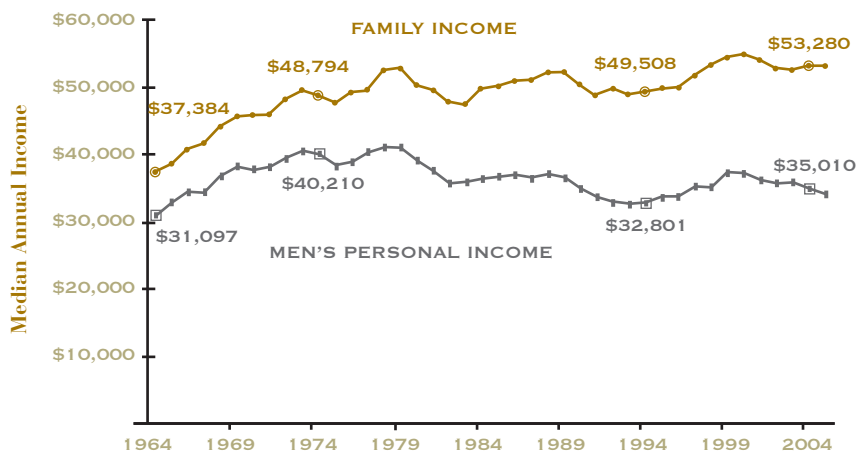
**Wages.** Median hourly cash wages for women have increased steadily in recent decades, while median hourly wages for men have fluctuated up and down without improving. For example, between 1973 and 2005, median hourly wages for women 16 to 64 rose 29 percent, while median hourly wages for men actually fell by 1 percent. The lack of wage growth was particularly pronounced for men at the bottom of the wage distribution.<sup>6</sup> Men's wages are still higher than women's wages, but the gap has narrowed. Among full-time, full-year workers, women earned 77 cents on the dollar earned by men in 2005, compared to 57 cents 1973.<sup>7</sup>

## GROWTH IN FAMILY INCOME IS DRIVEN BY GROWTH IN WOMEN'S INCOME

The primary focus of these studies of economic mobility is family income, which often involves a combination of male and female personal incomes. In these studies, 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. Non-cash contributions to family income are not included in the

FIGURE 2

Median Annual Personal and Family Income, Men Ages 30–39 (2004 dollars)



Source: Brookings tabulations of data from the Annual Social and Economic Supplement to the CPS, 1965–2006.

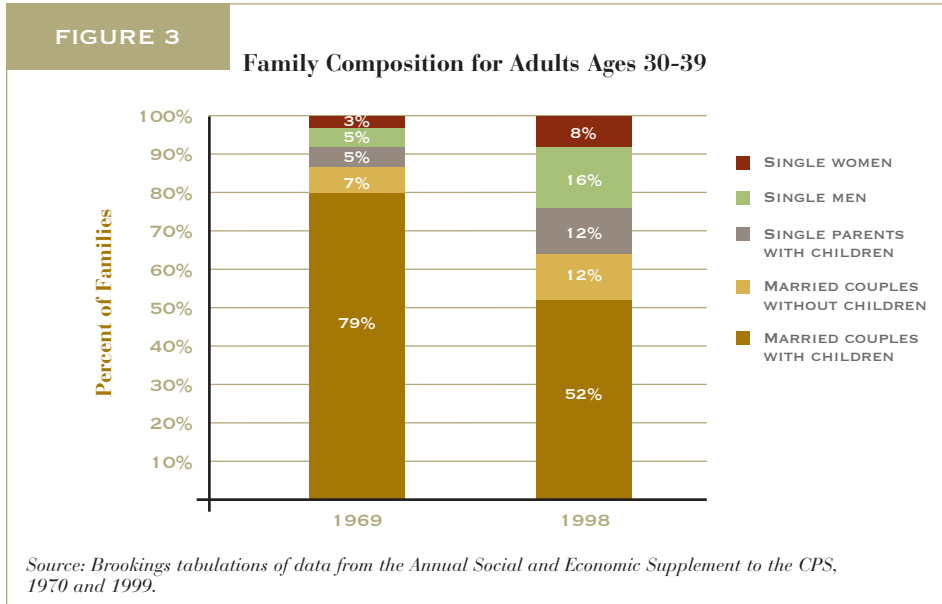
analysis, but are discussed in Chapter I “Economic Mobility of Families Across Generations.”

