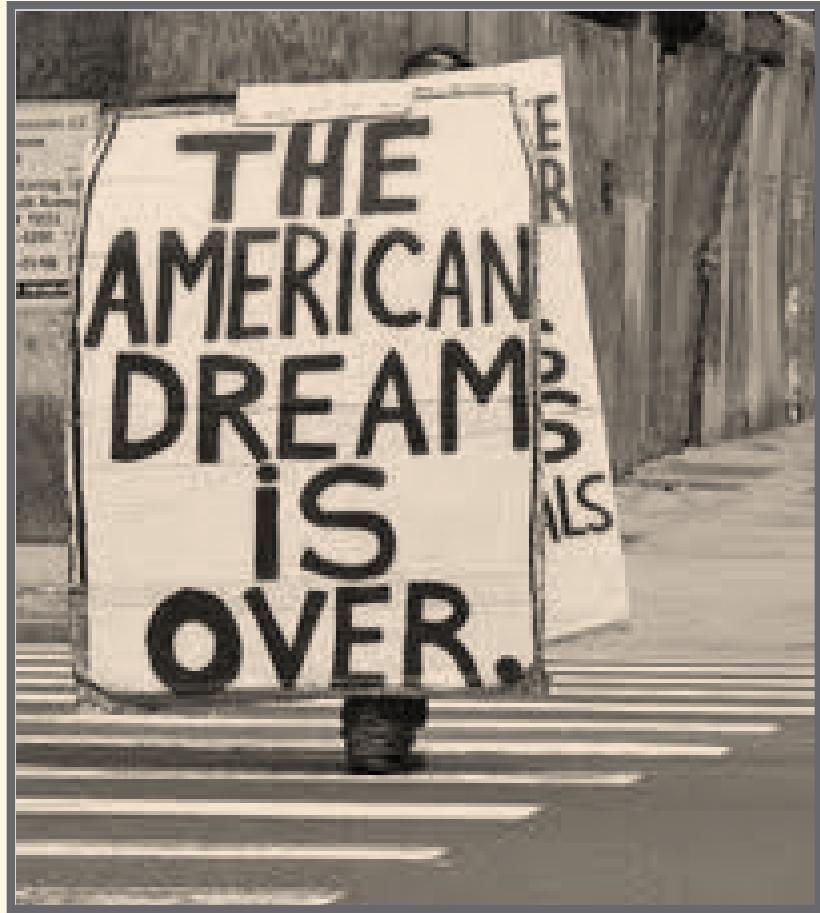


The End of the American Dream? Why Social Mobility May Have Changed in the 21st Century

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prepared for ...
Expert Meeting on Developing a New National Survey on Social Mobility
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New concerns about decline in mobility



Among general public: Occupy Wall Street (OWS) raises question of fairness

Among politicians: Alan Krueger mentions the Great Gatsby Curve (i.e., income inequality and social mobility are negatively correlated) in his 2012 report to the President

President Obama vowed to “build new ladders of opportunity into the middle class” in his 2013 address

Are concerns warranted?

Dirty little secret: No good evidence on trend

Long history of alarmist concerns about rigidification

Are they now finally on the mark?

Sources of possible trend (moving from early to late lifecourse and focusing on *occupational* mobility)

Race, ethnicity, and immigration

Family processes (e.g., marriage, divorce, cohabitation, assortative mating)

Residential segregation

Incarceration

Income distribution

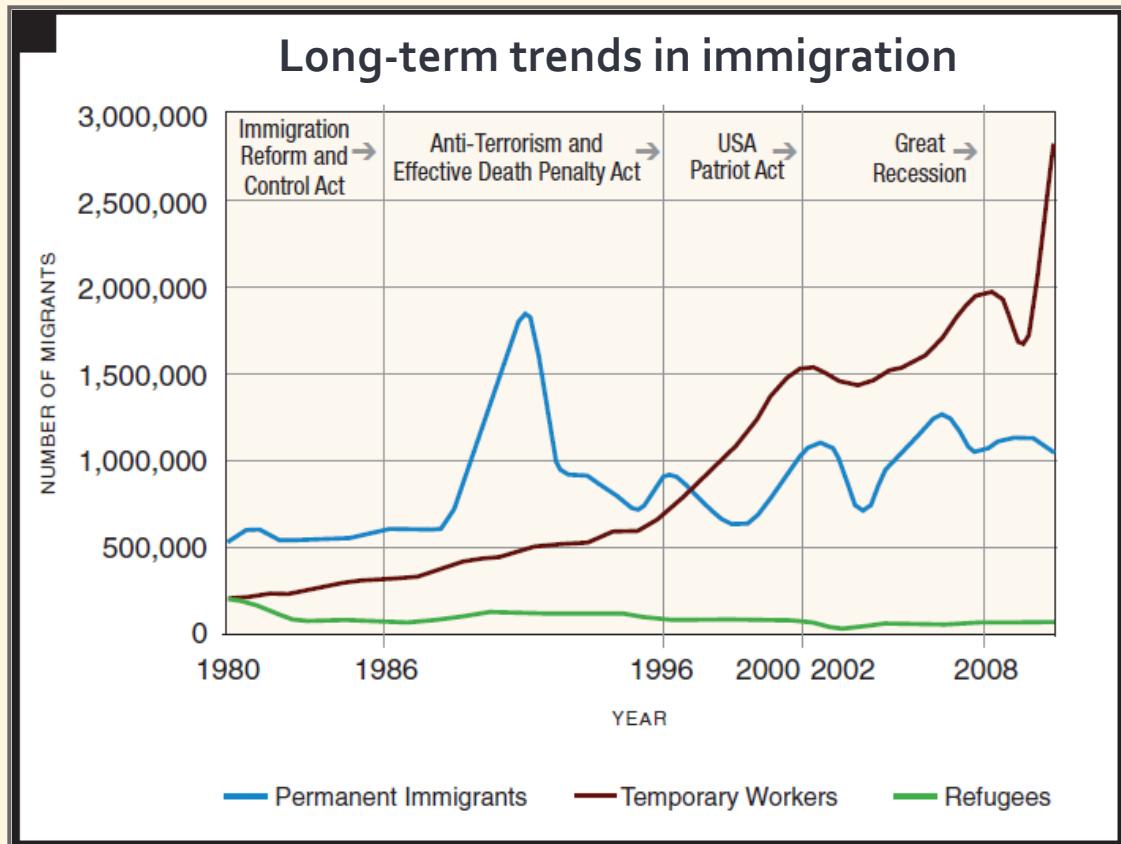
Wealth distribution

Education

Labor market

Cultural changes (e.g., middle class anxiousness)

