

ECONOMIC MOBILITY

The Stanford Center on Poverty and Inequality

BY MILES CORAK

KEY FINDINGS

- When compared to 24 middle-income and high-income countries, the U.S. ranks 16th in the amount of intergenerational earnings mobility.
- The relatively low level of mobility in the U.S. may arise in part because low-income children in the U.S. tend to have less stable and lower-income families, less secure families, and parents who have less time to devote to their children.

It is often claimed that there is much tolerance in the U.S. for high levels of inequality, as long as that inequality arises from a fair contest in which all children, no matter how poor or rich their parents, have the same opportunities to get ahead. This formula, insofar as it properly describes U.S. sensibilities, puts a premium on assessing whether indeed opportunities to get ahead in the U.S. depend much on one's starting point.

The standard way to assess whether the U.S. is living up to its high-mobility commitment is to compare rates of mobility across countries. This exercise, when carried out with the best available data, suggests that in fact the United States is a rather low-ranking country when it comes to intergenerational economic mobility.

The purpose of this report is to examine and re-examine this international evidence. It will be useful to first examine mobility rates within a broad swath of 24 middle-income and high-income countries. This is an important exercise; however, insofar as one wishes to draw conclusions that are relevant to the U.S. context, it is arguably even more instructive to focus the comparison on countries that share key features with the U.S. The balance of this article thus compares the U.S. to the United Kingdom, Canada, and Australia.

The Big Picture

The starting point, then, for our comparative analysis of mobility is a “big-picture”

examination of how the U.S. fares compared to other middle-income and high-income countries. The data used here are drawn from a survey of a growing economics literature measuring the association between the adult earnings of children and the incomes and earnings of their parents. Accurately measuring the degree of intergenerational earnings mobility requires a good deal of attention to a number of measurement issues and analytical decisions that researchers make. When these are accounted for, a consistent cross-national picture emerges.

Figure 1 demonstrates substantial variation in the degree of intergenerational earnings mobility across 24 countries, as measured by the percentage change in child earnings for each percentage change in parent earnings. The strength of the tie between parent and child earnings, when the child's earnings are measured in adulthood, varies more than threefold between the most and least fluid countries. At one extreme, a father who makes twice as much as another (i.e., 100% more) can expect his son to earn 50 to 60 percent more in adulthood, a very high level of intergenerational rigidity found in countries like Peru, South Africa, China, and Brazil. At the other extreme, the earnings disparity between such children shrinks to less than 20 percent in countries like Denmark, Norway, Finland, and Canada.

The U.S. sits at the upper end of this list, among a band of countries with rela-

tively low intergenerational mobility, where 40 to 50 percent of income inequality is passed on across the generations. As many have pointed out, the American Dream is evidently more likely to be found on the other side of the Atlantic, indeed most notably in Denmark.¹

What accounts for this substantial cross-national variability? Alan Krueger, the former chief economic advisor to the Obama administration, is one among many to point out that intergenerational mobility measured in this way is also related to cross-national differences in income inequality.² That is, high-inequality countries tend to be countries with low mobility, a relationship that led Krueger to suppose that, as income

inequality is increasing in the U.S., so too mobility may be declining.

There is nothing more likely to turn a politician's head than to show that his or her country is losing a race, stuck near the bottom of a league of nations. But does the U.S. really have anything to learn from these cross-national comparisons?

