FAMILY STRUCTURE

AND THE ECONOMIC MOBILITY

OF CHILDREN

BY THOMAS DELEIRE AND LEONARD M. LOPOO

ECONOMIC MOBILITY PROJECT
An Initiative of The Pew Charitable Trusts

By forging a broad and nonpartisan agreement on the facts, figures and trends in mobility, the Economic Mobility Project is generating an active policy debate about how best to improve economic opportunity in the United States and to ensure that the American Dream is kept alive for generations that follow.

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EXECUTIVE SUMMARY

Observers have long debated the importance of growing up with two parents for the economic opportunities it may afford children. Previously, the Economic Mobility Project found that while most Americans make more than their parents did in absolute dollars, many others, particularly low-income children, are limited in their ability to climb up the rungs of the income ladder relative to their peers.

An earlier analysis by the Project found that economic mobility is increasingly a "family enterprise" and that children with an absent parent may be at a disadvantage.[1] This report, using a dataset that has tracked parents and their children since the late 1960s, explores the question of how children's economic mobility, both absolute and relative, may differ based on their parents' family structure during childhood.

ABSOLUTE MOBILITY refers to the concept of a rising tide lifting all boats—incomes rise because of overall economic growth.

RELATIVE MOBILITY, however, refers to the process of individuals changing their position on the income ladder as compared to others.

This paper investigates how mobility rates of children whose mothers were continuously married differ from those of children of divorced mothers, and from those of children born to unmarried mothers. The results, which compare parent and child incomes measured at similar ages and divide the income distribution into thirds—top, middle, and bottom—indicate the following:

FAMILY STRUCTURE INFLUENCES THE ECONOMIC MOBILITY OF CHILDREN. DIVORCE IS PARTICULARLY HARMFUL FOR CHILDREN'S MOBILITY.

Relative Mobility

- Among children who start in the bottom third of the income distribution, only 26 percent with divorced parents move up to the middle or top third as adults, compared to 42 percent of children born to unmarried mothers and 50 percent of children with continuously married parents.[2]

Absolute Mobility

- Among children who start in the bottom third, 74 percent with divorced parents exceed their parents' family income when they reach adulthood, compared to 90 percent of children with continuously married parents.[3]

DIVORCE APPEARS TO HAVE MORE OF AN IMPACT ON THE ABSOLUTE MOBILITY OF AFRICAN AMERICAN CHILDREN THAN IT DOES ON WHITE CHILDREN.

- Among African American children who start in the bottom third of the income distribution, 87 percent with continuously married parents exceed their parents' income in adulthood, while just 53 percent of those with divorced parents do.

- Among white children who start in the bottom third, about the same proportion of adult children exceed their parents' income regardless of whether their parents were continuously married (91 percent exceeding) or divorced (92 percent exceeding).

Family structure can explain only some of the differences in economic mobility rates between African Americans and whites.

Relative Mobility

- Sixty-six percent of *all* African American children whose parents are in the bottom third of the income distribution remain in the bottom as adults, compared with 45 percent of *all* white children—a gap of 21 percentage points.
  - Among children of *continuously married parents* whose incomes are in the bottom third, 62 percent of African American children and 45 percent of white children remain in the bottom as adults—leaving a gap of 17 percentage points.
- Family structure can explain a greater portion of the racial gap in downward mobility among children whose parents are middle income. Fifty-six percent of *all* African American children whose parents are in the middle third fall to the bottom third as adults, compared to 30 percent of *all* white children—a gap of 26 percentage points.
  - Among children with *continuously married parents* who start in the middle third, 42 percent of African American children and 30 percent of white children fall to the bottom—reducing the gap to 12 percentage points.[4]

Absolute Mobility

- Ninety-two percent of *all* white children whose parents are in the bottom third exceed their parents' incomes in adulthood, but just 82 percent of *all* African American children do—a gap of 10 percentage points.
  - Among children with *continuously married parents* who start in the bottom third, 87 percent of African American children and 91 percent of white children exceed their parent's incomes in adulthood—reducing the gap to 4 percentage points.
- For those who start in the middle third, 86 percent of *all* white children exceed their parents' incomes in adulthood, but just 58 percent of *all* African American children do—a gap of 28 percentage points.
  - Among children with *continuously married parents* in the middle third, 86 percent of white children and 62 percent of African American children exceed their parents' income, shrinking the gap just slightly to 24 percentage points.

FAMILY STRUCTURE

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INTRODUCTION

Most Americans consider the United States to be the land of opportunity where children of humble origins can achieve economic success through their own hard work and parental sacrifice. The 2008 Economic Mobility Project report, *Getting Ahead or Losing Ground: Economic Mobility in America*, found that in the United States approximately two-thirds of children are better off economically than their parents. However, this report also found that the economic position of many children is closely tied to the economic well-being of their parents and that African American children have much less upward mobility—and more downward mobility—than white children.

Still, it is not true that parents' income alone enables children to succeed. Characteristics of families, including such diverse factors as parenting style, parental aspirations, and the neighborhoods in which families live, contribute to the formation of children's human capital. In particular, the structure of the family in which a child grows up could have as large an impact as income, or larger, on subsequent economic outcomes. Numerous studies have found that family structure matters.[5] In particular, children growing up in stable, married families have been found to be less likely to drop out of school, less likely to have children as teenagers, and less likely to be out of school but not working, all of which could lead to greater economic success. Moreover, studies have found that children whose parents divorce have, on average, lower test scores and worse behavioral outcomes.[6] To the extent that higher-income parents also tend to have more stable marriages, measures of economic mobility may have confounded the importance of income with the importance of family structure.

According to a large body of economic and sociological research, collectively referred to as "human capital theory," the time and money parents spend with and on their children can be viewed as "investments." Like any investment, these expenditures of money and time are only made up to the point where additional expenditures meet or exceed the rate of return the parents could earn investing elsewhere.[7] Parents with more resources are less constrained in their choices and, presumably, can invest greater amounts in their children. Because a child's income as an adult is directly impacted by the human

capital investment that parents make, parents with greater resources—who tend to make greater investments—will have children with the potential to earn more in the labor market. Thus, it is through human capital investments that the economic well-being of parents affects the economic well-being of their children.

This report adds to existing research by determining the importance of parents' marital status in addition to parents' income while a child is growing up. There is a substantial amount of research documenting the impacts of family structure on the lives of children. This is the first study, to the best of our knowledge, that examines how family structure is associated with the income of children when they reach adulthood, separating out the potential influence of parental income. It also examines the question of whether differences in family structure between whites and African Americans may explain the sizable mobility differences between these groups.

One might imagine that marital status matters because parents who are married tend to earn higher total family incomes than single-parent (mostly mother-headed) households. Married couples also may provide more supervision as well as more support. In other words, on average, a married couple has more money and time to invest in their child, which should, among other things, increase the skills of the child that are valued in the labor market, the child's human capital. A second reason that family structure may matter is that the disruption of divorce has been found to have detrimental effects on children.

This report investigates children's economic status relative to their parents' in terms of both absolute mobility and relative mobility. It follows the 2008 Economic Mobility Project report, *Getting Ahead or Losing Ground: Economic Mobility in America*, defining the extent of upward "absolute mobility" as the proportion of children who have a family income (in adulthood, and adjusted for inflation) that is greater than their parents'.[8] "Relative mobility" refers to the change in the position in the income distribution of a child relative to the position in the income distribution of the child's parents. It is possible for a child to be upwardly mobile in absolute terms but not in relative terms. For example, consider parents with a per capita family income of $26,000, which would put them just about at the median of the per capita income distribution for the parents in the sample here. Their daughter may have per capita family income (as an adult) that is 10 percent greater than that of her parents and therefore experience upward mobility in absolute terms. However, because median incomes grew by roughly 65 percent across generations (in the sample), this child would have per capita family income that is below the median for the child's generation and therefore would have experienced downward mobility in relative terms.

This study asks two questions: first, does parents' family structure matter for rates of economic mobility among children in both absolute and relative terms? Second, do the higher percentages of African American children whose mothers divorce or who were born to unmarried mothers explain the aforementioned racial differences in absolute and relative mobility?

Knowledge of whether family structure influences economic mobility has important policy implications. First, to the extent that factors other than parents' incomes influence children's economic position, redistribution policies will have a smaller impact on mobility than if income alone was important. Second, policies that foster stable marriages may have an added benefit of improving the economic performance of children. Third, understanding whether racial differences in family structure can partially explain the racial differences in economic mobility found in previous studies is important for understanding the source of these mobility differences.

DATA AND METHODS

In order to determine how family structure affects economic mobility, this report uses data from the Panel Study of Income Dynamics (PSID) on the incomes of both parents and children and on the marital status of parents while the children were growing up.