**Over the past four decades, median family income has increased, despite stagnant male wages.**

As shown in Figure 2, on the previous page, between 1964 and 1994, median family income for families containing men in their 30s has increased by 32 percent (or 0.9 percent per year). A decade later, the change in family income was much smaller—9 percent (or 0.3 percent

per year)—but still represented positive growth. As more women have entered the workforce and worked at higher wage levels, family incomes have increased despite the lack of growth in men’s incomes.

At the same time that family income growth has become a family enterprise, family composition has changed significantly. As shown in Figure 3, between 1969 and 1998 the proportion of adults in their 30s who are living in married families with children declined from 79 percent to 52 percent.<sup>8</sup> There were increases in the proportions living in single-parent families (12 percent in 1998), as childless couples (also 12 percent) and as unmarried men without children (16 percent) or unmarried women without children (8 percent).<sup>9</sup> As a result of these changes as well



### Marriage Rates by Parent Income Quintiles

Detailed analysis of marriage rates by parental income quintile shows some difference by income distribution as well as gender. As shown in Table 1, there are relatively small differences in marriage rates between sons and daughters at each income level, with the notable exception of sons and daughters with parents from the bottom quintile. Less than half (47 percent) of women in the bottom fifth were married in 1996, compared to 61 percent of their male counterparts. Parental marriage rates are also low for this group (64 percent compared to 91-98 percent for parents in other income groups), suggesting that the low marriage rates for these daughters is associated with single-parent status of their parents, as well as low family incomes.<sup>10</sup>

**TABLE 1** Percent Married, by Generation, Gender, and Parental Income

	PARENTS IN 1968	SONS IN 1996	DAUGHTERS IN 1996
<b>All</b>	<b>90%</b>	<b>68%</b>	<b>64%</b>
Parents in top fifth:	98	71	70
Parents in fourth fifth:	97	77	72
Parents in middle fifth:	98	67	68
Parents in second fifth:	91	66	61
Parents in bottom fifth:	64	61	47

Source: Brookings tabulations of PSID data.

as fewer children per family, family size for adults in their 30s was only 3.2 persons, down from 4.5 persons in 1969.

A similar generational shift in family composition is evident in the PSID sample that is used for the data analysis described in the remainder of this chapter. The percentage of married individuals fell from 90 percent in the parents' generation to about two-thirds (68 percent for men and 64 percent for women) in the children's generation (see text box on previous page).

These changes in family size and composition add important contextual information to the observed stagnation in male personal income and the moderate increases in family income. For example, the failure for a typical man in his 30s

to earn as much as did men in his father's generation may be viewed as less problematic if he is not supporting a wife and children. On the other hand, lower levels of male personal income may be contributing to the decline in marriage rates.<sup>11</sup> While the rise in women's labor force participation can be seen as having positive effects on family economic well-being, it can also contribute to the added time pressures facing families today.

### INTERGENERATIONAL MOBILITY: RELATIVELY FEW DIFFERENCES BUT SOME EVIDENCE OF MORE UPWARD MOBILITY FOR SONS

The PSID provides decades of longitudinal data that allows the analysis to move beyond a comparison

of generational averages of family income to direct comparisons between individuals and their actual parents. As reported in other chapters, two out of three Americans who were children in 1968 have grown up to have higher family incomes than their parents (after adjusting for inflation). How similar are the experiences of sons and daughters?