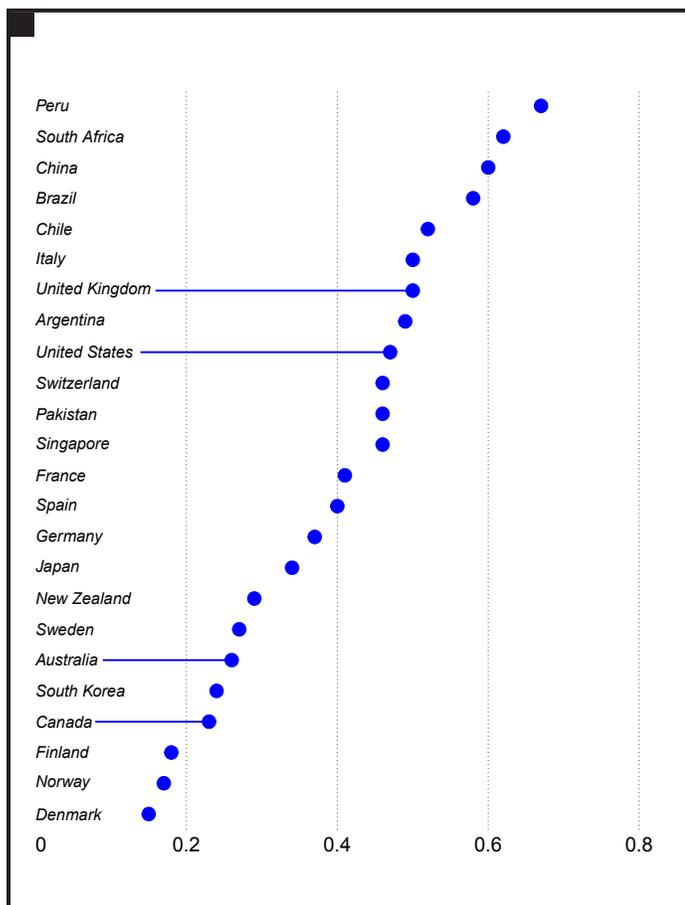
There are some inherent limitations to this ranking in Figure 1 that might lead policy makers to quite reasonably dismiss its relevance. After all, a study of social mobility requires us to observe the adult outcomes of children and then to relate them to their childhood experiences. This obviously takes time, and reliable indicators are only produced after a long lag. We might wonder about the contemporary relevance of statistics that refer to the life experiences of people born four and even five decades ago.

Moreover, even if the comparisons in Figure 1 were still relevant today, it is difficult to draw any clear policy prescriptions from them. How, for example, might we attempt to draw lessons for the U.S. from Denmark, where the mobility rate is the highest? As wonderful as Denmark might be, it is not clear that it has much in common with the U.S. Because the geography, demographics, labor market institutions, and political process in Denmark are so dramatically different from what prevails in the U.S., the intersecting set of possible policy options that the U.S. might usefully borrow are probably pretty slim. The configuration of forces that have lined up to promote a high degree of social mobility in Denmark may not be possible policy choices for American decision makers.

For these reasons it might make sense to couple the information in Figure 1 with more judicious comparisons of younger children in more similar countries. In what follows, I draw from a study co-authored with Bruce Bradbury, Jane Waldfogel, and Elizabeth Washbrook to offer a comparison of four- and five-year-olds during the mid- to late-1990s who are coming of age in more recent times, and who will be the focus of the next wave of intergenerational income mobility studies when they reach adulthood in a decade or more from now.³

This research focuses our attention on just four of the 24 countries listed in Figure 1: Australia, Canada, the United Kingdom, and the U.S. Arguably these four countries have more in common with each other than with any others. They have, in a very general sense, shared historical experiences, similar demographic diversity, and a demonstrated capacity for much policy learning and spillovers in a variety of domains. They are especially useful for our purposes because the U.S.

FIGURE 1. Countries Ranked by the Strength of the Tie Between Father and Son Earnings



Note: The horizontal distance displays the intergenerational earnings elasticity between fathers and sons (i.e., the percentage difference between the adult earnings of a son for a one-percentage point difference in the father's earnings). The higher the value, the tighter the link between parent and child earnings, and the lower the degree of intergenerational mobility.

Source: Based upon an updated literature survey originally summarized in Corak, Miles. 2013. "Inequality from Generation to Generation: The United States in Comparison." In Robert Rycroft (editor), *The Economics of Inequality, Poverty, and Discrimination in the 21st Century*, ABC-CLIO. Detailed citations are available at <http://milesorak.com/2012/01/12/here-is-the-source-for-the-great-gatsby-curve-in-the-alan-krueger-speech-at-the-center-for-american-progress/>.

and the United Kingdom are high-inequality and low-mobility countries, while Australia and Canada are more equal and more mobile.

The key question that may then be asked: What resources are available to young children in these countries, and how are these resources skewed by household income and other fundamental inequalities that influence opportunities and chances for success? This question is taken on in the section below.