INCOME

All studies of economic mobility require information on the incomes of both parents and their children (once they become adults) over several years. In measuring the investments that parents make in their children, researchers typically make two assumptions. These assumptions are required because the data necessary to truly understand the impact of human capital investment—measures of the total investment of income and time that parents make in their children—do not currently exist. First, most empirical researchers use parental income as an indicator of the human capital investment in the child.[9] Second, parental decisions about investments in children are based on the parents' permanent income, that is, parents' investment decisions will be less influenced by current income or by year-to-year fluctuations in income than by the resources that are available over their lifetimes. Social scientists typically use an average of several years of income data to estimate permanent income. Many researchers have shown that using too few years of income data will yield an estimate of permanent income that is measured with substantial error. Using an inaccurate measure of income will tend to overstate the extent of economic mobility.[10] As explained in greater detail in the Appendix, this report uses five-year averages of both the parents' and the child's income as an adult to measure permanent income.

The PSID is arguably the best source for the information to estimate income mobility. The PSID is a longitudinal survey that has been following a nationally representative sample of American families and their offspring since 1968. It has been the basis of numerous studies, including *Getting Ahead or Losing Ground*. In order to maintain comparability with *Getting Ahead or Losing Ground*, the investigation begins with the analytic sample used in that report, which includes more than 2,200 families with a child aged 0-18 in 1968 (when the survey began) for whom income information is available for both the parents and the child as an adult.[11] In order to estimate the permanent income of the parent and the child as an adult, the income data for children reported from 1995, 1996, 1998, 2000, and 2002 and the income data for parents reported from 1967 to 1971 are used. All income data are converted to 2006 dollars using the CPI-U research series. Because the relevant measure of economic resources for human capital investment is per person rather than the total for the family, a family-size adjusted measure of family income is used in all analyses (details are provided in the Appendix).[12]

Family incomes have increased substantially across generations (see Table 1). Average and median family incomes (adjusted for family size) increased by 84 and 65 percent respectively between the parents' and children's generations in the sample here (see the "Mean" and "50th Percentile" lines). While incomes grew especially fast at the top of the income distribution (by 92 percent at the 90th percentile), there were substantial increases across the board.

TABLE 1

Distribution of Family Income Across Generations

	Parents' Income	Children's Income	Percent Change
Mean	$28,756	$52,779	84%
10th Percentile	$10,878	$17,512	61%
25th Percentile	$17,081	$28,576	67%
50th Percentile	$26,453	$43,535	65%
75th Percentile	$36,019	$63,305	76%
90th Percentile	$47,827	$91,651	92%

Note: Adjusted for family size and in 2006 dollars.
Source: PSID.

CHARACTERIZING FAMILY STRUCTURES

Social scientists have not determined if family structure and family structure disruptions have a causal affect on children's human capital accumulation, much less at what ages those effects might have the greatest impact. Therefore, in order to measure the family structure of each child in our sample, a marital history was created for the biological mother of each child from birth to age 18. For simplicity, the analyses categorize the family structure of children into four mutually exclusive categories (see Table 2): mother always married (from the child's birth through at least age 18, inclusive), mother divorced or widowed,[13] child born to unwed mother, and mother with missing family structure information (please see the Appendix for more details on this category).

Mothers who were married from the child's birth to age 18 comprise 79 percent of all families with non-missing family structure. Approximately, 14 percent of the children experienced a divorce of their mother before age 19, and seven percent were born to a mother who was unmarried. A substantial number (9 percent of the total analytic sample) of mothers have missing family structure.

TABLE 2

Distribution of Parent-Child Pairs by Family Structure and Race

	African American		White		Other		Total	
	Number	Percent of Non-Missing Observations	Number	Percent of Non-Missing Observations	Number	Percent of Non-Missing Observations	Number	Percent of Non-Missing Observations
Mother Always Married	349	59.7	1,229	86.5	22	88.0	1,600	78.8
Mother Ever Divorced	105	17.9	178	12.5	2	8.0	285	14.0
Mother Ever Divorced (Pre 1972)	*66*	*11.3*	*90*	*6.3*	*1*	*4.0*	*157*	*7.7*
Mother Ever Divorced (Post 1971)	*39*	*6.7*	*88*	*6.2*	*1*	*4.0*	*128*	*6.3*
Out of Wedlock Birth	131	22.4	13	0.9	1	4.0	145	7.1
Mother's Family Structure Missing	81	—	118	—	2	—	201	—
TOTAL	**666**		**1,538**		**27**		**2,231**	

The structure of the PSID creates an important data consideration. Because the analyses here measure income for the mother during the period between 1967 and 1971, while the child's mother's marital history can extend back as far as the late 1940s, there is inconsistency in the income measure across mothers who divorce. If a mother's divorce occurs after 1971, then her income was measured in a period in which she was likely married. For many mothers who divorced before 1971, the income measure likely is based on a single earner. Correspondingly, average family income for mothers who divorced at some point prior to 1972 is approximately 14 percent lower than average family income for those who divorced after 1971 (adjusted for family size).

Table 2 shows that about 55 percent (157 cases) of the ever divorced fall into the "pre-1972" category and 45 percent (128 cases) fall into the "post-1971" divorce category. Many of the comparisons made in this report contrast the ever divorced to the always married. In order to ensure the analyses do not conflate the impact of income with the impact of family structure, when disaggregating results for the ever divorced, the estimates for the "post-1971" group are used.[14] Results for children with a biological mother who divorced prior to the income measurement period are reported in the Appendix.

RACE

Several Economic Mobility Project reports, including *Getting Ahead or Losing Ground*, have found that African American families experienced less upward mobility and more downward mobility than white families since 1968. Moreover, numerous studies have also found notable differences in the distribution of family structures across African American and white families. With these findings in mind, the analyses below explore whether worse mobility outcomes among African American families are the result of differences in family structure.

The sample sizes for the African American subsample, the white subsample, and a group labeled "other" for nonwhite, non-African American respondents are reported in Table 2. Given that the "other" category is so small, findings from analyses broken down by race are reported only for African Americans and whites.

Of the 2,231 child-parent pairs available in the PSID sample, 666 are African American, 1,538 are white, and 27 fall into the other category[15]. When dividing the sample by race, a few significant points surface about the data.[16] First, only 60 percent of African American parents with non-missing family structure are continuously married, compared to 87 percent of white parents. Second, African American parents are more likely to experience a divorce (18 percent) compared to white parents (13 percent). Third, African American children are more likely to be born to unmarried mothers than white children (22 percent versus 1 percent).

MOBILITY BY FAMILY STRUCTURE

This section presents evidence on the relationship between family structure and economic mobility. It considers both absolute and relative mobility, in turn.

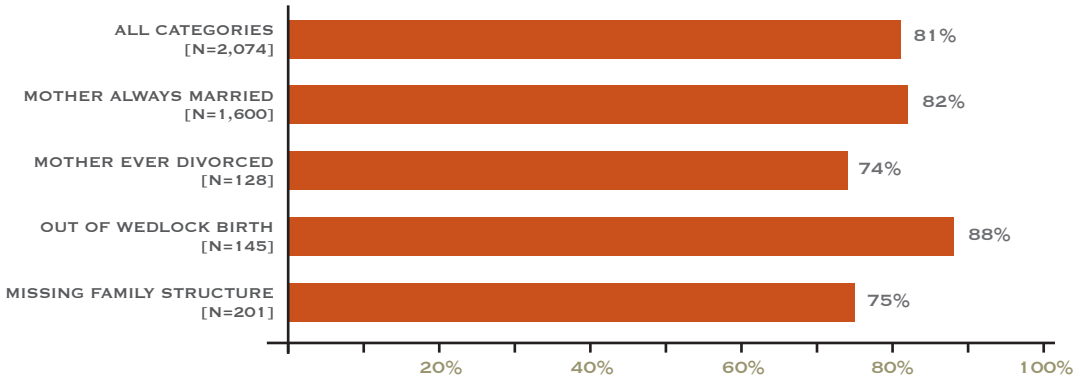
ABSOLUTE MOBILITY

Economic progress has meant that the incomes of younger generations have exceeded those of older generations. This increase does not mean that the income of every child exceeds that of his or her parents. The measure of absolute mobility used here is the proportion of children with greater income than that of their parents (with all incomes inflated to 2006 dollars and adjusted for family size).