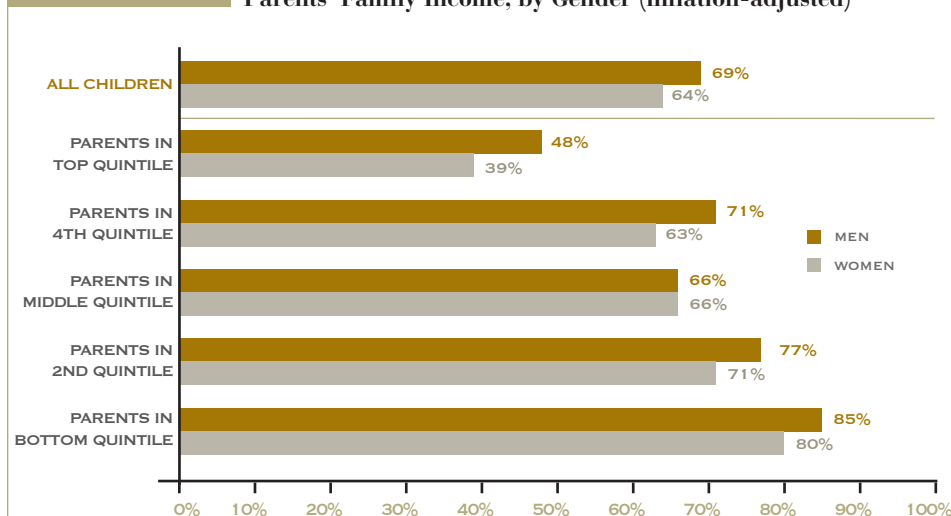
### Sons are slightly more likely than daughters to surpass their parents' family incomes.

As Figure 4 illustrates, 69 percent of sons and 64 percent of daughters grew up to have family income in 1995–2002 that was higher than their inflation-adjusted childhood family income in 1967–1971. Moreover, the pattern of slightly higher absolute incomes for sons than daughters is present to some degree across different economic classes.<sup>12</sup>

As in other chapters, the intergenerational analysis addresses relative mobility—how children move up and down in social rank, relative to their initial starting point or family background—in addition to the question of moving up in absolute terms beyond one's parents. For the relative mobility analysis, individuals are grouped into five equally sized income groups or quintiles: first according to their parents' income and then according to their own income as adults. The two rankings are then compared to see whether the advantages of being born to parents with higher incomes—and

FIGURE 4

Percent of Children with Family Income above their Parents' Family Income, by Gender (inflation-adjusted)



Notes: The differences between men and women are small and only statistically significant under a joint test across all quintiles and for all children.

Source: Brookings tabulations of PSID data.

the disadvantages of being born to parents with lower incomes—have a similar impact on the economic prospects for sons and daughters.

**There are relatively few differences between sons and daughters with regard to whether men and women of different economic backgrounds have an equal shot of moving up the income ladder.**

With differences of only a few percentage points, there are very few clear patterns to be seen in the full set of transition matrices presented in Figure 5.<sup>13</sup> Both sons and daughters experience the same “stickiness” at the top and bottom of the income distribution as is found for all children in the analysis presented in Chapter I “Economic Mobility of Families Across Generations.” For example, 39 percent of sons and 39 percent of daughters born to parents at the top of the income distribution end up at the

top quintile themselves. Likewise, sons and daughters whose parents are at the bottom of the income distribution tend to end up at the bottom themselves.

**Relative mobility is particularly low for girls born to parents in the bottom fifth of the income distribution.**

Close to half (47 percent) of low-income girls compared to 35 percent of low-income boys end up in the bottom fifth upon adulthood. This lack of mobility is consistent with the findings of lower marriage rates for women growing up in low-income families.