Rising immigration



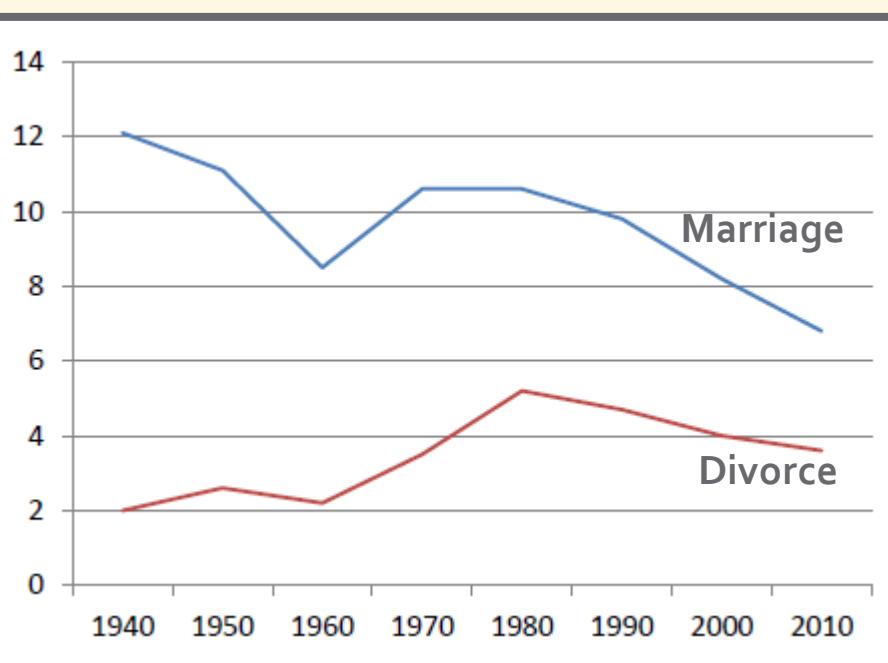
Complicated effects on mobility (but some scholars, such as Borjas, would argue that second-generation immigrants are on average less mobile than natives)

Also racial and ethnic compositional changes (e.g., rising immigration from Asia, Latin America)

Source: Douglas Massey, Immigration Recession Brief, *Recession Trends Initiative* (www.recessiontrends.org), Stanford Center on Poverty and Inequality

Complicating family forms: Marriage and divorce

Marriage and Divorce Rates per 1,000
(Total Population, 1940-2010)



Rise of divorce interrupts reliable family transmission of intellectual, cultural, and social resources (e.g., Biblarz and Raftery 1999)

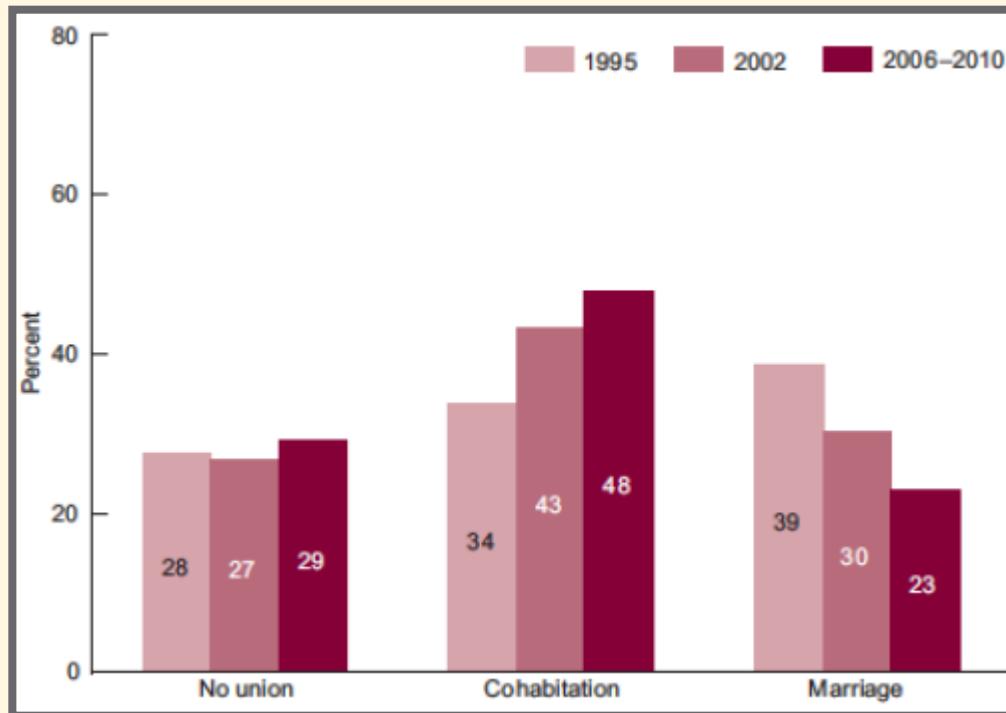
Divorce peaked in early 1980s and declined thereafter (implying possible decline in fluidity in most recent birth cohorts)

Decline in marriage (which is more continuous) may interrupt family transmission processes