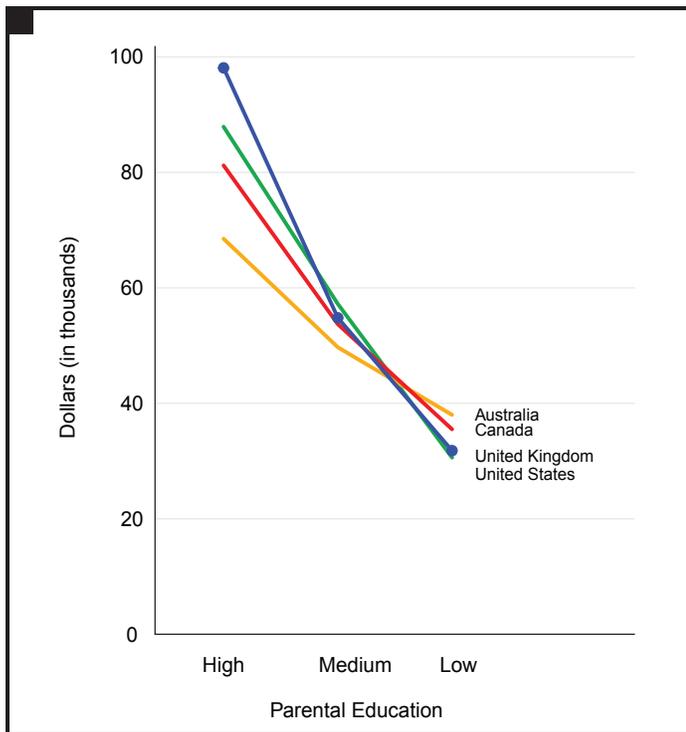
More than Money Matters

Children need many things from their parents. Most broadly put, they need the material resources coming from money and financial well-being, and they also need emotional security and an enriching environment, which in the early years means spending time with loving caregivers like their parents.

In thinking through why some children flourish and others do not, it follows that we should care about not just the purely economic implications of inequality, but also about the social ones.

But how can these social dimensions be measured? While there are many good proxies, a good place to start is with the education of the parents. It is helpful to group children in these four countries into three categories according to the highest level of schooling of the parent with the most schooling. In Figures 2 through 8, “high” means that at least one of the parents has a college degree; “low” means that neither has more than a high school diploma; and “medium” means that at least one has some education beyond high school graduation, but not a completed college degree. These three broad levels offer a good proxy for the underlying, or “permanent,” income prospects of the family; they can be measured

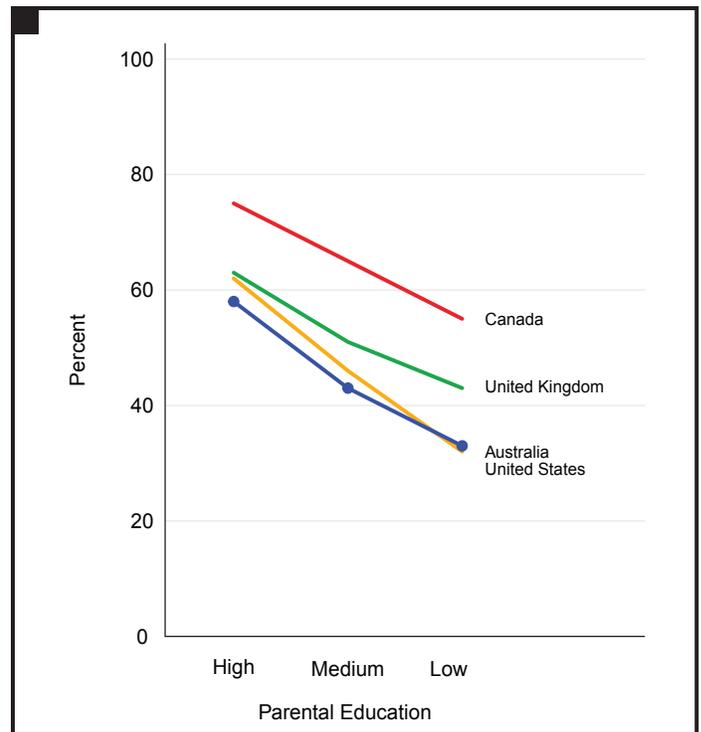
FIGURE 2. Median Family Income of Children in a Family of Four



Note: The median equivalized total household income for a family of four is graphed here. Dollar amounts are expressed in 2011 constant dollars using national price indices, and the OECD Purchasing Price Parity index for “actual individual consumption” for the same year. Equivalent household income was derived using the square root of household size. The dollar amounts displayed are based upon an average of income at three points in the child’s life cycle: at ages 5, 7, and 11. Income refers to total household income including imputed values for income support programs, like TANF, SNAP, and the EITC in the United States.

