Economic Mobility of the States

Frequently Asked Questions

Why is this the first study of economic mobility at the state level?

In order to study intragenerational mobility effectively, one needs data that track the same group of individuals over time, preferably a large sample over a lengthy period (at least 10 years). This analysis uses data from the Survey of Income and Program Participation (SIPP) and the Social Security Administration's Master Earnings File (MEF), which provides several key advantages. Pooling multiple SIPP panels allows for a dataset containing a large sample of individuals with their states of residence identified. Linking the SIPP to the MEF adds earnings data that cover the same age range for all individuals and span their entire careers (rather than just the two to four years available through the SIPP alone). Without this combination, it is impossible to accurately and effectively examine economic mobility at the state level.

The researcher for this report, Bhashkar Mazumder, had special access to restricted-use data which allowed him to create this combined SIPP-MEF file. Because of this access, he was able to create the first-ever study of economic mobility at the state level.[1]

Does this study examine the effects of the recession?

No. The total sample size is 64,686 individuals born between 1943 and 1958, with average earnings calculated over two 5-year periods: first, from ages 35-39, and second, from ages 45-49. Earnings for 35-39-year-olds are measured anytime between 1978 and 1997, while earnings for these same individuals at the ages of 45-49 cover the years 1988 to 2007. Earnings are inflation-adjusted to 2007 dollars using the Consumer Price Index. Since the recession started in December 2007, possible recessionary effects are not covered by our analysis.

Why are some states grouped together?

The combined SIPP-MEF data are the best and only existing source for state-level analyses of economic mobility. However, it is not without its limitations. The sample sizes for some states were too small to provide state-level estimates without jeopardizing confidentiality of survey respondents. In order to protect confidentiality, nine states were combined into three groups that, with one exception, are consistent over time: (1) Maine and Vermont; (2) Iowa, North Dakota, and South Dakota; (3) Alaska, Idaho, Montana, and Wyoming. For more information, see the report Methodology at http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/MobilityofStates_Method(1).pdf.

What is an earnings distribution, and why do you look at both national and regional earnings distributions?

The earnings distribution is best pictured as a ladder in which the distance between the rungs represents how far a resident has to climb to change her rank relative to her peers. Depending upon the size and characteristics of the set of people whose earnings are included, the rungs may be closer together or farther apart.

Analyzing upward and downward relative mobility rankings using both the national and regional earnings distributions answer two different research questions. Comparing states' residents using the national earnings distribution answers a question about how states perform when holding all Americans to the same national bar. Comparing states' residents using the regional earnings distribution answers a different question about how states' residents experience relative mobility when taking into account variation in earnings across states and regions.

For example, moving up by 10 percentiles in a region with a relatively compressed earnings distribution, or where the ladder rungs are closer together, would require less absolute earnings growth than in a region (or the nation as a whole) where the rungs are much farther apart. In other words, a state may exhibit more (or less) mobility when the frame of reference includes only those residents within the same region. Looking at both measures provides a comprehensive view of state-level mobility.

My state's mobility estimate is better than the national average, but your data show it as not being different from the national average. Why is this?

A state may be shown as not being different from the national average if: 1) it has a small sample size and a large mobility estimate, but it does not test significantly better or worse than the

national average; or 2) it has a large sample size, but its score is so similar to the national average that it is not significantly different. For all states that are identified as not statistically different, we cannot conclude that the estimate is different than the national average.

Why is there no measure of absolute mobility on the regional tab?

Absolute mobility measures an individual's earnings growth over time, adjusted for inflation. In this study, absolute mobility is defined as the average percent increase of state residents' earnings. This means absolute mobility is independent of the earnings distribution and is the same at both the national and regional levels. For purposes of organization, the interactive only shows the absolute mobility results on the national tab.

Why does the legend for absolute mobility only include upward mobility? Is it not possible to have absolute downward mobility?

Individuals can experience absolute downward mobility, but over the period studied for this analysis, the majority of people experienced positive earnings change. In other words, in the aggregate, all states had absolute upward mobility.

Why are the percentages for the nation's relative mobility different for the national and regional earnings distributions on the data table? For example, 34 percent experience relative upward mobility using the national earnings distribution versus 36 percent who do when using the regional earnings distribution.

The national and regional analyses draw upon different samples of people. For instance, the sample for the analysis of relative upward mobility using the national earnings distribution draws from the bottom half of earners nationwide. In contrast, the sample for the regional earnings distribution is based on the bottom half of earners within each region to then determine a national percentage.

Of course there is overlap in the samples in terms of who makes up the bottom half of earners, but it is possible that earners who fall in the bottom half in the national analysis would be included in the top half for the regional analysis and vice versa. For example, an earner in a region with lower than average earnings nationwide is likely to be in the bottom half of the national earnings distribution, yet could be in the top half of their region's earnings distribution.

How does this study account for geographic mobility or movement between states?

To examine possible effects of geographic mobility on our state-level economic mobility estimates, we compared the average economic mobility of people who moved out of their state of birth ("movers") to those who were living in their birth state ("stayers"). Nationally, movers in our sample had better than average mobility outcomes than those who were living in their birth state. One limitation to this finding is that we have data on both state of birth and state of residence for just 74 percent of the individuals in the study. Another limitation is that we cannot account for whether stayers had ever moved out of their birth state before state of residence was measured in the SIPP.