NOTE: Class-specific trends and effects complicate accounts

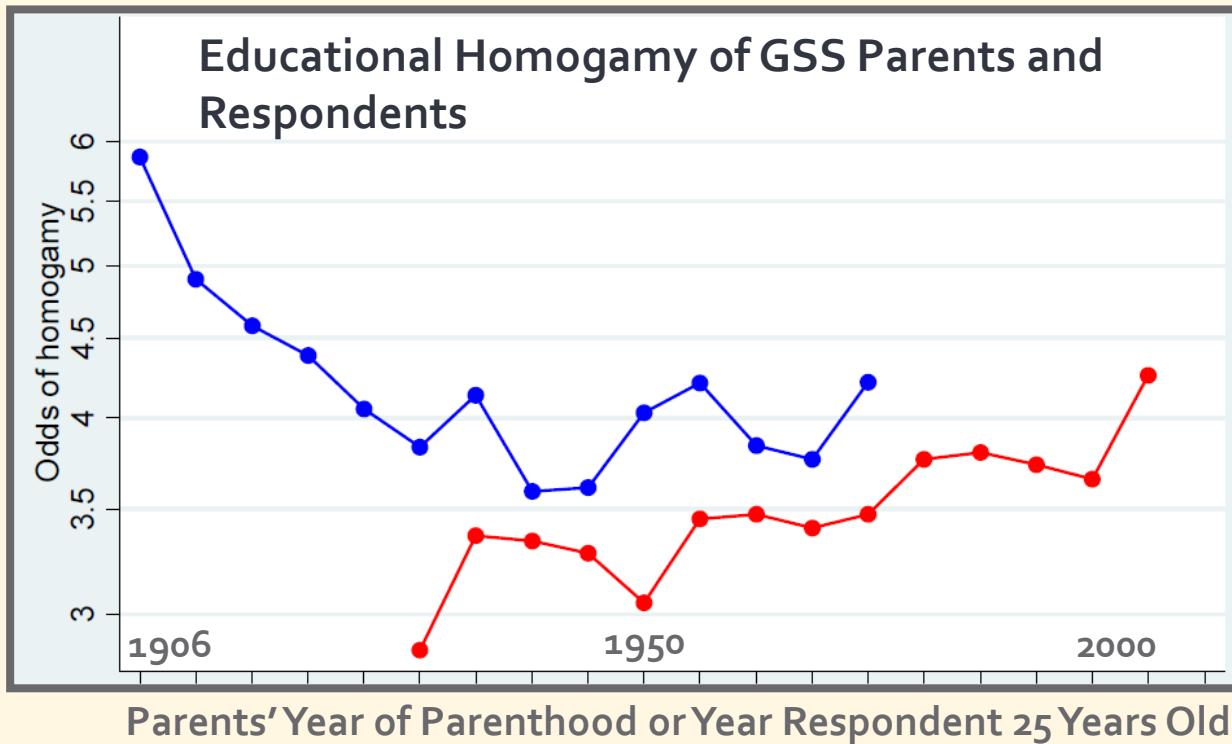
Complicating family forms: Cohabitation

Types of First Unions Among Women Aged 15-44 in 1995, 2002, and 2006-2010 (Source: CDC/NCHS, National Survey of Family Growth)



Does rising cohabitation attenuate parental transmission? Do class-specific trends complicate story?

Complicating family forms: Assortative mating



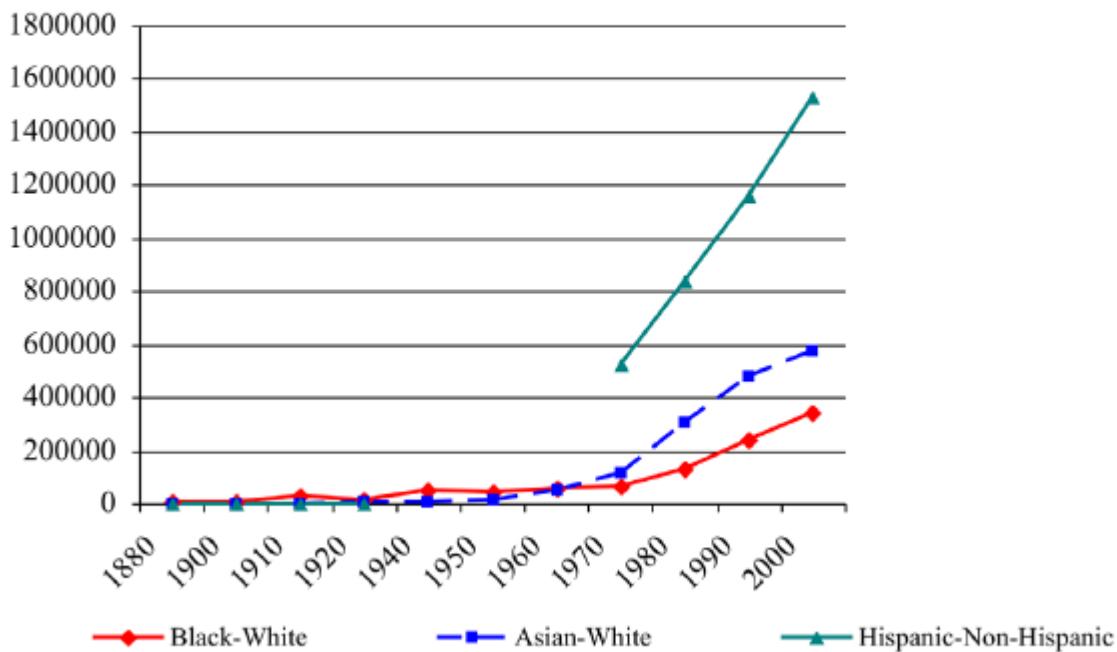
Rising educational homogamy concentrates advantage at top (and disadvantage at bottom)

Source: "Educational Assortative Mating in Two Generations," Robert Mare

Complicating family forms: Interracial marriages

Numbers of Interracial Marriages in the United States,

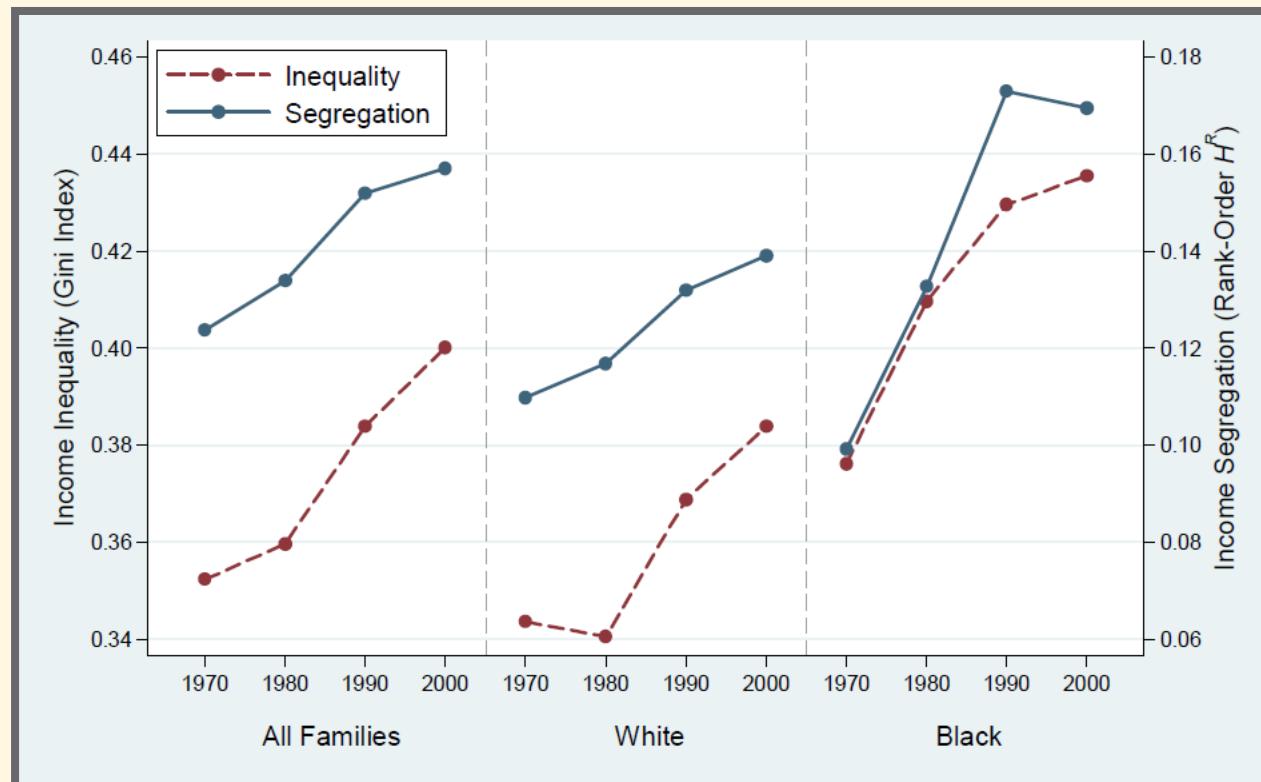
1880-2000



But racial homogamy is declining (which may attenuate foregoing assortative mating effect)