Source: Drawn by the author, based upon information in Bradbury, Bruce, Miles Corak, Jane Waldfogel, and Elizabeth Washbrook. 2015. *Too Many Children Left Behind: The U.S. Achievement Gap in Comparative Perspective*, New York: Russell Sage Foundation. Technical Appendix Table A3.2, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>. Full details on the methodology used, including the conversion of categorical variables to continuous, and imputations for government transfers are given on pages 21 through 27 of this appendix.

FIGURE 3. Percentage of Children Read to Everyday by Their Parents



Note: The proportion of four- and five-year-old children read to on a daily basis is graphed here. Question wording differs slightly across countries: The question refers to any family member in the U.S. and Australia, to just the parent answering the survey question in the United Kingdom, and to the parent or any other adult in Canada.

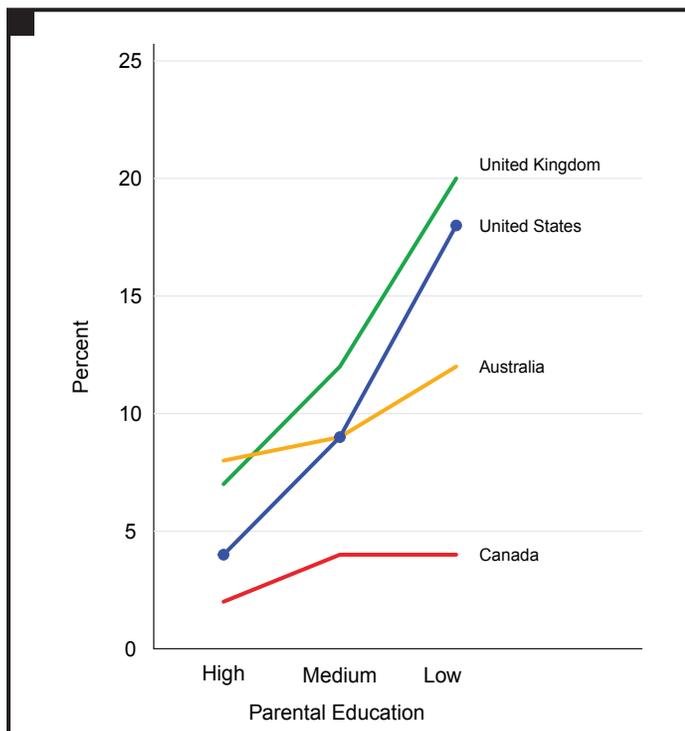
Source: Drawn by the author, based upon information in Bradbury et al. 2015. Technical Appendix Table A3.8, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>.

across these four countries in reasonably comparable ways; and they signal important independent influences determining a child's development.

Figures 2 through 4 collectively make an important point. In all four countries, they show that more education does not just mean more money, but it also means more non-monetary resources. They also show that this socioeconomic gradient is steepest in the U.S. If these socioeconomic correlates of money matter, then there is good reason to worry that obstacles to mobility may be especially prominent in the U.S. This line of argumentation is laid out in more detail below.

We begin by considering cross-group differences in access to money. The monetary differences across these three social groups are very sharp in the U.S., where the median income of a family of four ranges from \$98,100 for the high-education group to \$31,800 for the low-education group. The between-group contrast is also substantial in the United Kingdom, with

FIGURE 4. Percentage of Children Whose Mother is in Poor Health



Note: The self-reported health status of mothers with four- and five-year-old children is graphed here. The proportions refer to the percentage of children whose mothers report being in fair or poor health, as indicated by the two lowest categories on a 5-point scale.

Source: Drawn by the author, based upon information in Bradbury et al. 2015. Technical Appendix Table A3.7, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>

the median income of households with low education actually just a bit lower than in the U.S. But in Australia and Canada, the gradient is not as steep; the household incomes of children in the low-education group are 12 percent to almost 20 percent higher than in the U.S.