Despite these limitations and the finding that movers in our sample had better than average mobility, this is likely to have little effect on our primary research question: How do states' economic mobility estimates compare to national averages? First, the majority of people do not move out of their birth state. In our sample, only 36 percent were residing in a different state from the one they were born in. This percentage is similar for the top half of the earnings distribution (39 percent) and the bottom half (33 percent). So, moves appear to be equally likely for above-average and below-average earners.

Analyses by the U.S. Census Bureau show similar findings regarding out-of-state moves. Data from the 2004 SIPP showed that 88 percent of individuals had either never moved in their lifetime or their last move had been within the same state.[2] Analyses using the 2010 American Community Survey (ACS) found that 59 percent of people were born in their state of residence.[3] Additional analysis by the Pew Economic Mobility Project, using 2005-2009 ACS state-to-state geographic mobility estimates provided by the U.S. Census Bureau, found that 87 percent of residents were living in their birth state or a state within their region. This implies that even when people move out of their state, they do not move far.

Finally, when we compare regions to the national average, categorizing people by their state of residence, the findings are mostly identical to a comparison that categorizes people by their state of birth. Overall, people who were born or currently reside in a Mideast or New England state experience better mobility outcomes, while people born or currently residing in a state in the Southeast or Southwest have worse mobility outcomes. This comparison further supports that even though moving may have a large effect on economic mobility at the individual level, the effect on state aggregate mobility estimates compared to the national averages will be small.

Do you include foreign-born residents in your analysis, and could this affect your mobility estimates for states with a large influx of immigrants?

Foreign-born residents are included in the overall analysis but are excluded in our analysis of geographic mobility because they do not have an identified birth state within the United States. To address concerns that foreign-born residents may skew state mobility estimates, we closely examined the 10 states, including the District of Columbia, with the highest proportions of foreign-born residents in 2000: Illinois (12.3 percent foreign born); Arizona (12.8 percent); District of Columbia (12.9 percent); Texas (13.9 percent); Nevada (15.8 percent); Florida (16.7 percent); Hawaii (17.5 percent); New Jersey (17.5 percent); New York (20.4 percent); and California (26.2 percent). From 1960 through 2000, these 10 states experienced increases in their foreign-born populations ranging from a 5.5 percentage point increase in Illinois to a 17.7 percentage point increase in California.[4]

Overall, there is no consistent relationship between states with high populations of foreign-born residents and economic mobility outcomes. Among the 10 states listed above, two have higher than average economic mobility on all three measures (New York and New Jersey), one has higher than average mobility on one measure (California), four are not significantly different than the national average (Hawaii, Nevada, the District of Columbia, and Illinois), one is worse than the national average on one measure (Arizona), and two are worse than the national average on two of the three measures (Florida and Texas). This is convincing evidence that the foreign-born population is not systematically affecting state economic mobility estimates.

How does your analysis account for cost of living differences?

Cost of living differs from state to state, but it is important to remember that our study looks at changes in earnings over a 10-year period. So, cost of living would only matter if changes in the cost of living were different from state to state. Looking at the Consumer Price Index dating back to 1994, we do not find notable differences in changes in the cost of living from region to region. This suggests that comparing states to national estimates of economic mobility is reasonable. To account for different sizes of earnings distributions, we also offer estimates of economic mobility that show how each state compares to others in its same region.

Can your study explain why some states have better or worse economic mobility than others?

The data analyzed in this study do not answer the question of why states have different mobility estimates. However,

the Economic Mobility Project's body of research demonstrates that a host of factors —such as postsecondary educational attainment, savings and assets, and neighborhood poverty during childhood—influence economic mobility on a national scale. There is good reason to believe that these policy-relevant factors, as well as many other geographic- and population-specific attributes, contribute to the state-level differences in economic mobility highlighted in this study.

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Notes

1 All of the research conducted with confidential Census Bureau data was performed by Dr. Bhashkar Mazumder with assistance from Jonathan M. V. Davis. Any opinions and conclusions expressed herein are those of The Pew Charitable Trusts and do not necessarily represent the views of the U.S. Census Bureau. All results have been reviewed to ensure that no confidential information is disclosed.

2 Marlay, Matthew C. and Fields, Allison K. (2010). "Seasonality of Moves and the Duration and Tenure of Residence: 2004." U.S. Census Bureau, Washington, DC. http://www.census.gov/prod/2010pubs/p70-122.pdf.

3 Ren, Ping. (2011). "Lifetime Mobility in the United States: 2010." U.S. Census Bureau, Washington, DC. http://www.census.gov/prod/2011pubs/acsbr10-07.pdf.

4 Gibson, Campbell and Jung, Kay. (2006). "Historical Census Statistics on the Foreign-Born Population of the United States: 1850 to 2000." Population Division Working Paper No. 81, U.S. Census Bureau, Washington, DC. http://www.census.gov/population/www/documentation/twps0081/twps0081.pdf.

By forging a broad and nonpartisan agreement on the facts, figures, and trends related to 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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