Residential income segregation

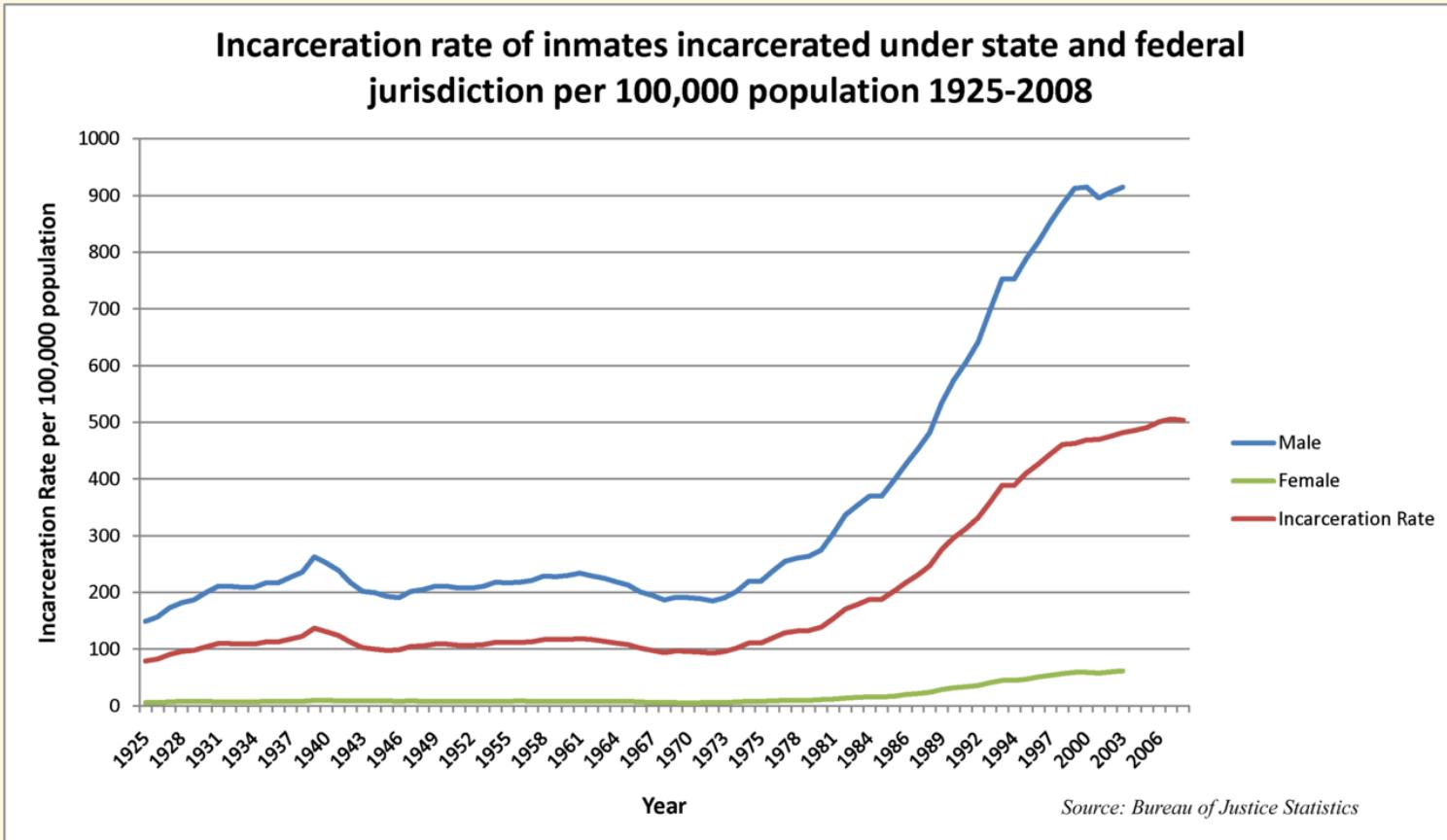
Trends in Income Inequality & Income Segregation, 1970-2000, by Race, 100 Largest Metropolitan Areas



Rising income segregation means that the well off can more reliably count on neighborhood amenities (e.g., good schools, good networks)

Source: Sean Reardon and Kendra Bischoff, "Income Inequality and Income Segregation"

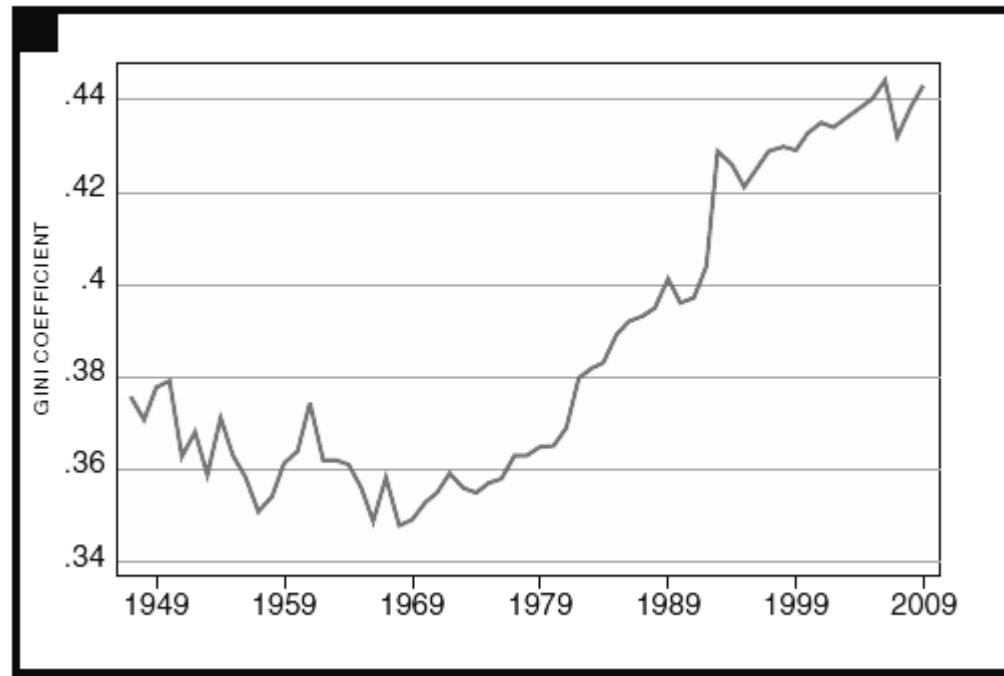
Incarceration



Rising incarceration siphons off high-immobility population
(which will create an artifactual trend of rising mobility among
the noninstitutionalized population)