Overall, there is substantial upward absolute mobility in our sample—81 percent of children have higher family size adjusted family income than their parents did.[17]

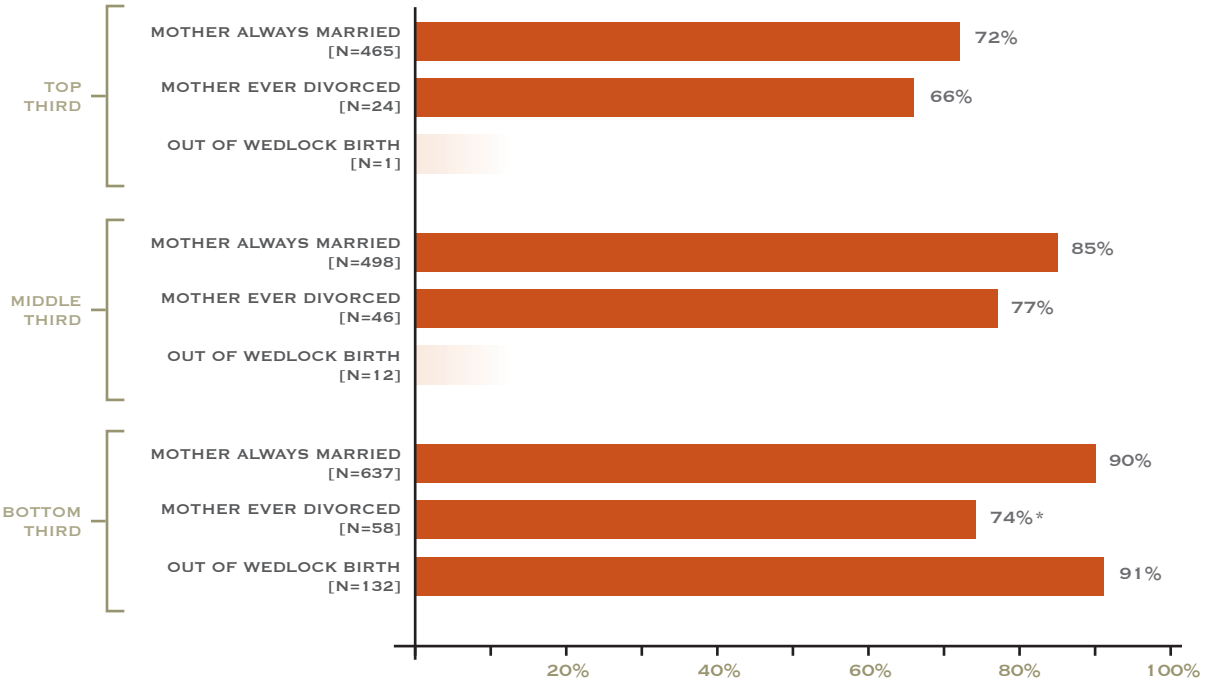
Rates of upward absolute mobility vary modestly across family structure types (see Figure 1). Eighty-two percent of the children of continuously married mothers were upwardly mobile compared with 74 percent of the children of the ever divorced (and this difference is statistically meaningful). Among those with a mother who was not married when the child was born, the upward absolute mobility rate is 88 percent (a rate that is not statistically different from that of the always married group). Only three-fourths of the children with missing family structure experience absolute mobility increases (a statistically different rate than that of the always married group).

FIGURE 1 **Absolute Mobility: Proportion of Children with Greater Family Income than Parents, by Family Structure**



These rates look somewhat different if we break children into thirds according to their parents' family income (Figure 2).[18] Because children of low-income parents are more likely to exceed their parents' income than children of high-income parents, and because family structure and parental income are closely related, it is important to do so. Children of divorced mothers are less likely than children of continuously married mothers to be upwardly mobile in absolute terms within each third of parents' income. However, only within the bottom third of the income distribution are these differences statistically significant, potentially due to small numbers of divorces in the middle and top thirds. As a result, there is some evidence that divorce reduces the chances of children moving up economically. Perhaps surprisingly, there is no evidence that being born to an unmarried mother reduces upward absolute mobility from the bottom third of the income distribution—the rates for those children and for children with continuously married parents are statistically indistinguishable.

FIGURE 2 **Absolute Mobility: Proportion of Children with Greater Family Income than Parents, by Family Structure and Parents' Position in the Income Distribution**



*Note: * Statistically different from "Parents Always Married." Sample sizes for children born out of wedlock are too small to present precise results for the middle and top thirds.*

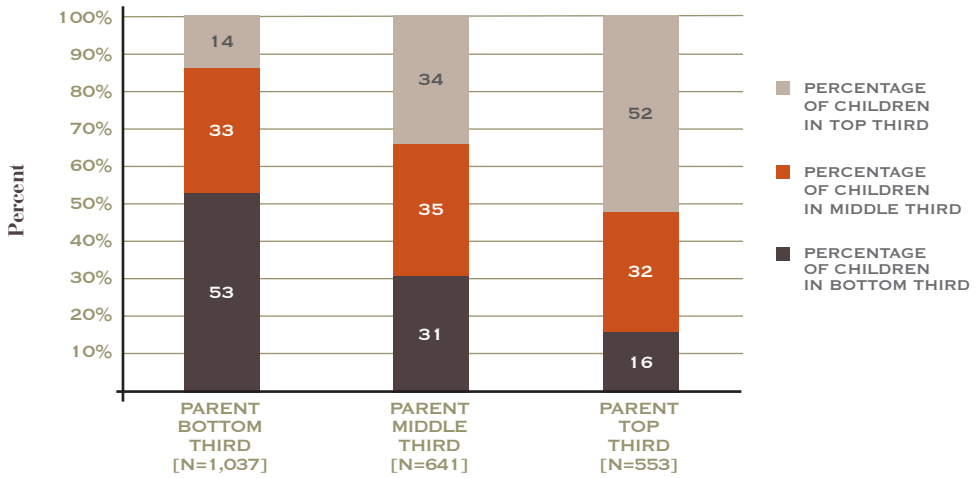
RELATIVE MOBILITY

Strong economic growth across generations, which leads to high rates of absolute mobility, does not provide information about relative mobility. This section presents transition matrices that illustrate the proportion of children whose parents had (family-size adjusted) incomes in each third of the parental income distribution and who ended up in each third of the child income distribution when they became adults.

The rates of relative mobility for all family structure groups can be summarized simply (see Figure 3): 53 percent of children whose parents were in the lower third of the income distribution remain in the lower third of the income distribution, and 52 percent of children whose parents were in the top third of the income distribution remain at the top of the income distribution. Individuals in both of these groups can be characterized as being relatively immobile.

FIGURE 3

Relative Mobility for All Families



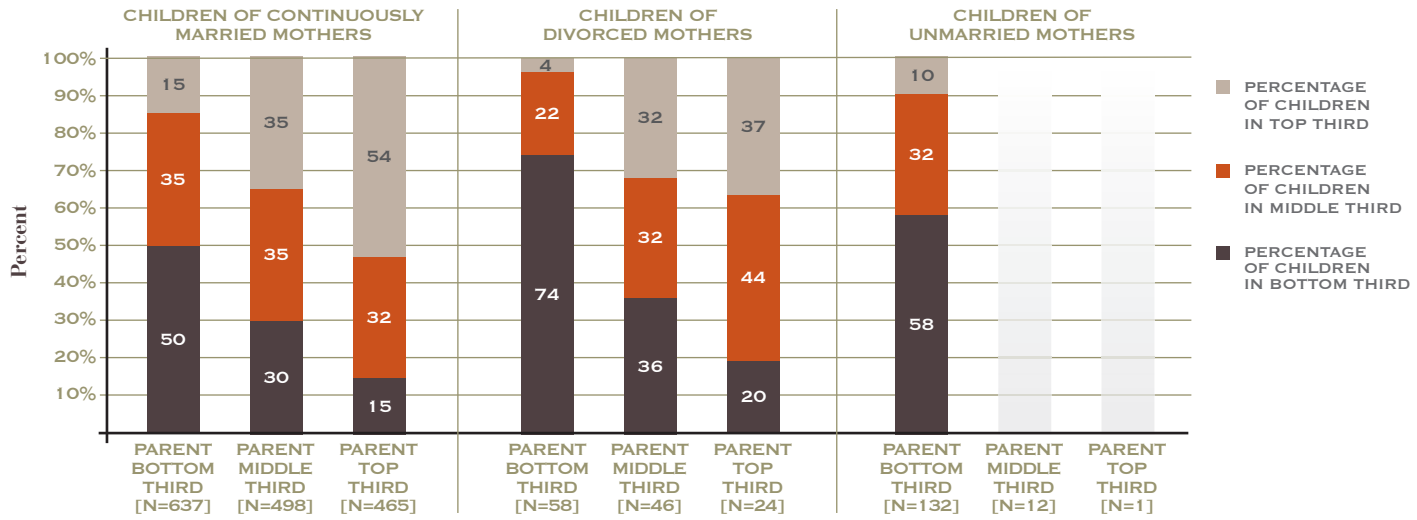
By contrast, 14 percent of the children with parents in the lowest third of the income distribution rose to the top third of their own income distribution, and 16 percent of children whose parents were in the top third of the income distribution fell to the bottom third of their own income distribution. These children are the most mobile, in relative terms, with similar proportions being upwardly and downwardly mobile. Children whose parents' income was in the middle third of the parental income distribution are nearly equally likely to fall into the different portions of the child's per-capita income distribution.

While the comparisons in Figure 3 are informative, ignoring family structure can lead to unusual comparisons. For instance, those in the middle third of the parental income distribution may include both low-earning married couples and high-earning single-mother families. Failure to take these differences in family structure into consideration may lead to erroneous conclusions about relative mobility patterns.