These differences reflect the fact that there is more inequality in American labor markets, more income poverty, and less generosity in government income support. Figure 2 suggests that these labor market and income transfer policies are shadowed in the financial resources available to children.

It is more difficult to quantify the between-group differences in non-monetary resources and the quality of time parents spend with their children. An often-used indicator of the quality of family time is the degree to which preschool children are exposed to books and other cultural resources that foster readiness to learn.

Canada seems to stand out in this regard. Figure 3 shows that the fraction of Canadian four- and five-year-olds who are read to on a daily basis by a parent or other adult is much higher than elsewhere. About 55 percent of Canadian children whose parents have no more than a high school diploma are read to on a daily basis. This is not much different from the proportion of American children whose parents have at least a college degree. At the same time, it should be noted that the extent of the inequalities across the three socioeconomic groups is roughly similar across the four countries and that there are slight differences in the way the associated survey questions are worded that may skew the comparisons.

But this is only one aspect of family socioeconomic differences and parenting style. Another marker might be found in the mental and physical health of parents. Children living in low-educated households in the U.S. and the United Kingdom are much more likely to have mothers who report being in only fair or poor health. This proportion is much lower in Australia, and noticeably lower in Canada, where there hardly appears to be any gradient across the three socioeconomic groups.

These inequalities in monetary and non-monetary resources should lead us to worry about (1) the capacity of low-education parents to balance work and family time in pursuit of the money their families need, and (2) the extent to which the early years are adequately enriching for children with low-education parents.

Time Slips Away from the Family

In Figure 5, we turn to the work-family balance. We see that the work patterns of mothers in the U.S. are distinctive. The main reason: Work takes priority in the U.S. Overall, American mothers are more likely to be working, and more likely to be working full-time (defined as usually spending more than 30 hours per week at work). About one-half of five-year-old children with highly educated parents in the U.S. live in a household where the mother works full-time. While this is similar in Canada, it is much lower in Australia and the United Kingdom.

The workplace is more likely to “win out” against the family in American households with low education. Figure 5 shows that 53 percent of children in low-education households have a mother who works full-time, compared to 49 percent among children in high-education households. Low-educated mothers are actually more likely to be working full-time than high-educated mothers.

These comparisons do not take into account the extent to which money can be used to compensate for lost parental

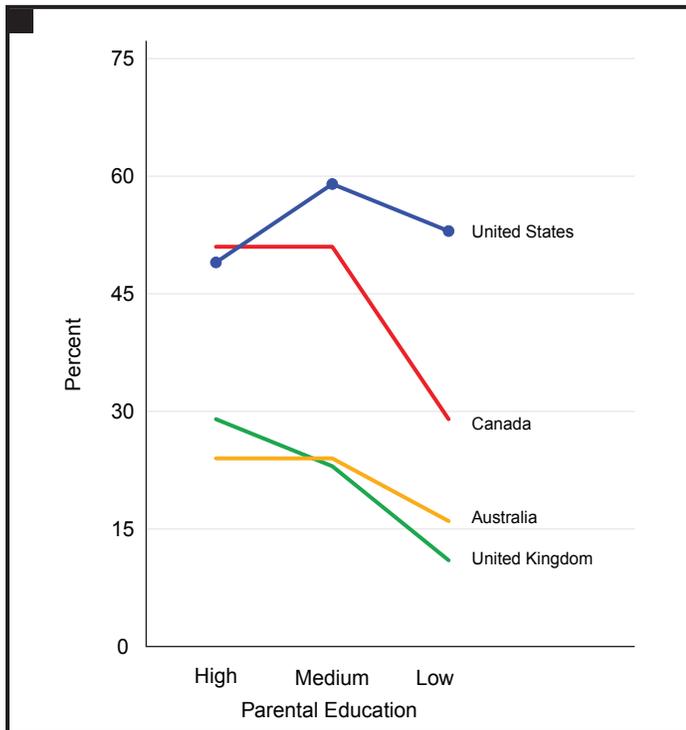
time by purchasing high-quality childcare and other enrichment activities. Greg Duncan and Richard Murnane have shown that such compensatory purchases are much more common among families at the top of the American income distribution than among those at the bottom.⁴

What is also untold is that the flexibility to manage family and market responsibilities also seems more limited in the U.S., where working part-time is significantly less common than it is in the other three countries. Bruce Bradbury and his co-authors document that, overall, 15 percent of American five-year-olds have a working mother who works part-time (i.e., puts in no more than 29 hours per week), whereas over a third of mothers in Australia and the United Kingdom work part-time, and one-quarter in Canada work part-time. The capacity to balance work and family in this way is much lower in low-educated American households (i.e., 10%) than in the high-educated households (i.e., 22%).

