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Measuring Economic Mobility

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What is economic mobility?

- “Are you economically better off ? ”
 - Within a lifetime– Intragenerational
 - Life cycle wage growth
 - Across generations– Intergenerational
 - Macro Economic Expansion
 - Absolutely
 - Total dollars adjusted for inflation
 - Relatively
 - Compared with an income distribution

Why do researchers care about mobility?

- To quantify changes in social opportunity structures or the distribution of social opportunity
 - “The fading American dream: Trends in absolute income mobility since 1940” (Chetty et al., 2016)
- To identify mechanisms that promote or inhibit mobility
 - “Prenatal exposure to air pollution and intergenerational economic mobility: Evidence from U.S. county birth cohorts” (O’Brien et al., 2018)

The measurement details are complicated

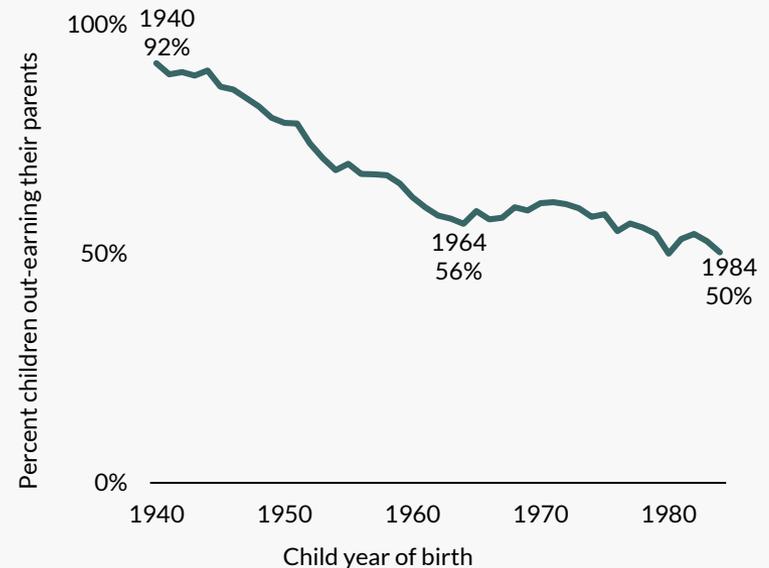
- Good data sources are sparse
 - Intergenerational
 - Detailed income and earnings information
 - Nationally representative
- Lots of conceptual questions
 - What age to measure earnings/income
 - How to handle income instability
 - What is the right economic “unit”
 - What estimator to use (IGC, IGE, rank-rank)

A few takeaways from the research...

Intergenerational

- After WWII absolute economic mobility was quite high, but it has been declining

Figure: Americans are less likely to out-earn their parents in recent years than in the past.



Source: Chetty et al., 2016.

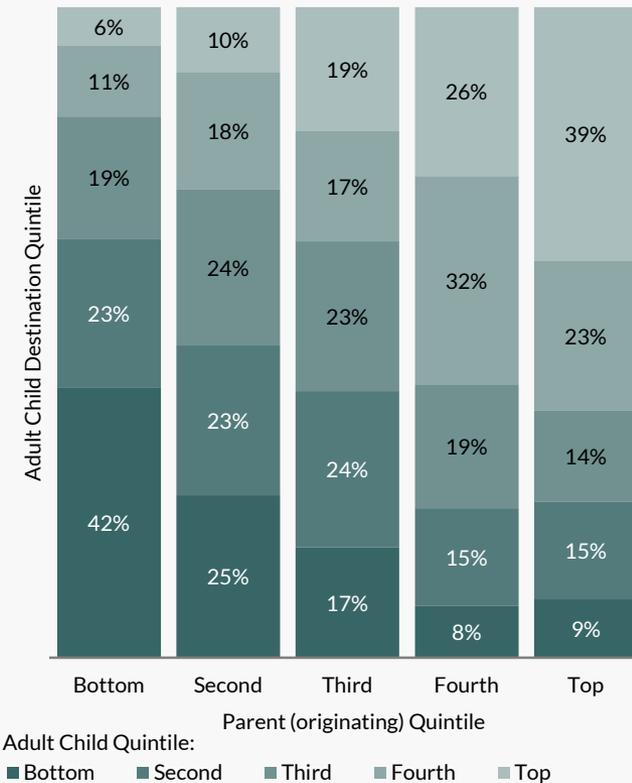
Note: Income was measured at age 30. An individual born in 1950 was therefore measured in 1980.

A few takeaways from the research...