Figure 4 reports the rates of relative mobility for children of continuously married mothers, ever divorced mothers, and mothers who gave birth out-of-wedlock, respectively.[19] The rates of relative mobility are very similar for children who lived in households where the parents were continuously married as they were in the overall sample (see the left panel in Figure 4); 50 percent of children who had parents with family income in the lower third of the distribution remain in the lower third of their own income distribution, and 54 percent of children who lived in higher income families remained in the top third of their own income distribution. The same percentage of children rise to the top of their own distributions after growing up in the bottom third and fall to the bottom after being reared in the top: 15 percent. Those with parents in the middle of the distribution are also nearly equally likely to end up in each of the thirds of their own distribution.[20]

FIGURE 4

Relative Mobility for Children by Mother's Family Structure Type



Note: Sample sizes for children born to unmarried mothers in the middle and top third are too small to present precise results.

There is less mobility among children of ever-divorced mothers whose incomes placed them in the bottom of the parental income distribution than among the children of continuously married parents: 74 percent of the children of ever-divorced mothers remain in the bottom of the income distribution compared with 50 percent of children of continuously married mothers (see the middle panel of Figure 4). Moreover, fewer

children of divorced mothers whose incomes were at the top of the parental income distribution remain at the top compared with children of continuously married mothers (37 percent vs. 54 percent). In fact, children of divorced mothers are less likely to reach the top of their own distribution *regardless* of their parents' income.[21]

While small sample sizes preclude saying anything with confidence about the relative mobility rates among children born to unmarried mothers and who had parents in the middle or top third of the parental income distribution, there is a substantial amount of immobility among children born to unmarried mothers whose parents were in the bottom third: 58 percent of these children remain in the bottom of their distribution, while only 10 percent attain the top third (see right panel of Figure 4).[22]

This evidence suggests that family structure is related to economic mobility. In particular, the children of divorce have lower rates of both absolute and relative income mobility compared with children whose mothers were continuously married between their birth and their 19th birthday. Moreover, children born to unmarried mothers also may have lower rates of relative mobility than the children of continuously married parents, though they appear to have similar rates of absolute mobility in the lower third of the distribution.

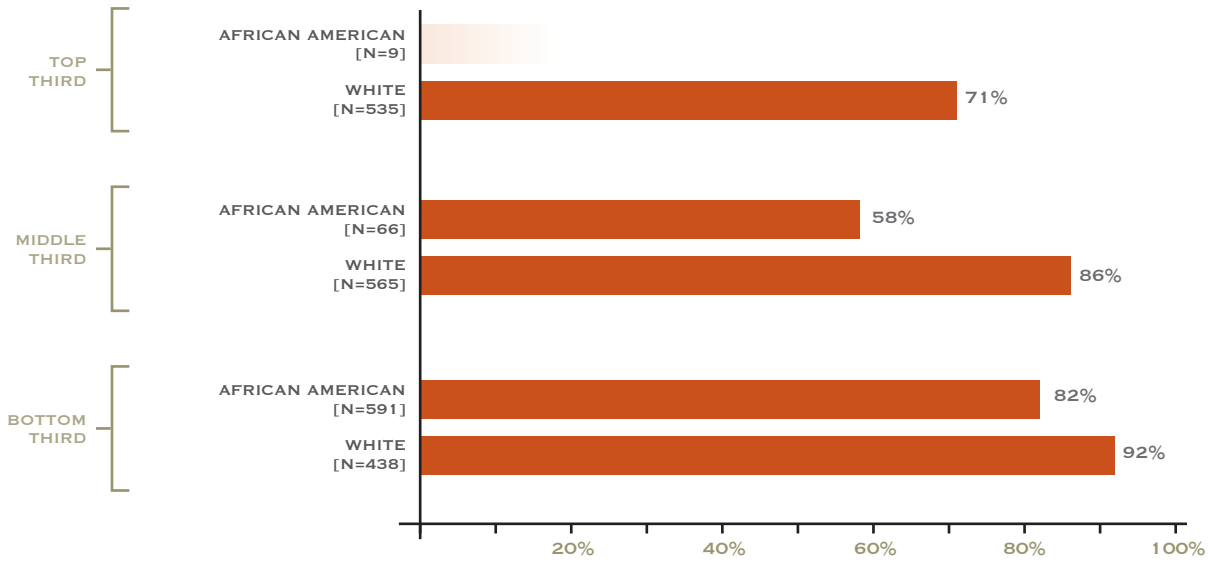
RACE DIFFERENCES IN MOBILITY

Getting Ahead or Losing Ground found large racial differences in economic mobility, both in relative and absolute terms. This section explores whether differences in family structure can explain these differences in economic mobility between African American and white families. It first considers absolute mobility and then relative mobility.

ABSOLUTE MOBILITY BY RACE

African American children are less likely than white children to have incomes that exceed those of their parents (see Figure 5). This is true among children whose parents were at the bottom of the income distribution (82 percent for African American children versus 92 percent for white children), and especially among children whose parents were in the middle third of the income distribution (58 percent for African American children versus 86 percent for white children). These differences are statistically significant.

FIGURE 5 **Absolute Mobility: Proportion of Children with Greater Family Income Than Parents, by Parents' Position in the Income Distribution and Race**



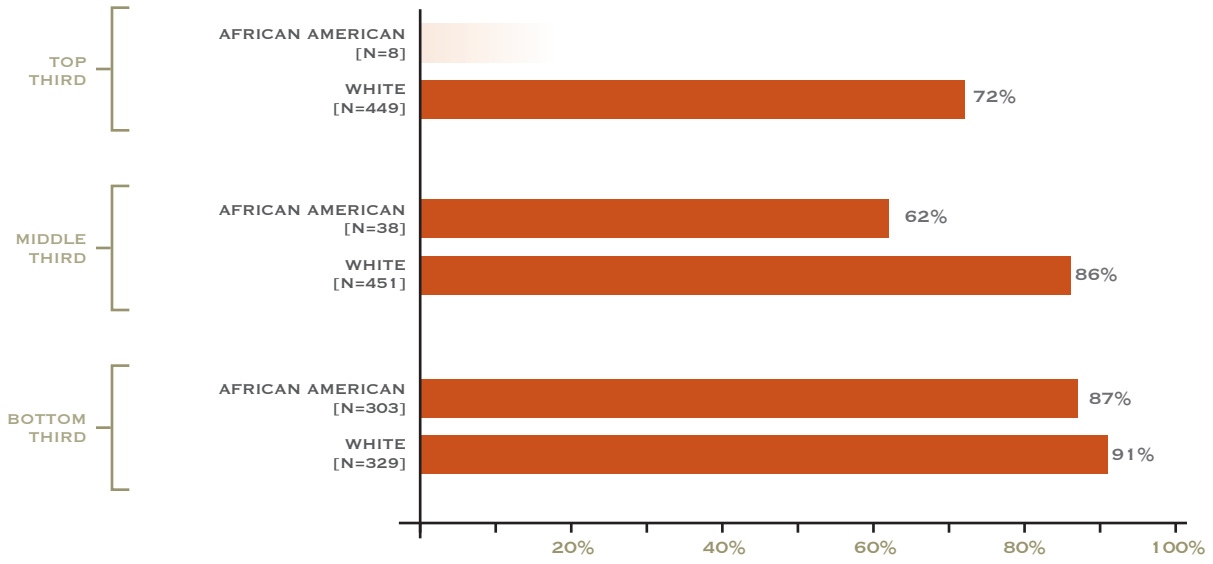
Note: The sample size for African American children in the top third is too small to present precise results.

Differences in family structure between African American and white families only partly explain these racial differences in rates of absolute mobility. Examining only families in which the mother was continuously married, there is again less absolute mobility among African American children than among white children. On the one hand, among children whose parents had family incomes that placed them in the

bottom third of the income distribution, 87 percent of African American children had incomes that exceeded those of their parents compared with 91 percent of white children (see Figure 6).[23] In other words, the ten-point black-white difference in absolute mobility among all children starting in the bottom declines to four points when the analysis is confined to children of continuously married mothers, implying a potential role for family structure in explaining the racial mobility difference. On the other hand, among children of continuously married parents with family incomes in the middle third of the income distribution, only 62 percent of African American children had incomes that exceeded those of their parents compared with 86 percent of white children—a statistically significant gap about as large as among all children starting in the middle, implying that family structure cannot explain the difference.

