

The Intergenerational Transmission of Jobs, Employment, and Earnings

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This paper uses a large administrative data base on over 1.5 million Canadians who were teenagers during the late 1970s and early 1980s to examine and explain the degree of intergenerational earnings mobility. The analysis modifies the Becker and Tomes (1979, 1986) model that is standard in this literature to recognize that parents invest not only in the education of their children, but also influence their job search decisions. It is hypothesized that parental job history lowers the child's costs of searching for a job with particular employers or in particular sectors. The focus is on the interaction between investment in human capital, innate ability, and job search costs. The model highlights that the degree of complementarity between the individual return to education and employment with the same firm as the parent determines the degree of human capital investment and the long run earnings attainment of children. This modified Becker-Tomes model is used to explain the degree and non-linearities of intergenerational earnings mobility in Canada. The data offer income tax information on the earnings of children and their parents but also their entire employment history. The descriptive part of the paper documents the extent to which children work for the same employer as their parents at different points in their life cycle. The analysis examines the role these patterns play in determining the degree of intergenerational earnings mobility, and in particular for individuals who experience an intergenerational cycle of low earnings and of high earnings.