Families in Flux

At the same time, the American family is less stable than families elsewhere, with the result that it is sometimes less primed

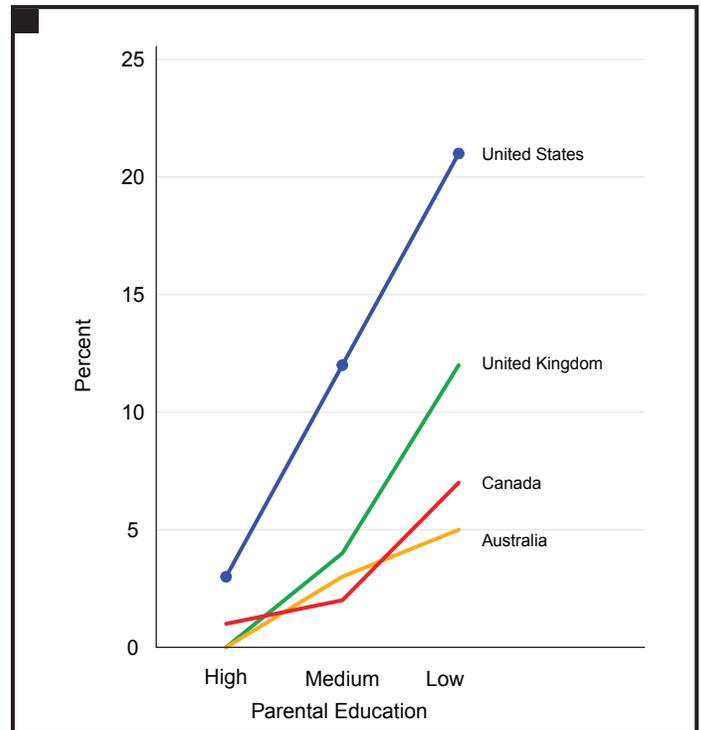
FIGURE 5. Percentage of Children Whose Mother Works Full Time



Note: The proportion of five-year-old children whose mothers usually work more than 30 hours per week is graphed here.

Source: Drawn by the author, based upon information in Bradbury et al. 2015, Technical Appendix Table A4.10, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>.

FIGURE 6. Percentage of Children Born to a Teen Mother



Note: The proportion of four- and five-year-old children whose mother was 19 years or younger at the time of the child's birth is graphed here.

Source: Drawn by the author based upon information in Bradbury et al. 2015, Technical Appendix Table A3.6, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>.

to offer children an environment that is as enriching. More is being asked of families who are more vulnerable.

The most notable and clearest difference is reflected in the percentage of children born to a teen mother. Over one in eight (12%) of American four- and five-year-olds were born to a mother who was 19 or younger at the time of their birth. This is twice the proportion in the United Kingdom and is four times as high as that in Australia and Canada.

But Figure 6 also shows that the associated socioeconomic gradient is strikingly sharp in the U.S., rising from 3 percent of children in high-educated households to 12 percent in medium-educated households and all the way to 22 percent for those in low-educated households. More than one in five children in households with low levels of education were born to a teen mother.