FIGURE 6

Absolute Mobility: Proportion of Children with Greater Family Income Than Parents, by Parents' Position in the Income Distribution and Race, Continuously Married



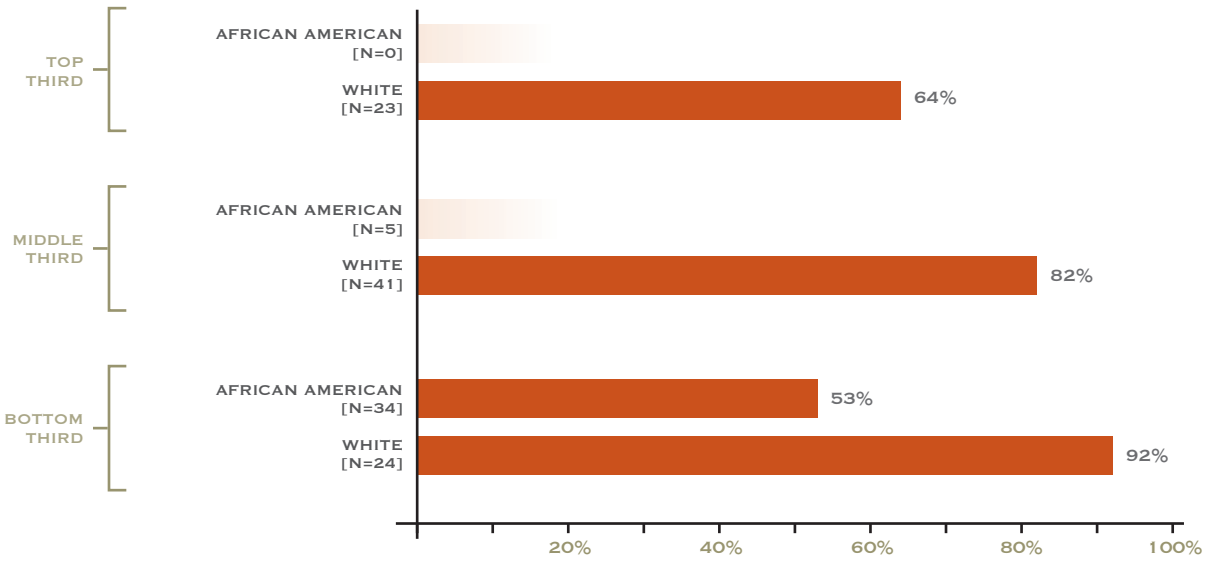
Note: The sample size for African American children in the top third is too small to present precise results.

These differences in rates of absolute mobility between African American children and white children also are evident among divorced families (see Figure 7). Among divorced families in the bottom third of the income distribution, only 53 percent of African American children were upwardly mobile in absolute terms compared with 92 percent of white children. This difference is statistically significant and implies that family structure differences probably *cannot* explain the racial difference in absolute mobility from the bottom, since the gap among children with divorced mothers is so large.

While the evidence rejects the notion that family structure can fully explain the racial differences in absolute mobility (because there are large racial differences even among groups stratified by family structure), divorce does appear to have a more detrimental effect on African American children than on white children. White children of divorced mothers in the top third of the income distribution have slightly lower rates of absolute mobility (64 percent) than white children of continuously married mothers (72 percent), although the difference is not statistically significant. However, there are no differences in absolute mobility between white children of divorced and of continuously married mothers in either the middle or the bottom of the income distribution. By contrast, there are very large, statistically significant differences in rates of absolute mobility between African American children of divorced mothers and African American children of continuously married mothers in the bottom third of the distribution.

FIGURE 7

Absolute Mobility: Proportion of Children with Greater Family Income Than Parents, by Parents' Position in the Income Distribution and Race, Ever Divorced



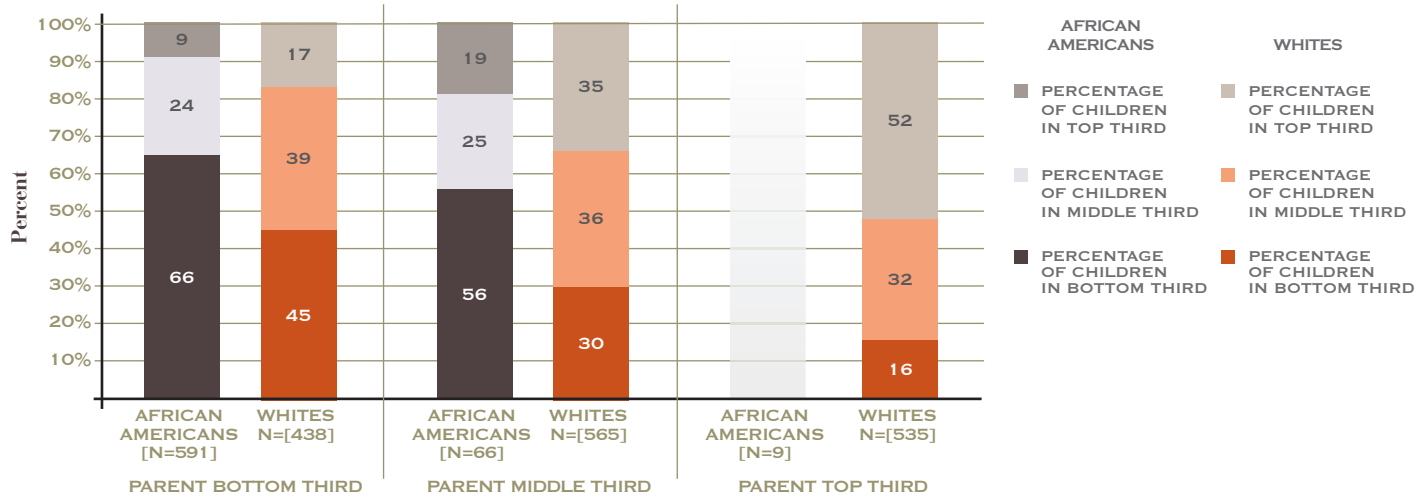
Note: Sample sizes for African American children in the middle and top thirds are too small to present precise results.

RELATIVE MOBILITY BY RACE

African American families have less upward mobility in relative terms compared with white families (see Figure 8). Regardless of their starting point in the income distribution, white children are more likely to end up in the top of the child distribution than are African American children. For children who grew up in the bottom of the parental income distribution, only nine percent of African Americans reach the top third of the income distribution compared to 17 percent of whites. Among children who grew up in the middle third, 19 percent of African Americans reach the top, compared to 35 percent of whites.[24]

FIGURE 8

Relative Mobility by Race



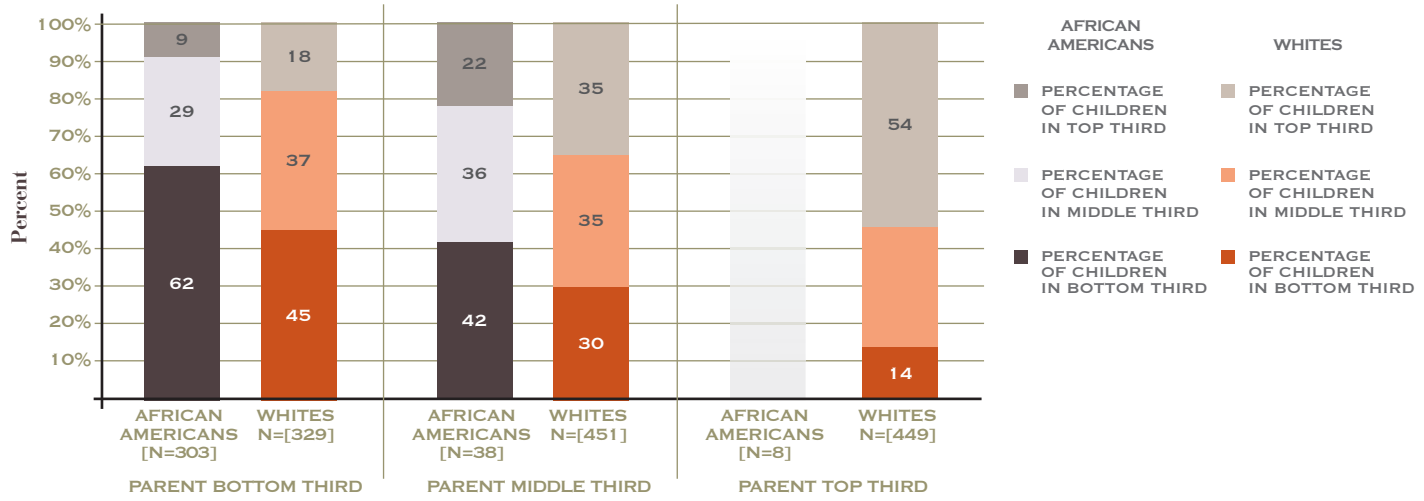
Note: The sample size for African American children with parents in the top third is too small to present precise results.

These differences in the extent of upward mobility between African American and white families cannot be entirely explained by differences in family structure. In particular, restricting our analysis to parents who were continuously married similarly reveals greater upward relative economic mobility among whites compared to African Americans (see Figure 9). For example, while among African Americans only 22 percent of the children of continuously married parents in the middle of their income distribution reach the top of the child distribution, among whites, 35 percent of the children of continuously married parents in the middle of their income distribution reach the top. These rates of upward mobility are almost identical to those among children in all family structures. Among children of continuously married parents who grew up in the bottom of the distribution, 9 percent of African American children reach the top compared to 18 percent of white children. These differences also mirror the differences among black and white children before accounting for family structure.[25]

Parental marriage may reduce the racial gap in downward relative mobility from the middle. For example, comparing only children with continuously married mothers, the difference in downward relative mobility from the middle between blacks and whites declines to 12 points (compared with 26 points among all blacks and whites starting in the middle).