Intergenerational

- Relative income show stickiness at the bottom and top of the income distribution and has not changed much recently

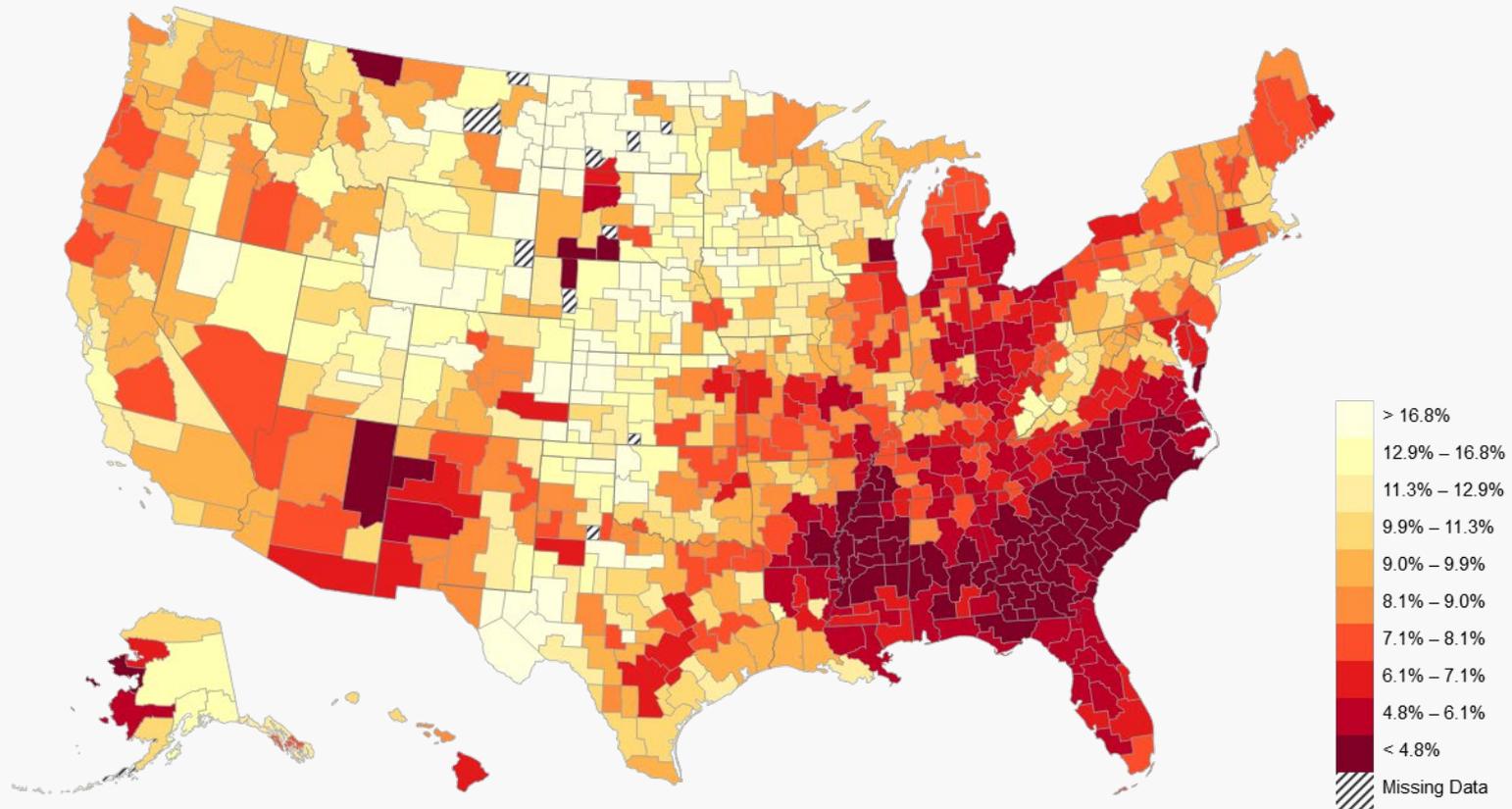
Figure: Parental household income position is a strong predictor of adult child income position, especially at the tail ends of the income distribution.



Source: Isaacs et al., 2008.

Note: The figure is organized by the parent's income quintile. The data shown in green delineates the quintile adult children, who were raised in that quintile, achieved as adults. While some adult children stay in the same quintile as their parents, others move to higher or lower quintiles. Quintiles may not sum to 100 due to rounding.

