

FACTS & FIGURES

From the Economic Policy Institute

Income Mobility

The United States bills itself as the land of opportunity, where someone from the humblest roots can, with grit and determination, climb the economic ladder. Some even say that concern about growing inequality between the top and bottom of the income pyramid is misplaced because of our high income mobility. In a chapter new to this edition, *The State of Working America 2006/2007* examines the facts behind this self-portrait. It finds that rags-to-riches stories, despite their wide appeal, are the exception, not the rule, and that for most people in America today, where you end up is increasingly a function of where you started out.

Intergenerational Mobility

- ❖ Sons of low-income fathers (with income at the 10th percentile) have only a 4.5% chance of reaching the 80th percentile and only a 22.5% chance of reaching the median income as adults.
- ❖ Adult children tend to remain in or near the same wealth quintile (fifth) as their parents. Over a third (36%) of children of bottom-quintile parents were in the bottom fifth in their mid-30s, while only 7% reached the top quintile. For children of the wealthiest quintile, the picture was nearly a mirror image: 36% stayed in the highest quintile and 11% fell to the bottom fifth.
- ❖ The correlation between the income of parents and their children is so high that it would take a poor family of four with two children nine to 10 generations – over 200 years – to reach middle-income status.
- ❖ In a comparison with five similar countries, the United States ranks fifth out of six in intergenerational mobility. The countries, listed from most to least mobile, are Finland, Canada, Sweden, Germany, the United States, and the United Kingdom.

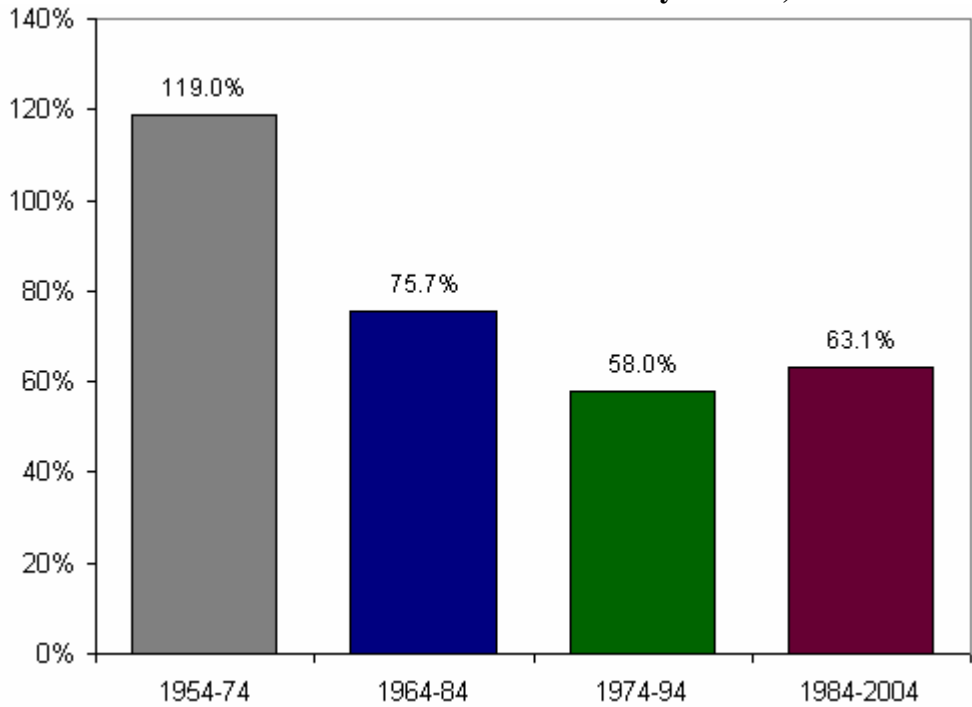
Family Income Mobility

- ❖ Although individual families' income grows over time as they age, the magnitude of that growth has dropped substantially over time. A household at the median in 1954, with a 30-year-old head, experienced real income growth of 119% over the next 20 years. For a similar household in 1984, the next 20 years brought only 63.1% growth.
- ❖ A comparison of families' income positions over three ten-year periods shows that families that started each period in the bottom 20% became more likely over time to stay in the same quintile. Of those in the bottom quintile in 1969, 49.4% remained in the bottom quintile in 1979; from 1988 to 1998 the share who stayed in the bottom fifth rose to 53.3%.

- ❖ In this same comparison, those in the top fifth also became more likely to stay put. The corresponding percentages over the same two periods were 49.1% (1969-1979) and 53.2% (1989-1998) who started and ended each period in the top quintile.
- ❖ Those in the middle (third) quintile were less likely than those at the top or bottom to stay in place, but the vast majority who moved did so by just one quintile up or down. Over time, the percentage who made it from the middle to the top shrunk from 18.7% to 12.6%.

Real Median Income Growth over 20 Years by Cohort, 1954-2004

Real median income now grows much more slowly than in the past for families in their prime earning years. Each bar shows the progress from age 30 to 50 of a group (cohort). Growth bumped from 1984 to 2004 but remains substantially below the rate during the two earliest periods.



Mobility by Race

- ❖ White families are more than twice as likely as black families to be upwardly mobile; black families are more than twice as likely as whites to be downwardly mobile. From 1968 to 1998, 10.2% of whites moved from the bottom to the top 25% (quartile), but only 4.2% of African Americans did so. Meanwhile, 9.0% of whites and 18.5% of African Americans moved from the top to the bottom quartile.

Education & Wealth Factors

- ❖ Family income is an important factor in college degree completion. High-achieving children from low-income families are no more likely to complete college (29% do) than are low-achieving children of high-income families (30% finish college).

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