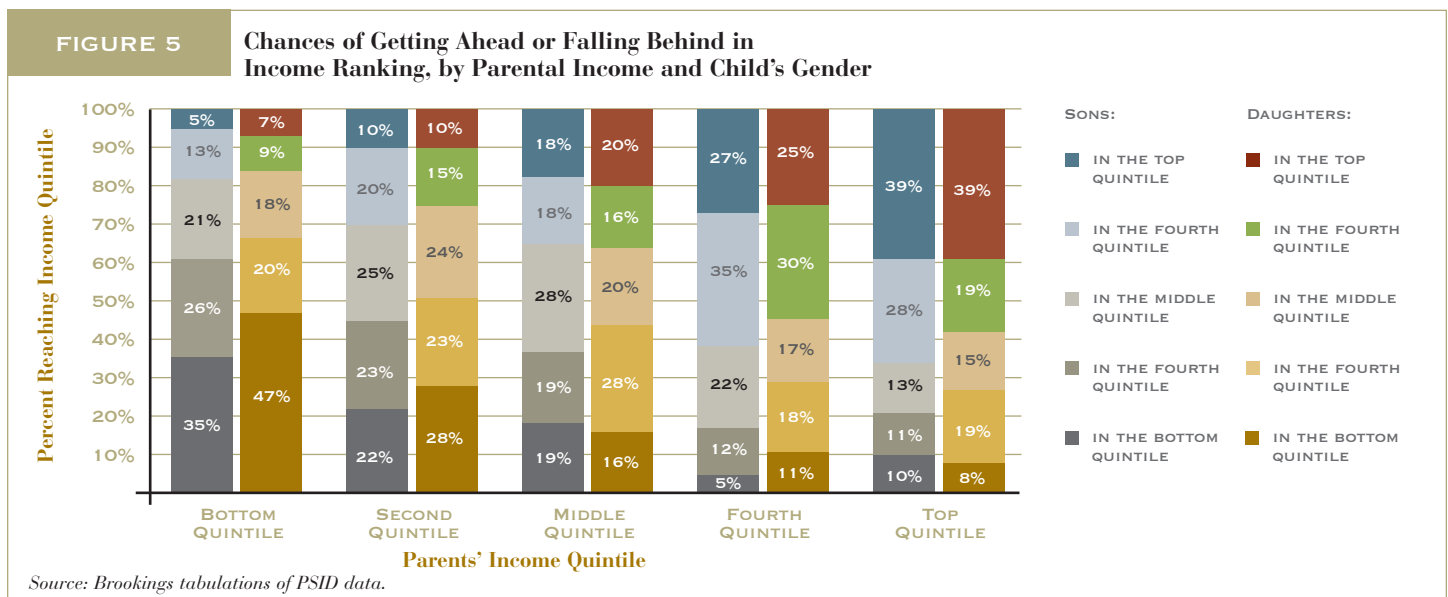
As in the Chapter I “Economic Mobility of Families Across Generations,” a final section of the data analysis provides a four-part typology integrating components of absolute and relative terms.<sup>14</sup> Presented in detail in Appendix C, the typology shows the following:

**(1) About one-third of both sons and daughters are *upwardly mobile* in the sense of both getting ahead of their parents’ family income and moving ahead of their parents’ income ranking (36 percent of sons and 33 percent of daughters).**

**(2) Another one-fourth of sons and daughters are *riding the tide* and are making more than their parents but remain in the same economic position (27 percent of sons and 26 percent of daughters).**

**(3) As with all children, there is a small percentage (5 to 6 percent) of both sons and daughters who are *falling despite the tide*; although they have more income than their parents they fall behind their parents’ economic position.**

**(4) Daughters appear to be slightly more likely to be *downwardly mobile* than sons. More than one-third (36 percent)**



of daughters make less than their parents' income and fall behind or remain at their parents' economic position, compared to 31 percent of sons.

## FINDINGS FROM THE LITERATURE

### **Other researchers also have found few differences between sons and daughters when measuring intergenerational income mobility across the full income distribution.**

Instead of relying solely on transition matrices, many researchers compare the associations of income between parents and sons and parents and daughters through a statistical measure called an intergenerational elasticity coefficient (IGE).<sup>15</sup> Estimates by Chadwick and Solon (2002) suggest IGEs in the range of 0.35 to 0.49 for daughters, compared to 0.54 to 0.58 for sons.<sup>16</sup> Lower IGE coefficients or less association of incomes for daughters means slightly higher mobility away from parents (both upward and downward), but in some comparisons the differences between daughters and sons were not statistically significant. A more recent analysis by Lee and Solon (2006) finds very little difference between men and women in income mobility.