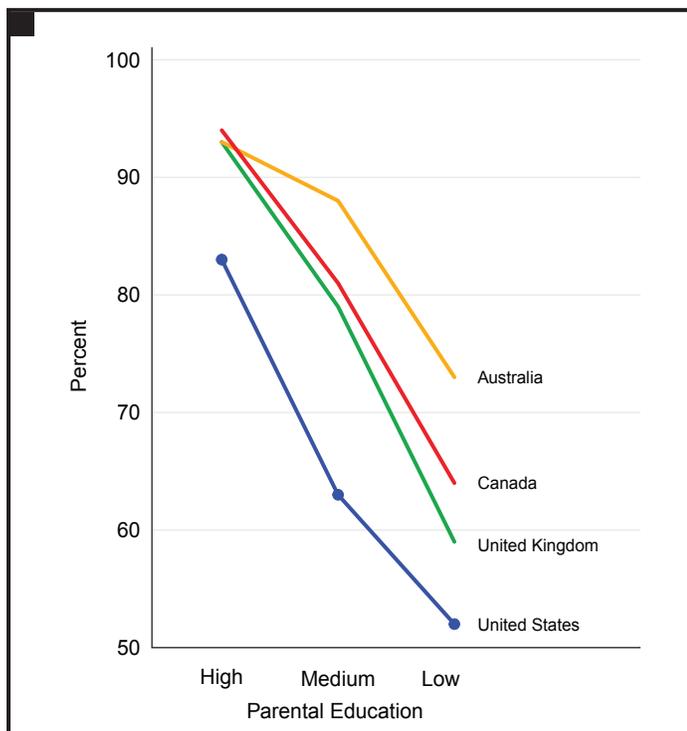
This is the first step in what the sociologist Andrew Cherlin has called the “marriage-go-round,” his metaphor for the very high dynamics in American family life.⁵ The upshot is that, by the ages of four and five, children are much less likely to be

living with both biological parents in the U.S. While over 80 percent of American children in high-educated households live with both biological parents, this is noticeably lower than in the other countries, where 93 to 94 percent do so. Only about one-half of American children in low-educated households are still living with both biological parents at around ages four to five, significantly below the proportions elsewhere (Figure 7).

The American case is also distinctive because immigration is strongly tied to various types of socioeconomic disadvantage. The point here is *not* that the U.S. is a distinctively immigrant society. To the contrary, all four of our comparator countries stand out as being immigrant-receiving nations, although this is particularly so for Australia and Canada. Overall, one in five American children live in a household with at least one parent being an immigrant, which is higher than the 15 percent in the United Kingdom, but much lower than the 35 percent in Australia.

What is notable, however, is that American immigrant children are much more likely to be in households with low educa-

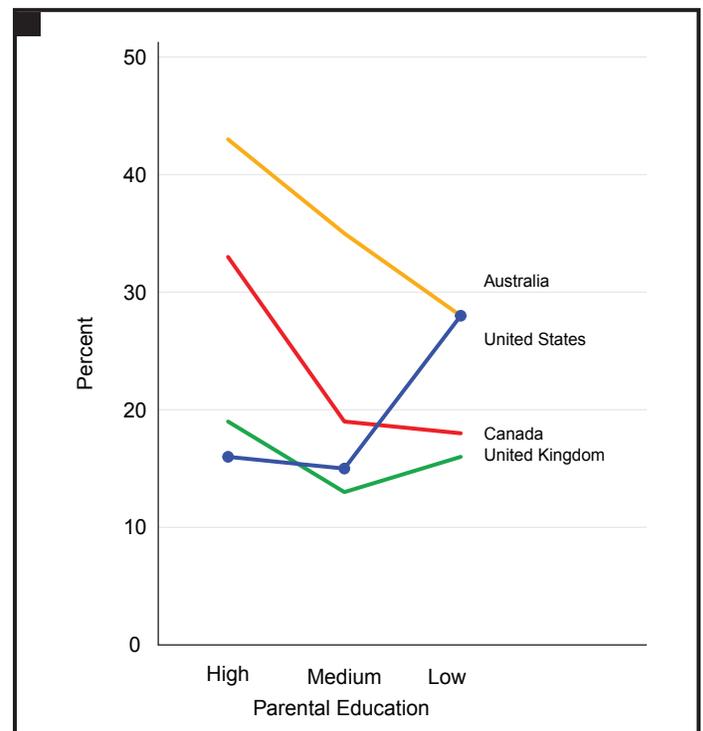
FIGURE 7. Percentage of Children Living with Both Biological Parents



Note: The graph refers to the proportion of four- and five-year-old children living in a household with two parents, both of whom are reported as being the biological parents.

Source: Drawn by the author, based upon information in Bradbury et al. 2015, Technical Appendix Table A3.6, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>

FIGURE 8. Percentage of Children Living with Immigrant Parents



Note: The proportion of four- and five-year-old children with a mother or a father born outside of the country is graphed here.

