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TWO-THIRDS OF AMERICAN FAMILIES EARN MORE THAN THEIR PARENTS—YET THE ABILITY TO CLIMB THE ECONOMIC LADDER DEPENDS ON PARENTS' INCOME

African Americans born to middle class parents are significantly more likely to fall down the economic ladder than are children of middle class white families

Washington, D.C. – Two-thirds of American families are earning more today than their parents did a generation ago, yet their likelihood of moving up—or down—the economic ladder still depends in large measure on their parents' position, according to a new report issued by The Economic Mobility Project, an initiative of The Pew Charitable Trusts. Comprised of a Principals' Group of experts from The American Enterprise Institute, The Brookings Institution, The Heritage Foundation and The Urban Institute, the project seeks to investigate the status of economic mobility in America.

The project issued three reports today, each authored by Julia B. Isaacs, Child and Family Policy Fellow at Brookings, examining economic mobility across generations. The first looks at how families have fared over the last 30 years, while the other reports investigate differences in mobility by race and gender.

Family Economic Mobility

Isaacs used a widely respected national data source that enables direct matching of family income of parents in the late 1960s to their children's family income a generation later. According to the first report, "Economic Mobility of Families Across Generations," two-thirds of Americans saw increases in income, adjusted for inflation. At the same time, Americans live in smaller families, so higher incomes are spread over fewer people. In percentage terms, income gains were highest for children born to parents at the bottom of the income distribution.

The report also shows that Americans' ability to move up or down the economic ladder is tied closely to their parents' economic position. Forty-two percent of children born to parents at the bottom of the income distribution remain at the bottom, while 39 percent born to parents at the top, stay at the top.

"Two out of three Americans have higher family income than their parents," Isaacs said. "Individuals can surpass the income of their parents either because economic growth has boosted all incomes or because individuals have moved to a higher step on the income ladder. So, there is considerable mobility but it's also the case that a child's economic position is heavily influenced by that of his or her parents."

Black and White Economic Mobility

Looking at economic mobility outcomes by race calls into question whether the American Dream is a reality for black and white families alike. In every income group, blacks are less

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likely than whites to climb the ladder, and the majority of blacks born to middle-income parents are slipping out of the middle class, according to the data analyzed in the report being released today, “Economic Mobility of Black and White Families.”

While black children are experiencing some of the income gains that all Americans do—63 percent make more today, after inflation, than their parents did—there are dramatic differences between blacks and whites at each income level. The report found that only 31 percent of black children born to parents in the middle-income group have family income greater than their parents, compared to 68 percent of white children in the same circumstance. Further, nearly half (45 percent) of black children in the middle-income group fall to the bottom of the income distribution in one generation, compared to only 16 percent of white children. In fact, for every parental income group, white children are more likely to move ahead of their parents’ economic rank while black children are more likely to fall behind.

“Much of my research is focused on the challenges faced by low-income black families, but these data are very disturbing, because they suggest that most middle-income black families are having difficulty transferring their hard-earned gains to their children,” said Ronald B. Mincy, the Maurice V. Russell Professor of Social Policy and Social Work Practice at Columbia University and a member of the Economic Mobility Project’s Advisory Board. “We are hopeful that this report will provoke some serious discussion about what is driving these very troubling findings.”

Economic Mobility of Men and Women

The report on the comparative economic mobility of men and women, highlights the fact that the growth in family incomes is largely due to the fact that far more families now have two earners. Male earnings have been stagnant over the past generation. The report found that sons and daughters have approximately the same likelihood of moving up or down the economic ladder. The exception is women whose parents were at the bottom of the income distribution. Partly because they are more likely to be single mothers, nearly half (47 percent) of daughters born to parents at the bottom remain at the bottom, compared to 35 percent of sons.

A New Typology

The reports also introduce a new typology, developed by John E. Morton, Pew’s managing director of economic policy and director of the Economic Mobility Project, and Ianna Kachoris, senior associate at Pew, in collaboration with Isaacs, which describes how families experience mobility. According to the typology, thirty-four percent of Americans are *upwardly mobile*, meaning they surpass their parents’ family income and economic rank. Twenty-seven percent are *riding the tide*, children who surpass their parents’ family income but remain in the same economic position as their parents relative to others in society. Five percent of Americans are *falling despite the tide*, meaning they are making more than their parents’ family income, but are actually falling behind their parents’ relative economic position. Thirty-three percent are *downwardly mobile*, making less than their parents family income and falling behind their economic position.

“Today’s reports should give us both reasons for optimism and cause for concern,” said Morton. “The overall trends are generally upward and positive, but there are significant numbers of Americans for whom this is not the case, and for whom the American Dream seems to be out of reach.”

The sample for this analysis is 2,367 individuals who have been followed since 1968 by the Panel Study of Income Dynamics (PSID), which has repeatedly collected information on family income and other characteristics. The PSID is operated by the Institute for Social Research at the University of Michigan. To analyze relative mobility, families were divided into five groups of

equal size, known as quintiles, based on income. Family income in the late 1960s was compared with income in the late 1990s to the early 2000s, in both cases measuring family income of American-born adults at prime earning ages. The average age of parents in 1967-1971 was 41 years and the average age of their children in 1995-2002 was 39 years.

The report and information about the project is available at www.economicmobility.org.

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By forging a broad and nonpartisan agreement on the facts, figures and trends related to mobility, the Economic Mobility Project hopes 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.

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