Rising income inequality

Family Income Inequality, 1947–2009

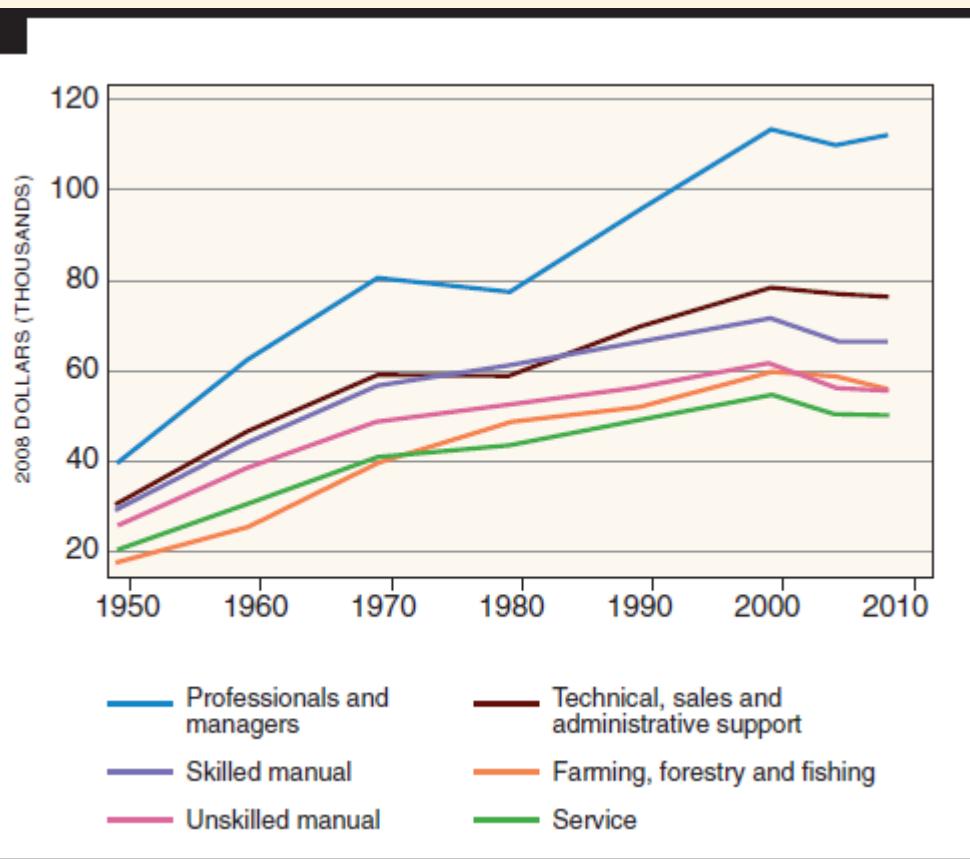


Growing between-occupation gaps in income → Reduction in between-occupation fluidity

Caveat: Hypothesis implies that rising income inequality takes on between-occupation form

Source: Census Bureau Historical Income Tables for Families,
Table F-4, 1947 to 2010

Median family income by household head's occupation



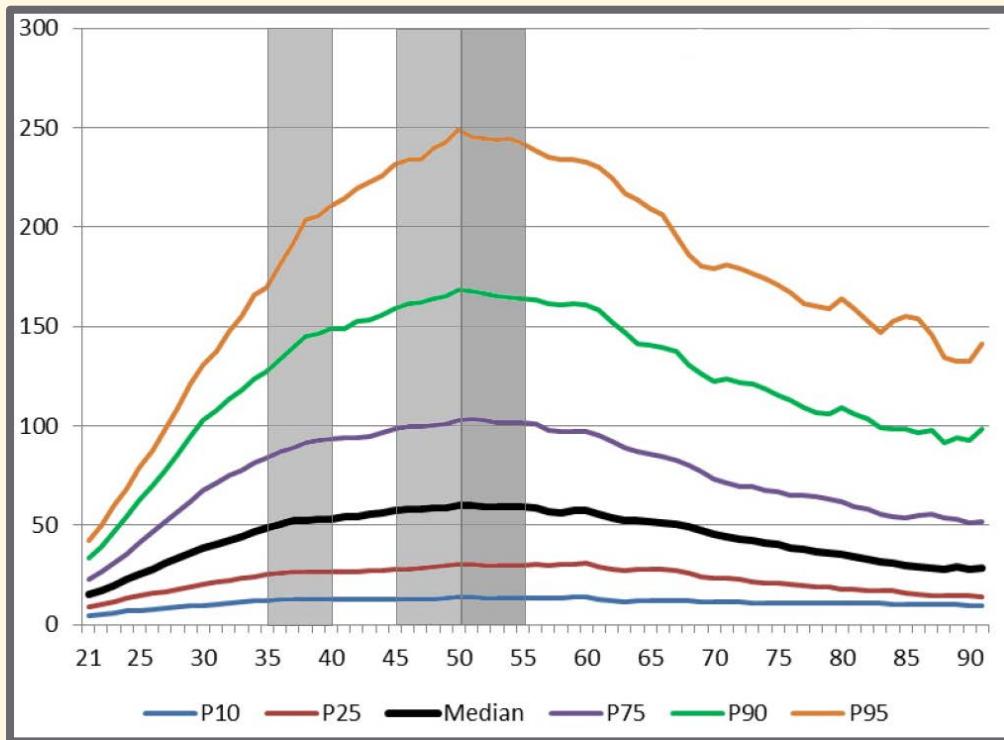
But professional-managerial class is main beneficiary of takeoff

How might they spend their money?

- High-quality childcare
- High-quality preschools and primary & secondary schools
- High-quality after-school training (e.g., SAT prep)
- Elite colleges
- Supporting children during unemployment
- Financing children's recredentialing