FIGURE 9

Relative Mobility for Children of Continuously Married Parents, by Race

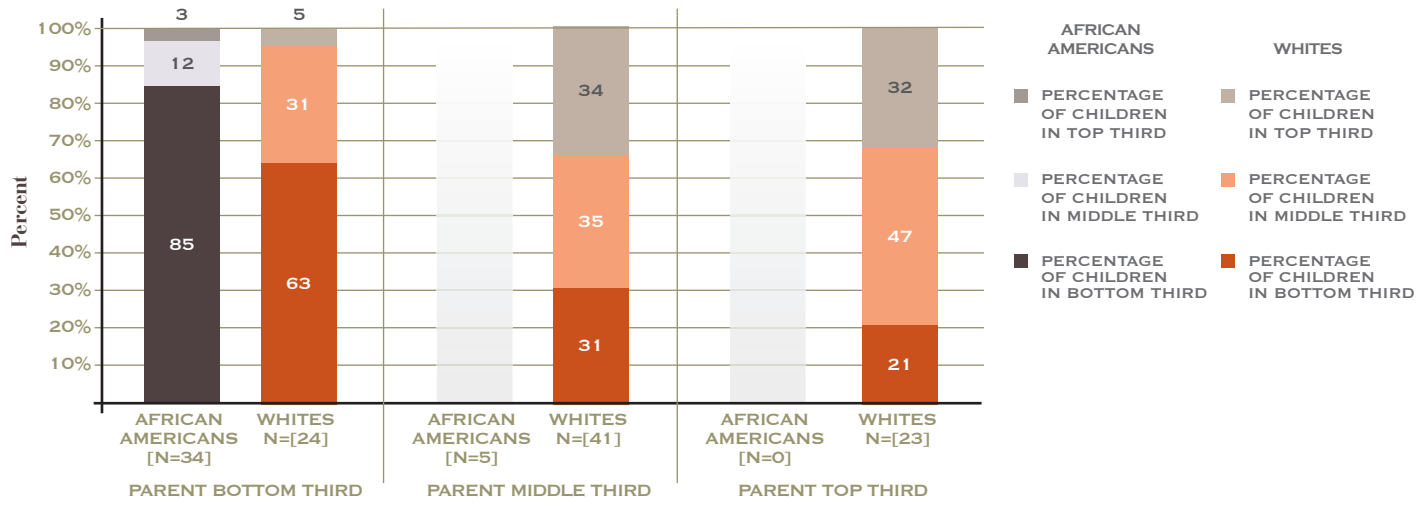


Note: The sample size for African American children in the top third is too small to present precise results.

It is difficult to draw firm conclusions for the children of ever-divorced mothers because of the small numbers of divorced African American mothers who were not in the bottom of the parental income distribution. However, when one compares the ever-divorced African-American mothers in the bottom of the parental income distribution to the children of ever-divorced white mothers, the children of the African American mothers are much more immobile (see Figure 10).[26]

FIGURE 10

Relative Mobility for Children of Ever-Divorced Parents, by Race



Note: Sample sizes for African American children in the middle and top thirds are too small to present precise results.

CONCLUSION

Regardless of family structure and race, our study suggests a considerable amount of absolute mobility in the United States. Approximately four out of five children have higher total family incomes than their parents, once income is adjusted for family size, with there being greater levels of absolute mobility among lower-income children. However, African American children who grew up in the bottom or middle of the parental income distribution are much less likely than white children to have greater economic success than their parents.

In terms of relative mobility, 50 percent of children with parents in the lower third of the income distribution remain there, while the majority of children who grew up in relatively wealthy families remain there. Less than one in five children in the bottom of the parental distribution will eventually reach the top of the child distribution, and less than one in five will fall from the top of the parental income distribution to the bottom of their own distribution. There is substantially less upward mobility in relative terms among African American children than among white children. Two-thirds of African American children who grew up in the bottom of the income distribution remain there.

This study asks two questions about the relationship between economic mobility and family structure: first, does parents' family structure matter for the rates of economic mobility among children in both absolute and relative terms? Second, do the higher percentages of African American children whose mothers divorce or who were born to unmarried mothers explain the aforementioned racial differences in absolute and relative mobility?

This report finds that family structure does matter for both absolute and relative economic mobility. In particular, children of divorced parents are less likely to be upwardly mobile in absolute terms. Moreover, children of divorced mothers or who were born to unmarried mothers are less likely to be upwardly mobile in relative terms than are children of continuously married mothers.

Second, racial differences in upward mobility for the most part are not explained by family structure. In particular, we find differences almost as large in the rates of upward relative mobility between African American and white children among families with continuously married parents as among families of divorced parents.[27]

These results suggest that policies that improve marital stability or that mitigate some of the negative consequences of divorce might improve both absolute and relative mobility. These policies could include reductions in the marriage penalty through the tax system (which might improve marital stability) or increased subsidies to working single parents (such as increased Earned Income Tax Credits, EITC). In fact, many of these policies (lower marginal tax rates and increased EITC payments) have been implemented since most of the children in the study grew up. While the effect of these policies on family structure and intergenerational economic mobility is, as of yet, unknown, divorce rates have been falling in the United States perhaps leading to greater upward mobility.

At the same time, low rates of marriage and high rates of divorce and births to unmarried mothers among African American families are not solely to blame for the relatively low rates of upward mobility and high rates of downward mobility among this group. A wide range of policies to improve the economic success of African American children, therefore, need to be considered.

APPENDIX

The Panel Study of Income Dynamics (PSID) is the data source for this report. The PSID is a longitudinal study that collects information on demographic characteristics as well as variables related to the labor force participation of respondents, including earnings and other sources of income. The panel started with a cohort of approximately 4,800 families in 1968. One of the unique features of the data set is that as family composition within a household changed (for example, through marriage), the new respondents were retained in the study. More importantly for this study, the PSID also followed children as they exited their parent's households and established their own. Data were collected annually from 1968 until 1997 after which respondents were interviewed biennially. The original 1968 cohort is composed of two subsamples. The first, commonly referred to as the Survey Research Center (SRC) sample, was randomly chosen to represent a cross-section of the United States in the late 1960s. The other component, commonly referred to as the Survey of Economic Opportunity (SEO) subsample, contained a disproportionate number of low-income families.

To maintain comparability with the Economic Mobility Project report, *Getting Ahead or Losing Ground*, we use the same data extract from the PSID used in that study. This file contains 2,367 parent-child dyads. To draw this sample, we initially selected all children between the ages of 0 and 18 in 1968, the year the PSID was initiated. We weight all analyses using the individual survey weights to account for the non-representative SEO subsample as well as to compensate for sample attrition over time.

TOTAL FAMILY INCOME

Again, to maintain comparability with *Getting Ahead or Losing Ground*, we define total family income using the same definitions used in that report. Total family income is defined as the sum of all taxable income, including earnings as well as income from investments, of the head, spouse, and all other family members as well as transfer income (e.g., welfare) for the entire family. In order for a parent or child to be retained in the analytic sample, the individual must have total family income available for at least three of the five years under investigation. For parents, the time period utilized is 1967 to 1971 (for each survey year, income is always reported from the previous year). For the children, the time period is actually seven years because the PSID began to collect data biennially after 1997. Total family income for the children was available in 1995, 1996, 1998, 2000, and 2002. All income data are adjusted to 2006 dollars using the CPI-U-RS.

Because we are interested in the role family structure plays in the transmission of economic status, we actually use a per capita family income measure. We follow the Congressional Budget Office methodology and divide the total family income for the child by the square root of the family size for each year (see CBO, 2009). We then take the mean of family income per family member. The square root of family size is used to allow for the economies of scale present in a family.

MARRIAGE HISTORY SUPPLEMENT

The individual file in the PSID includes identifying variables for each child's "natural mother" and "natural father." For the individuals without identifying information on the biological mothers in the individual file, we used the 2007 Parent Identification File. This file was generated by the PSID to link children to their "birth mother" and "birth father." The PSID has also released a supplemental database, called the Marriage History File, that includes complete marital histories for all individuals surveyed between 1985 and 2007. This file includes information on the date of each marriage of the respondent, the order of the marriage (where relevant), the date of widowhood or divorce, and the date of separation for each marriage. The benefit of the marital history file is that the data are retrospective. Therefore, we can determine if the biological mother was married in years prior to 1968, the year the PSID first started to collect data. From this file, we created a complete marital history for the biological mothers of the children when the children were aged 0 to 18.

We use the date of widowhood or divorce as the termination point for a marriage. Because the PSID only reports the dates of events, it became difficult to interpret information on separations. For example, a couple that married in 1950 may report a separation in 1955 and a divorce in 1965. It is impossible to determine if there was a reconciliation between 1955 and 1965 and a subsequent divorce or if the couple was apart for the ten years but only divorced in 1965.

Of the 2,367 families in the original *Getting Ahead or Losing Ground* file, we lose three cases because we do not have information on the family size for the child and cannot calculate the per capita family income; therefore, we drop these cases from all analyses. We were unable to ascertain the 1968 interview number and 1968 person number for the biological mothers for 133 of the mothers. Of the 2,231 cases that remain, we have per capita income information available for all of them and use it to calculate cutpoints for the tertiles in the per capita income distributions. We do not have family structure information for 201 cases. In several analyses, we mark this as a unique group missing family structure data. This leaves a sample of 2,030 families with complete data on income and family structure.