Source: Drawn by the author based upon information in Bradbury et al. 2015, Technical Appendix Table A3.6, available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>

tion. The tilt is just the opposite in Australia and Canada: an astounding 43 percent of Australian children in high-education households have at least one immigrant parent, and fully a third of Canadian children do. In the U.S., a child in an immigrant household is more likely to be in a low-education household.

These low-education households may of course come with strong families. But we might still worry about their capacity to reach and connect with the broader American community and access the full complement of resources—from health care, to schools, to income support—of benefit to their children. We might also worry about the help or hindrance of public policies. Because immigrant families in Australia and Canada have more education and presumably stronger language skills and more advantaged social networks, they might be better able to connect to the wider community.

Prospects for the Next Generation

The resources children need to become successful and engaged adults come—first and foremost—from their families. But families don't exist in isolation. In providing for their children, parents interact and rely upon the communities to which they belong and the public programs that afford extra security, income, and investment. And most obviously, parents interact with the market, and the labor market institutions that determine access to jobs and living wages.

Family, state, and market all determine the resources available to children. It should be no surprise that economic

mobility differs across countries, but also that it differs for different reasons. Some of these cross-national differences may be policy-relevant, and some may not.

They are most likely to be relevant in the four countries we've highlighted. The rankings of resources available to four- and five-year-olds in Australia, Canada, the United Kingdom, and the U.S. during the mid- to late-1990s echo the rankings of the economic outcomes of 40-year-olds born in the 1960s. These comparisons should make us wonder about the prospects for the next generation.

The U.S. continues to stand at the uncomfortable end of these more relevant comparisons. We conclude with three messages that are intended as provocations and that thus require more detailed discussion: (1) Stable and secure families are central to child development and equality of opportunity and should be promoted in a number of different ways; (2) the work-family balance has to move toward making the workplace more convenient for families, not the other way around; and (3) the playing field has to open up to the relatively disadvantaged early on because it's likely a lot harder to foster capabilities and develop opportunities afterward. ■

Miles Corak is a professor of economics with the Graduate School of Public and International Affairs at the University of Ottawa, Ottawa, Canada, and a visiting professor of economics at Harvard University during the 2015–2016 academic year. You can follow him on Twitter at @MilesCorak or on his blog at MilesCorak.com.

NOTES

1. DeParle, Jason. 2012. "Harder for Americans to Rise from Lower Rungs." *The New York Times*, January 4. Available at http://www.nytimes.com/2012/01/05/us/harder-for-americans-to-rise-from-lower-rungs.html?_r=0.

2. Krueger, Alan B. 2012. "The Rise and Consequences of Inequality in the United States." Speech by the Chairman, Council of Economic Advisors to the Center for American Progress, January 12. See also Krueger, Alan B. 2015. "The Great Utility of the Great Gatsby Curve," *Social Mobility Memos*, The Brookings Institution, available at <http://www.brookings.edu/blogs/social-mobility-memos/posts/2015/05/19-utility-great-gatsby-curve-krueger>; and Corak, Miles. 2013. "Income Inequality, Equality of Opportunity, and Inter-

generational Mobility." *Journal of Economic Perspectives*, 27(3), 79–102, available at <https://www.aeaweb.org/articles.php?doi=10.1257/jep.27.3.79>.

3. The information used for the comparison of the U.S. to Australia, Canada, and the United Kingdom draws from Bradbury, Bruce, Miles Corak, Jane Waldfogel, and Elizabeth Washbrook. 2015. *Too Many Children Left Behind: The U.S. Achievement Gap in Comparative Perspective*, New York: Russell Sage Foundation. Please consult the technical appendix available at <https://www.russellsage.org/sites/all/files/Technical%20Appendix%20to%20Bradbury%20et%20al%202015.pdf>. I am solely responsible for the figures, interpretations given, and any errors they may contain.

4. Greg Duncan and Richard Murnane document the evolution of what they refer to as "enrichment expenditures" in the U.S. in Figure 1.6, page 11 of Duncan, Greg J., and Richard J. Murnane. 2011. "Introduction: The American Dream, Then and Now." In Greg J. Duncan and Richard J. Murnane (editors). *Whither Opportunity? Rising Inequality, Schools, and Children's Life Chances*. New York: Russell Sage Foundation.

5. Cherlin, Andrew J. 2009. *The Marriage-Go-Round: The State of Marriage and the Family in America Today*. New York: Vintage.