Methodological complications in testing income hypothesis

2007 IRS Data on Peak AGI by Age

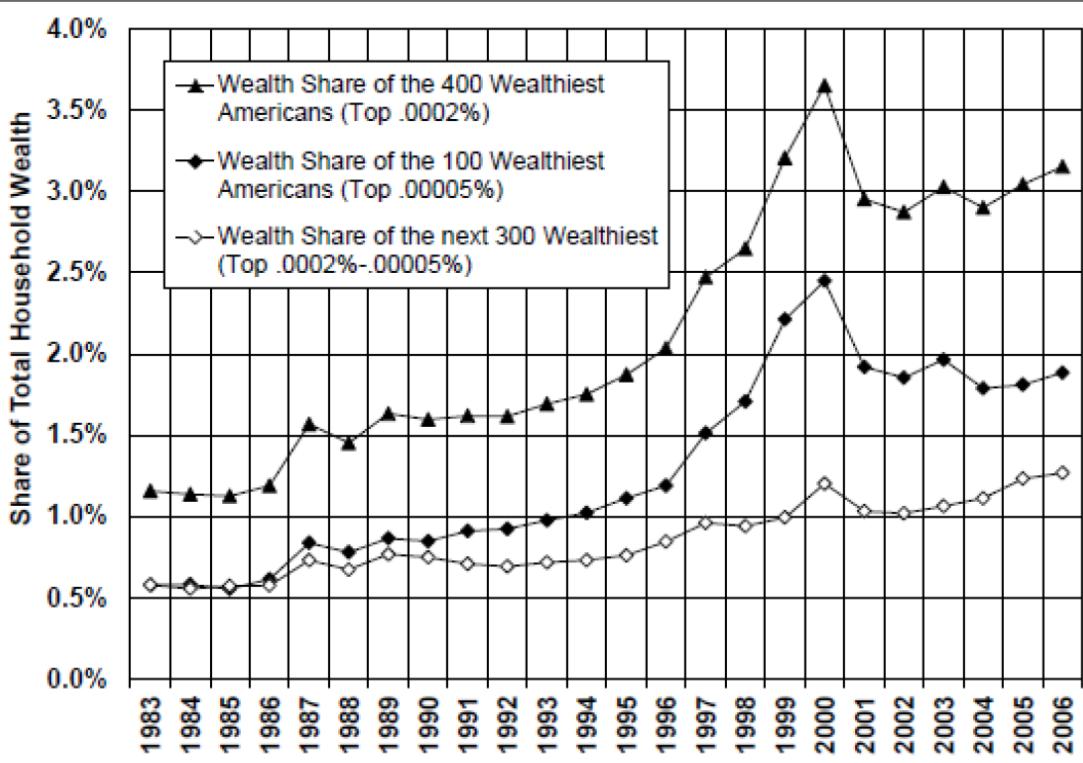


Too early to assess effects: 40 year-old in 2015 born in 1975 (and would therefore have experienced only beginning of takeoff)

Increase in age at which incomes peak?

Corresponding change in age at which “destination occupation” reached?

Wealth Transfers



Rising capacity for transfers
(although takeoff in wealth
inequality is less prominent
at lower percentiles)

Top decile of older
households transfers on
average \$12,000 per year to
second or third generation

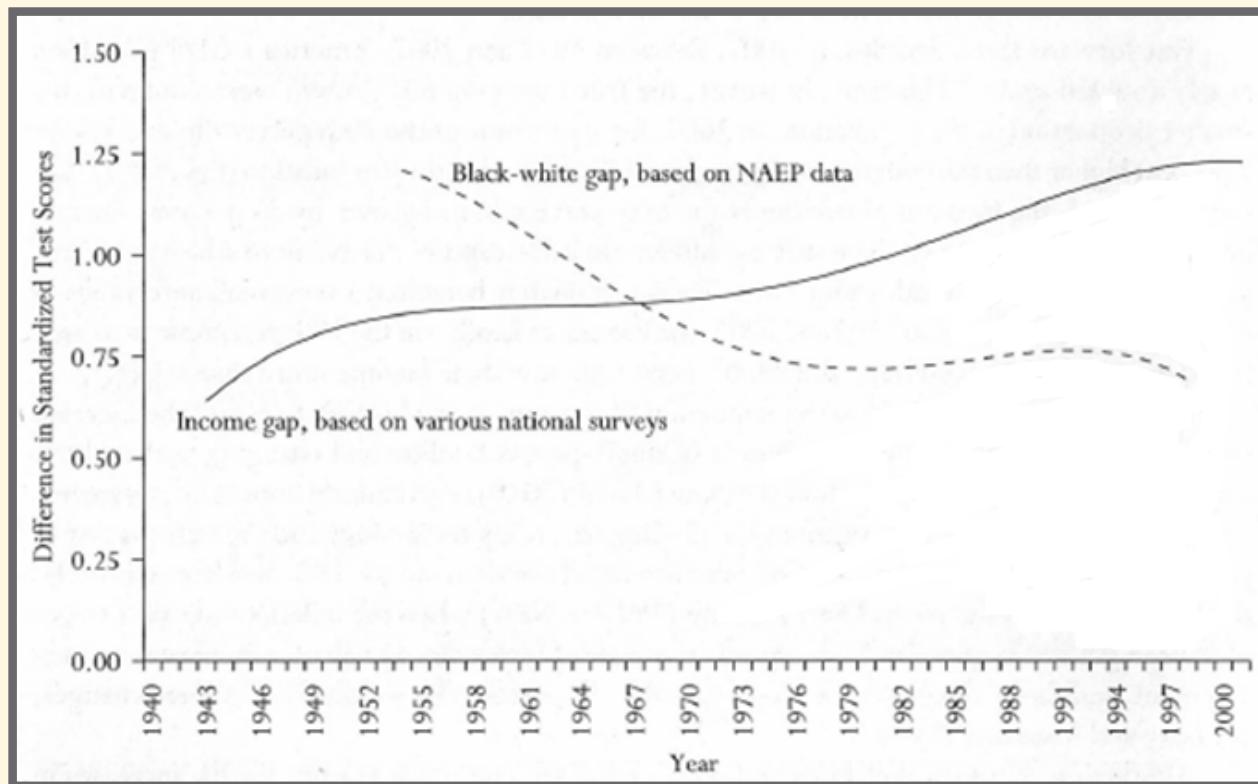
For what purpose?

- College tuition or professional schools
- Allow for interning in expensive cities
- Set up business or practice

Note: The data are drawn from Wojciech Kopczuk and Emmanuel Saez, 2004, "Top Wealth Shares in the United States, 1916-2000: Evidence from Estate Tax Returns," *National Tax Journal*, Vol. LVII, No. 2, Part 2, June, pp. 445-87. The updated results are available at <http://elsa.berkeley.edu/~saez/TabFig2008.xls>.

