

Abstract

Channels of economic mobility: Income, Class, and Education

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In this paper, we explore the effect of a number of alternative measures of Socio-Economic Status (SES) on measures of extent of intergenerational mobility. First, we provide a broad overview of mobility by using three different measures of mobility from both the economics and the sociology literature. Second, we examine the role of education in mobility by estimating a three-equation model that captures direct and indirect effects (through education) of parental SES on children's SES.

We use the Michigan Panel Study of Income Dynamics (PSID) for our estimation. Our sample consists of 1,329 individual 'offspring' born in 1956-1960. By the year 2003, the last year of our data, these offspring were ages 43 to 47. Using data from 1968 through 2003, we observe the SES of the parents of these offspring when they were ages 12 to 15, as well as offspring SES in adulthood.

We first report bivariate relationships between parental and children income, education, and occupation status. Our preliminary results indicate large differences in offspring SES across the alternative parental SES measures.

We then present multivariate analyses designed to gauge the relative effect of each of the three parental SES measures on social mobility indicators while holding the other measures constant. Preliminary results again indicate disparate estimates of intergenerational mobility across the alternative SES measures. While family income is significantly related to offspring's income, education, and occupation class, the effect is much larger on offspring income than the other two outcomes. In contrast, the parental education and parental occupation class are relatively more important in determining offspring's occupation class and education than is parental income.

In order to better isolate the role of educational attainment, we complement the multivariate regressions by estimating a three-equation model in which youth's income is a function of the three parental SES measures, youth's education, and other control variables. The coefficient estimates from this estimate, combined with the earlier regressions, allow us to calculate the direct and indirect effect of family SES, as well as the extent to which education serves as mechanism by which parental SES affect's offspring income. We use the coefficient estimates to simulate the difference in expected youth education, income, and occupation class if the individual comes from a family with low SES compared to a family with high SES. Finally, we present a cross-country comparison of results of intergenerational mobility studies that include offspring education as an intervening variable.

Our estimates will provide more robust evidence on the extent to which youths' life chances are greatly influenced by family SES. Our preliminary results suggest that children from low income families have a relatively low probability of attaining the schooling required for a high status occupation and high paying job, and thus a high probability of having low family income as an adult.