We lost the 201 cases for several reasons. As shown in Table A1, we lose 143 cases because the biological mother was not included in the marital history file. These individuals may not have been included because they died or had attrited prior to the initial data collection in 1985. Among those remaining, we lose 20 cases that had identifying information for the biological mother in the marital history file but no marital dates recorded and 38 cases that had multiple marriage dates but no divorce or widowhood dates making it impossible to know when the transitions between marriages occurred.

TABLE A1

Description of Sample Size and Cases Lost in Analytic PSID Sample

Original sample	2,367
Less cases with missing family structure information	3
Less cases with missing biological mother identification variables	133
Analytic sample size	2,231
Less:	
1) Biological mother not included in marital history file	143
2) Marital history date missing in the marital history file	20
3) Widowhood/divorce date missing	38
Cases with complete information	2,030

SUPPLEMENTAL ANALYSIS WITH ALTERNATIVE SAMPLE

The analyses in the report relied only upon mothers' information when constructing family structure variables. In this appendix, we restrict our sample to children whose biological mother was married to their biological father in each year, 1967-1971. Using this sample, we then compare children whose biological parents were continuously married to one another between the child's birth and the child's 19th birthday with children whose biological parents divorce after 1971.

We lose observations by using this sample. For example fathers' information is often missing, children born to unmarried mothers are not included, and children born before 1954 are not included in the sample.

In this supplemental analysis, we find no substantial change to what we found when using mothers' data alone, although the small sample sizes often preclude our being confident about measured differences between children of different family structures.

RESULTS FOR CHILDREN WHO EXPERIENCED PARENTAL DIVORCE PRIOR TO THE 1967-1971 PERIOD

In this appendix, we report results for the children whose parents divorced prior to 1972, before or during the period when parental income was measured. This group was removed from the analyses reported in the body of the report to allow comparable estimates for the continuously married group and those who experienced a divorce. The table numbers match the comparable numbers in the body of the report.

FIGURE B1

Absolute Mobility: Proportion of Children with Greater Per Capital Family Income than Parents

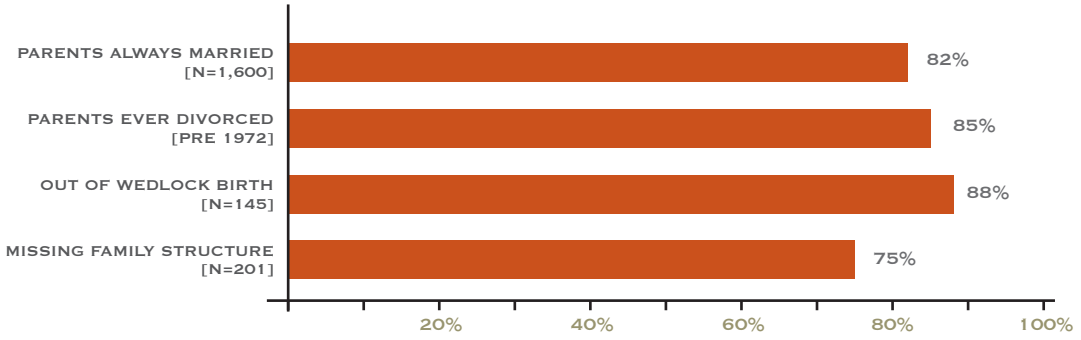
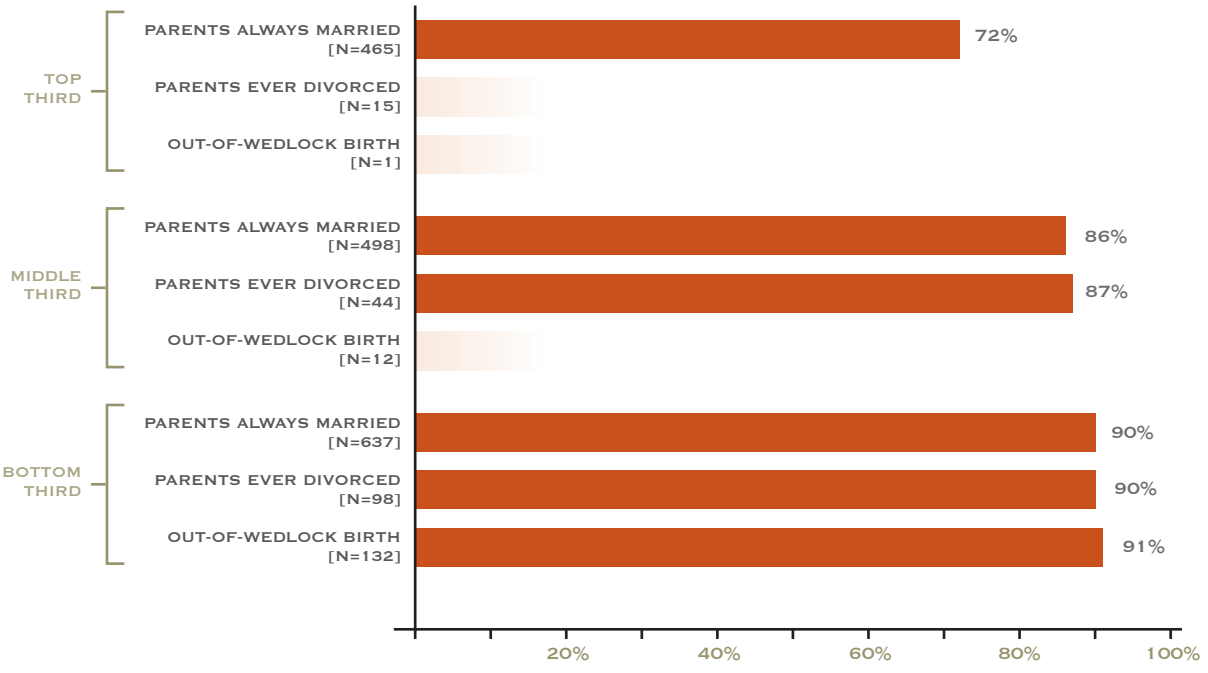


FIGURE B2

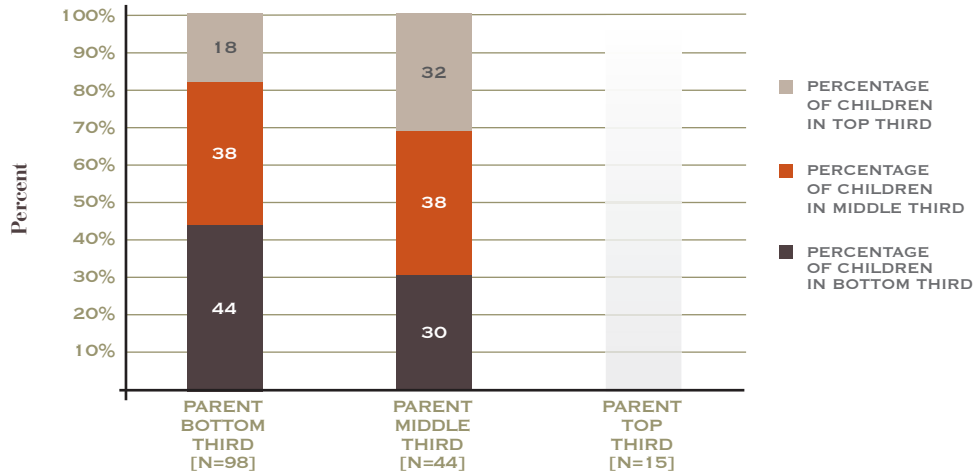
Absolute Mobility: Proportion of Children with Greater Per Capital Family Income than Parents, by Family Structure and Parents' Position in the Income Distribution



Note: Sample sizes for children born to unmarried mothers and whose parents divorced in the top third are too small to present precise results.