Education: Performance gaps

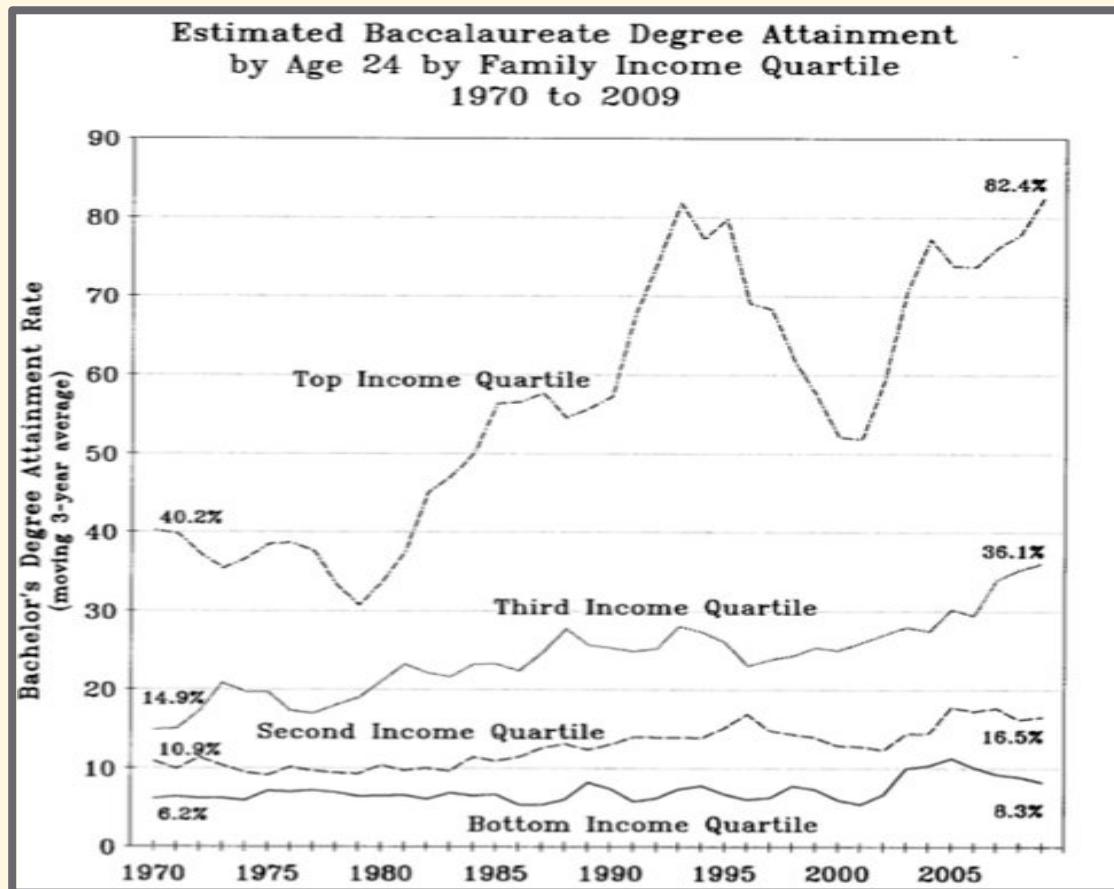
Estimated gaps in reading achievement between high-income (90th percentile) and low-income (10th percentile) children and between black and white children



Growing
performance gap
leads to declining
mobility

Note: Adapted from Sean Reardon, *Whither Opportunity*.