Regional Variation in chances of poor child having high earnings as an adult



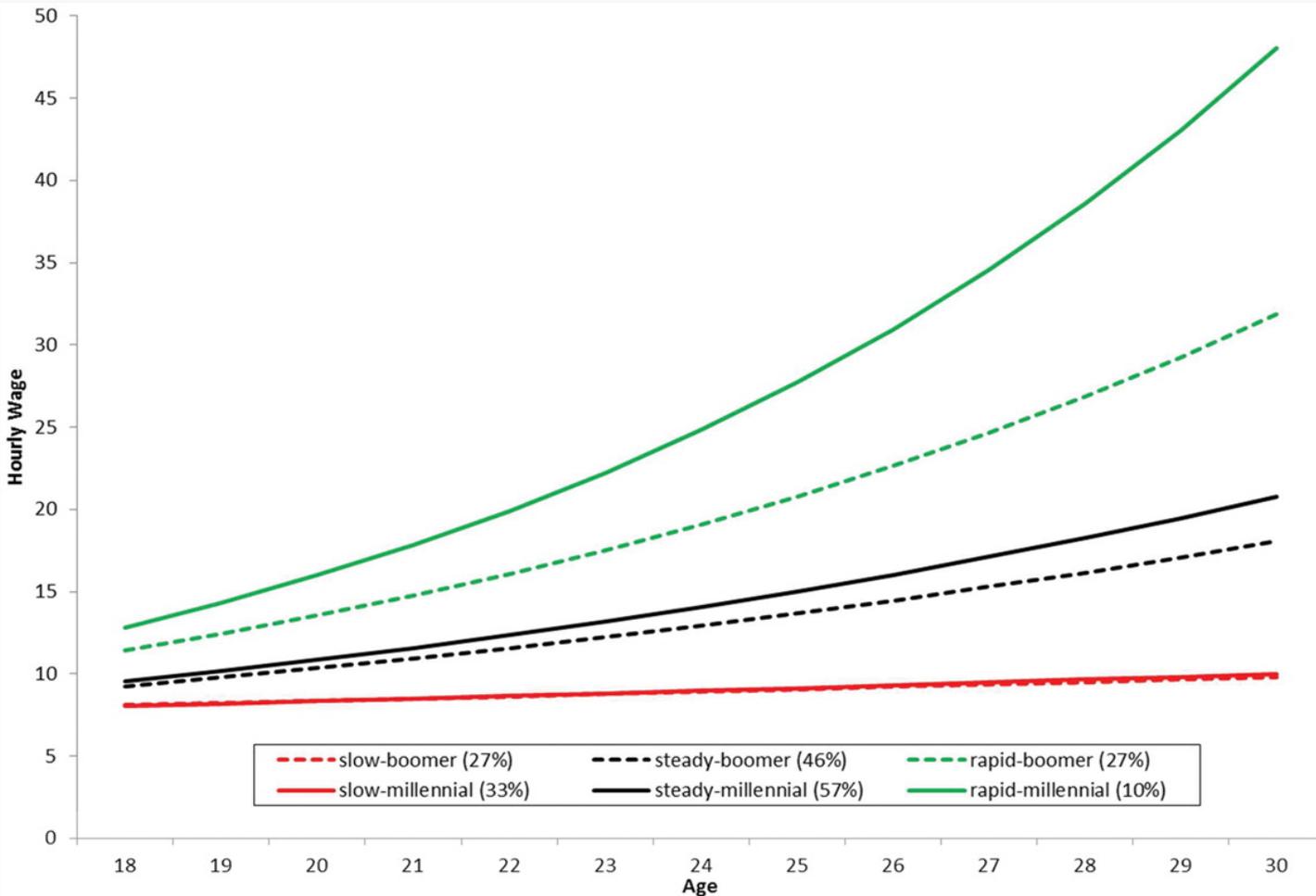
Chetty et al., <http://www.equality-of-opportunity.org/neighborhoods/>

A few takeaways from the research...

Intragenerational

- Life-cycle earnings, with later payoffs to early investments
- There is year-to-year variation in income, but to see mobility requires looking over a longer time
- Trends in intragenerational mobility differ by education
 - increasing returns to college
 - stagnating wages of low-skilled

Wage growth was more unequally distributed for men entering the labor force in the 2000s (“millennials”) than men entering the labor force in the 1980s (“boomers”).



Source: Maume & Wilson, 2015.

Concluding Thoughts

- Its easy to get confused by differing terms and emphasis
- Measuring mobility is not as easy as it might seem
- BUT, we should not let perfection be the enemy of the good
- The lens of economic mobility is a good way to think about how families experience opportunity structures in their communities