Researchers do find differences between men and women when they compare personal earnings rather than family income. Peters (1992) found similar levels of mobility when looking at sons' income, daughters'

income, or sons' earnings, but much higher mobility (less resemblance to parents) for daughters' earnings. In fact, she found almost perfect mobility, that is, no relationship between parents' economic class and the level of women's earnings. In a more recent study of administrative data on earnings, Dahl and DeLeire (forthcoming) also found that daughters' earnings had less of a resemblance to fathers' earnings than was true for sons. Women's movements in and out of paid employment—following labor supply decisions that may be influenced by their spouse's earnings as well as the presence of children—may explain why daughters' earnings are less correlated than sons' earnings with parental earnings.

### **Assortative mating, or the marrying of persons similar in characteristics and background to one's own, plays a large role in explaining the resemblance of daughters' family income to the income of their parents.**

Chadwick and Solon (2002) find that the earnings of a married daughter's husband bear as much resemblance to her parents' income as do her own earnings. Moreover, his earnings are usually higher than her earnings, and so have a heavier weight in shaping total family income. In other words, women would have higher rates of intergenerational mobility—more movement away from the economic class of their parents—if it were not for the contributions of their husbands' earnings.

Not only who a woman marries, but whether she marries (or remains married) has a substantial effect on her economic status and mobility. In a study comparing families in 1988 and 1998, Bradbury and Katz (2002) found more downward mobility over a 10-year period among families who lost a husband to death or divorce than for families losing a wife. They found that three fourths of families losing a husband moved down at least one income quintile compared to only 49 percent of families losing a wife.<sup>17</sup>

Divorce and single parenthood can also influence intergenerational mobility and may explain some of the lack of mobility for low-income girls. The research literature provides some evidence that the children of divorced parents are more likely to get divorced and stronger evidence that daughters of single mothers are more likely to be single mothers.<sup>18</sup> The trends observed in Table 1 appear consistent with this research literature. Absence of a husband is thus a characteristic that may be handed down from mother to daughter, along with the accompanying lower prospects for economic success.

## CONCLUSION

Median family income has increased over the past four decades because of the sharply rising incomes of women. Increased employment levels, wages, and hours worked have increased personal income for women, far beyond the incomes of women in earlier generations, though not to

the levels of men. In contrast, men's personal incomes have stagnated, and in fact, men in their 30s today have incomes slightly below their fathers' incomes.

Regarding personal income, therefore, women have experienced more absolute mobility than men. With regard to family income, however, men and women's absolute mobility experiences are much more similar.

An examination of family incomes of matched pairs of parents and children reveals that both sons and daughters have higher family incomes than their parents, by a ratio of about two to one. In fact, sons are slightly more likely than daughters to exceed parents in absolute levels of family income.

An analysis of movements up and down the income ladder finds that both sons and daughters benefit from having high-income parents and are disadvantaged by having low-income parents. Most of the differences in relative mobility between sons and daughters are small. One notable exception is in the lowest-income families, where daughters are even less likely than sons to break out of the bottom fifth of the income distribution.

The same pattern is seen in a mobility typology that contains elements of both absolute and relative mobility measures. Men and women are fairly similar overall in mobility, except women are slightly more likely to be downwardly mobile in the double

sense of making less money and moving down one or more quintile. For men, the intergenerational transmission is driven by a relatively strong relationship between the earnings of fathers and sons. For women, the general tendency to marry men whose earnings and income prospects are similar to those of one's parents plays an important role in explaining observed mobility patterns.

More generally, the evidence highlights the importance of recognizing that economic mobility generally occurs within the context of families and is not solely a result of individuals operating as lone economic agents.

## NOTES

<sup>1</sup> As explained in more detail in Appendix A, adult family incomes are observed in 1995, 1996, 1998, 2000 and 2002. This 5-year average is compared to parents' family incomes in 1967–1971. The adult children ranged in age from 27 to 45 years in the first year of adult income data (1995) and from 34 to 52 years in the last year of adult income data (2002).

<sup>2</sup> The CPS data analysis focuses on adults in their 30s because economists have found income in one's 30s to be a better indicator of long-run income than income at earlier ages, see Solon, 1999. Another advantage of examining adults 30–39 in the CPS is that there is some overlap in ages with adults in the PSID sample (who range in age from 27 to 52). Personal income includes before-tax earnings, interest and dividends from capital, cash benefits from government programs (such as Social Security, welfare, or unemployment compensation), alimony, and other cash income. It 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. See “Economic Mobility of Families Across Generations” for discussion of non-cash contributions to economic well-being.