FIGURE B3

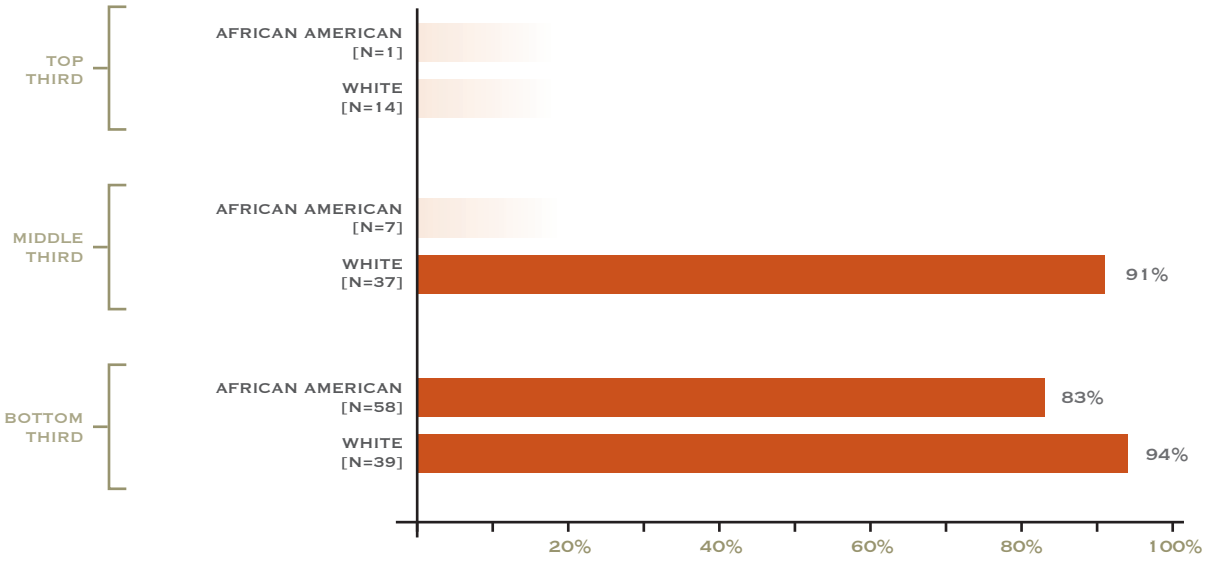
Relative Mobility: Children Whose Mothers Ever Divorced



Note: The sample size for children in the top third is too small to present precise results.

FIGURE B4

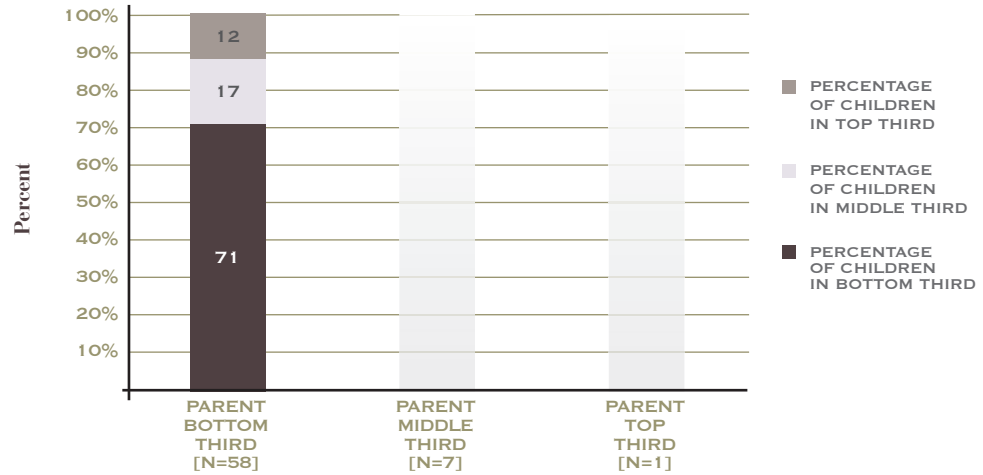
Absolute Mobility: Proportion of Children with Greater Per Capita Family Income Than Parents, by Tertile and Race, Ever Divorced



Note: Samples sizes for whites in the top third and African Americans in the middle and top thirds are too small to present precise results.

FIGURE B5

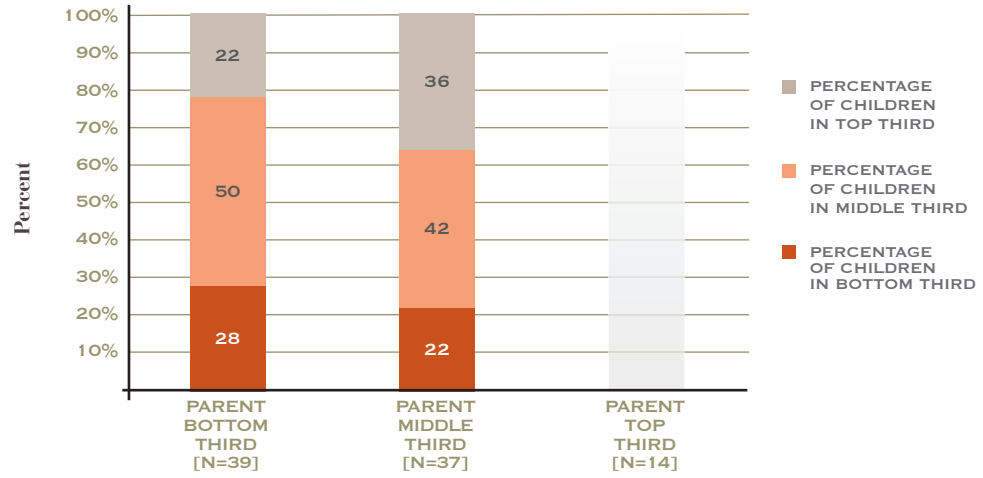
Relative Mobility For Ever-Divorced African Americans



Note: Sample sizes for children in the middle and top thirds are too small to present precise results.

FIGURE B6

Relative Mobility For Ever-Divorced Whites



Note: The sample size for children in the top third is too small to present precise results.

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NOTES

1 Sawhill and Morton, 2007.

2 All incomes are adjusted for family size. No matter parents' family structure, 47 percent of children whose parents were in the lower third of the income distribution move up to the middle or top as adults.

3 Ignoring parents' family structure, 4 out of 5 children have higher family incomes than their parents had.

4 Small sample sizes make it impossible to tell whether family structure affects racial differences in downward relative mobility from the top third of the income distribution.

5 See, for example, McLanahan and Sandefur, 1994.

6 Carlson and Corcoran, 2001.

7 Becker, 1993.

8 Isaacs, Sawhill, and Haskins (2008).

9 See Mayer and Lopoo (2008) for a more detailed discussion.

10 Solon, 1992.

11 As explained in the Data Appendix, our analytic sample has 2,231 observations with valid income data, which is 133 cases smaller than the sample used in the Economic Mobility Project report, *Getting Ahead or Losing Ground*. We lose these cases because the mothers did not have identifying information in the PSID. Please see the Data Appendix for a detailed explanation of all of our data selection criteria.

[12] Because incomes are adjusted for family size, measures of absolute mobility are higher in this report than in *Getting Ahead or Losing Ground*.

[13] The PSID combines dissolution due to widowhood and divorce into one category. Since the vast majority of cases that falls into this category are due to divorce, for simplicity, we will refer to these dissolutions as divorces for the remainder of this report.

[14] Results for all family structure types reported throughout this document contain both divorced groups.

[15] These weighted percentages of the population are 83 percent white and 14 percent African American; African Americans are oversampled in the PSID.

[16] African American parents are much more likely to have missing information on family structure than white families in the PSID. One should keep this in mind when interpreting Table 2.

[17] The rate of upward absolute mobility is around 66 percent (not shown) when comparing family incomes unadjusted for family size. The explanation for the difference in upward mobility rates is the smaller family sizes within the children's generation.

[18] Incomes are divided into thirds in this paper—rather than into four or five groups—in order to ensure that sample sizes are generally large enough to support statistical analysis. Throughout this report, we do not show results in any of our tables/figures for groups with sample sizes of less than 20.

[19] We use a common set of cutpoints to divide the income distributions into thirds for the parental income distribution and a new set of cutpoints that divide the child's income distribution into thirds for each analysis.

[20] A statistical test did not rule out the possibility that one third of children starting in the middle end up in each tertile.

[21] A statistical test confirms that the transition matrix for children with continuously married parents differs from the transition matrix for children of divorced parents.

[22] A statistical test confirms that the transitions for children with continuously married parents in the lower third of the income distribution differs from those transitions for children born to unmarried mothers.

[23] We cannot rule out that the true difference is zero and that the difference in our sample is due to chance; that is, we fail to reject the null hypothesis of no difference ($p=0.063$).

[24] A statistical test confirms that the transitions for white children whose parents were in the bottom two tertiles of the income distribution differ from those for African American children.

[25] A statistical test confirms that the transitions for white children with continuously married parents in the bottom two tertiles of the income distribution differ from those for African American children with continuously married parents.

[26] A statistical test confirms that the transitions for white children with divorced parents in the bottom third of the income distribution differ from those for African American children with divorced parents. We do not present results for children born to unmarried mothers due to the extremely small sample sizes for white families.

[27] There is no inconsistency between these two findings—family structure differences can explain variation in mobility across all people without explaining differences in mobility between blacks and whites.

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ABOUT THE PROJECT

The Economic Mobility Project is a unique nonpartisan collaborative effort of The Pew Charitable Trusts that seeks to focus attention and debate on the question of economic mobility and the health of the American Dream. It is led by Pew staff and a Principals' Group of individuals from five leading policy institutes—The American Enterprise Institute, The Brookings Institution, The Heritage Foundation, The New America Foundation, and The Urban Institute. As individuals, each principal may or may not agree with potential policy solutions or prescriptions for action but all believe that economic mobility plays a central role in defining the American experience and that more attention must be paid to understanding the status of U.S. economic mobility today.

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