<sup>3</sup> Kearney, 2006.

<sup>4</sup> Brookings tabulations of data from the Annual Economic and Demographic Supplement of the CPS. Among women 16 and older, labor force participation has increased from 43 percent in 1970 to 59 percent in 2003. Bureau of Labor Statistics, 2005.

<sup>5</sup> Brookings tabulations of data from the Annual Economic and Demographic Supplement of the CPS. Among women 16 to 64, the percentage of women workers who work full-time, full-year has increased from 41 percent in 1970 to 59 percent in 2003, Bureau of Labor Statistics, 2005.

<sup>6</sup> Mishel, Bernstein, and Allegretto, 2007, Tables 3.5 and 3.6. Wages at the 20th percentile for male workers fell by 6 percent, whereas wages at the 20th percentile for female workers increased by 16 percent.

<sup>7</sup> See U.S. Census Bureau, Historical Income Table P-40. Based on median earnings of full-time, year-round workers 15 years old and over as of March of the following year.

<sup>8</sup> These two years, 1969 and 1998, were selected as the approximate midpoint of the 1967–1971 and 1995–2002 time spans used in the subsequent PSID data analysis.

<sup>9</sup> About two-thirds of unmarried individuals without children live alone or with unrelated individuals; the remaining one-third live with their parents or other relatives.

<sup>10</sup> Note that although both generations show low marriage rates in the bottom quintile, there is an important difference between the generations in the income analysis. Whereas low marriage rates among parents can be a direct influence on parental family income as well as vice versa, low marriage rates in the children's generation cannot be seen as having a direct causal influence on the income levels of their parents some 30 years earlier.

<sup>11</sup> McLanahan, 2004.

<sup>12</sup> The difference between men and women overall is statistically significant ( $p=.010$ ). None of the differences between men and women in the individual quintiles are significant with 95 percent confidence, but the pattern of differences is significant under a joint test ( $p=.048$ ).

<sup>13</sup> A chi-squared test shows that we can reject at the 99 percent level of confidence the hypothesis that boys and girls have identical expected distributions.

<sup>14</sup> John E. Morton and Ianna Kachoris of Pew's Economic Mobility Project collaborated with the author in developing the mobility typology presented in Appendix C.

<sup>15</sup> The intergenerational elasticity (IGE) measure comes from a linear regression equation estimating the relationship between children's and parents' income, with both child and parental income expressed in logarithmic measures. It measures the percentage difference in expected child income associated with a one percent difference in parental income. To interpret the IGE, imagine a group of parents whose income is 80 percent higher than average. If they are in a society with an IGE of 0.5, then their children would, on average, have incomes 40 percent higher than average (80 percent  $\times$  0.5). And at the extreme of an IGE of 0, any large group of children would have average incomes unrelated to the income of their parents.

<sup>16</sup> See Chadwick and Solon, 2002. Their IGE estimates are based on analysis of PSID data.

<sup>17</sup> The 75 percent moving down one income quintile is over a base that excludes the bottom quintile (from which downward movement is impossible).

<sup>18</sup> See d'Addio, 2007; and McLanahan and Bumpass, 1988.

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## ACKNOWLEDGEMENTS

This chapter is authored by Julia Isaacs of The Brookings Institution and is a product of the Economic Mobility Project, an initiative of The Pew Charitable Trusts. Research support was provided by Thomas DeLeire of the University of Wisconsin-Madison and Leonard Lopoo of Syracuse University, who provided tabulations of data from the Panel Study on Income Dynamics. Additional research support was provided by Emily Roessel of The Brookings Institution. The author also acknowledges the helpful comments of Isabel V. Sawhill and Ron Haskins of The Brookings Institution, Laura Chadwick of the U.S. Department of Health and Human Services, and John E. Morton and Ianna Kachoris of the Economic Mobility Project at The Pew Charitable Trusts.

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## ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from four leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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