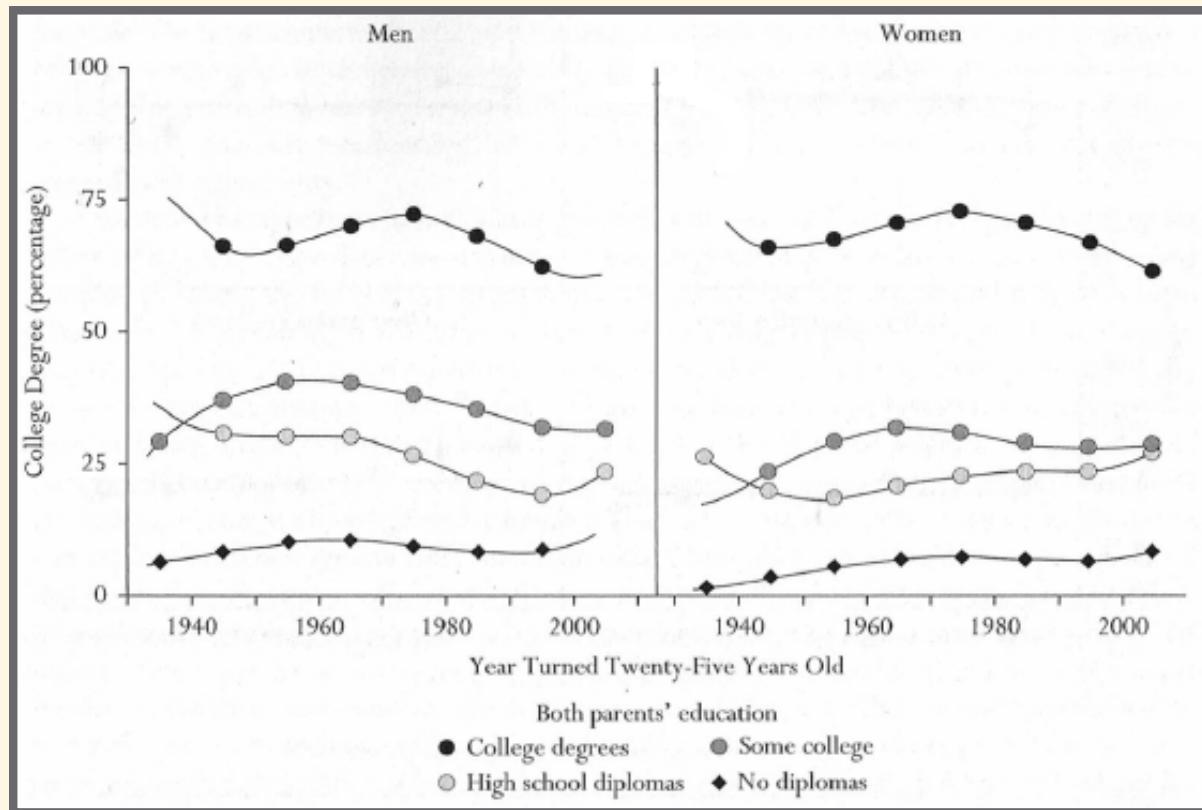
Education: Attainment gaps



Growing association between family origins and educational outcomes

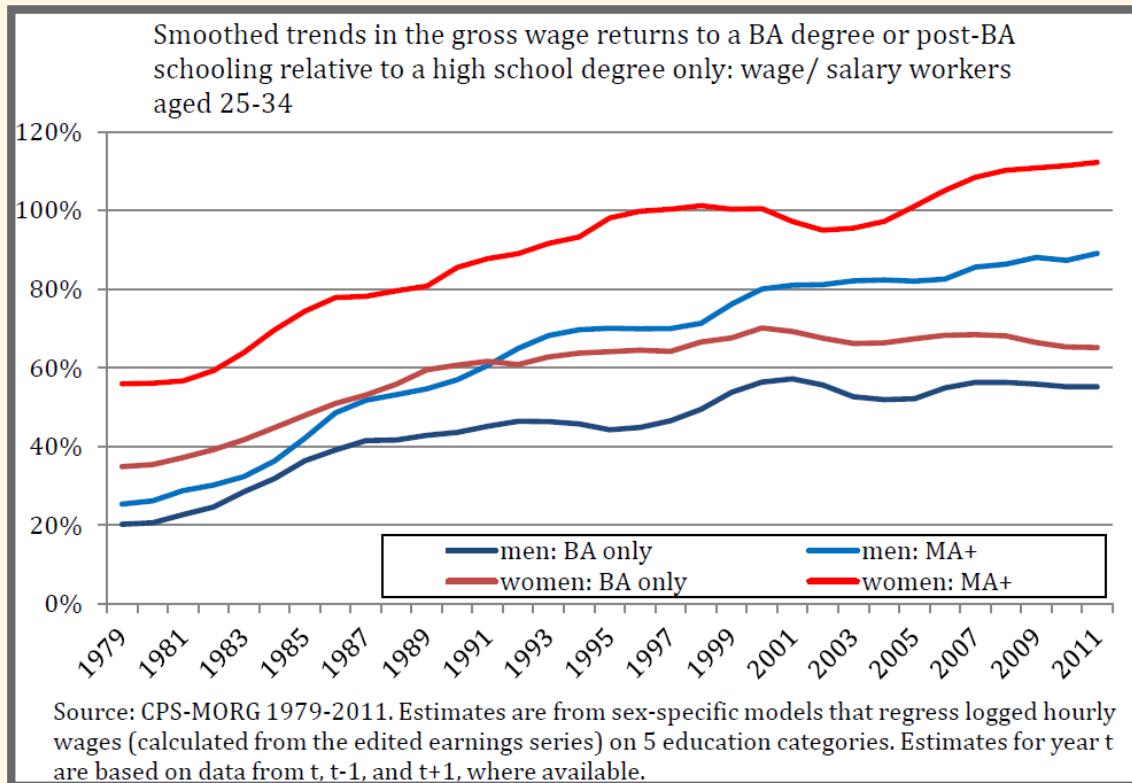
Source: Anthony P. Carnevale, 2012

Education: Attainment gaps II (i.e., percent graduating from college by gender, parental education, and year turned twenty-five)



Note: Adapted from Michael Hout, *Whither Opportunity*.
The data are from the General Social Survey.

Education: Changing returns



Rising returns reduce mobility (all else equal)

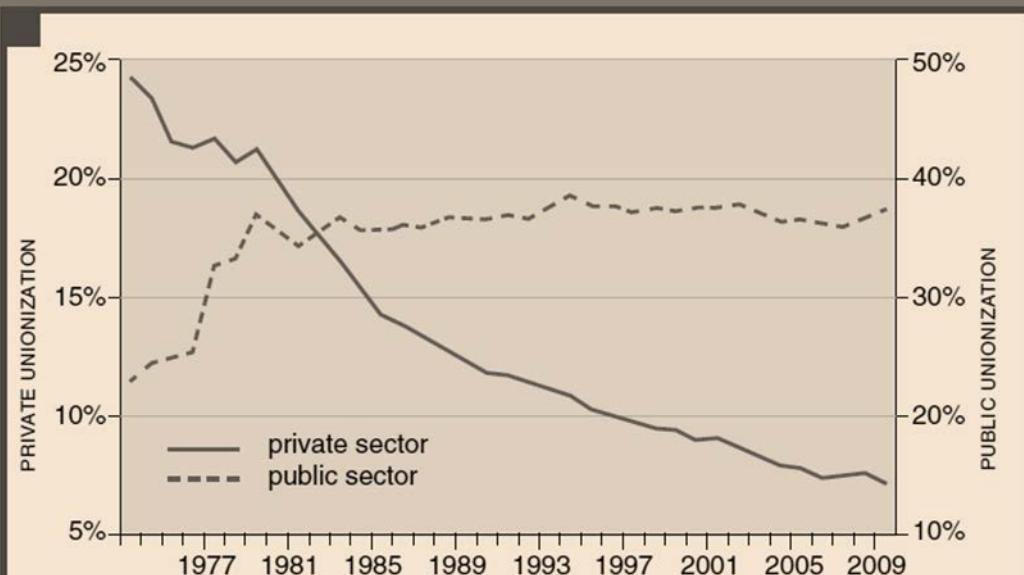
Education: Compositional effects

Rise in college-educated workers shifts the composition to a low-association regime (Michael Hout)

Rise in advanced-degree workers shifts the composition back to a high-association regime (Florencia Torche)

Labor market: Unionization

FIGURE 1 Unionization rates by sector, 1973–2009

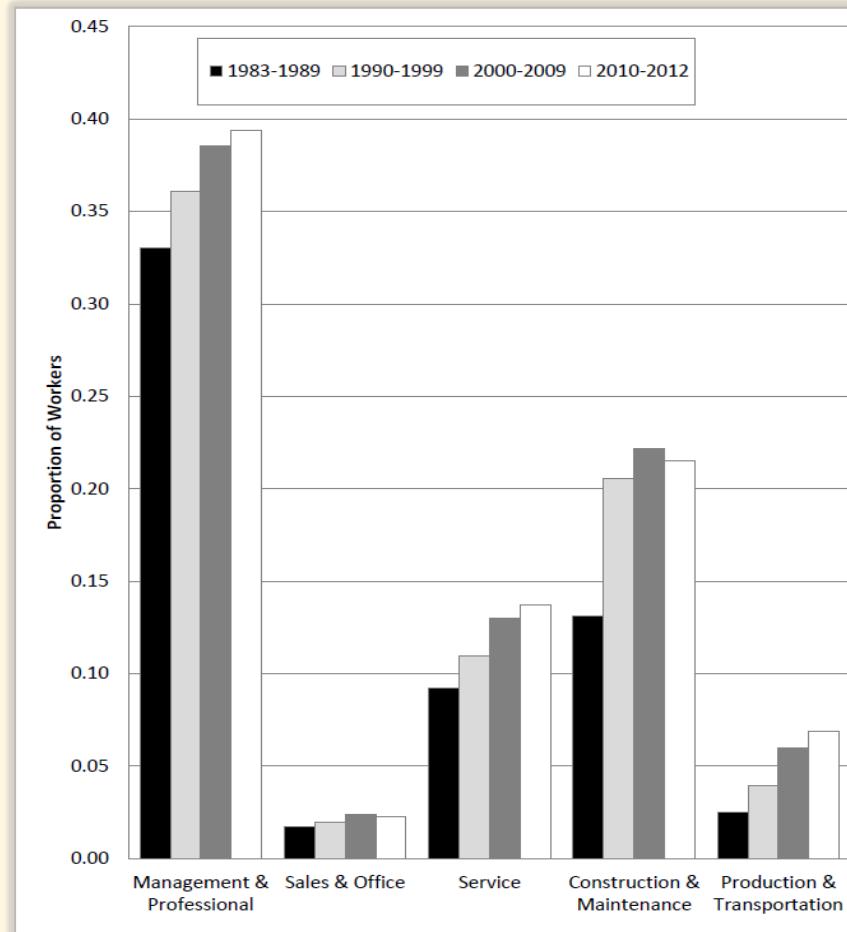


Data are provided by Barry T. Hirsch and David A. McPherson's www.unionstats.com database (2010), and are based on Current Population Survey (CPS) data. Unionization data for 1982 are unavailable; I generate 1982 estimates by averaging 1981 and 1983 rates.

Unions allowed for network-based intergenerational reproduction (especially in craft sector)

Decline of unions reduces that form of reproduction

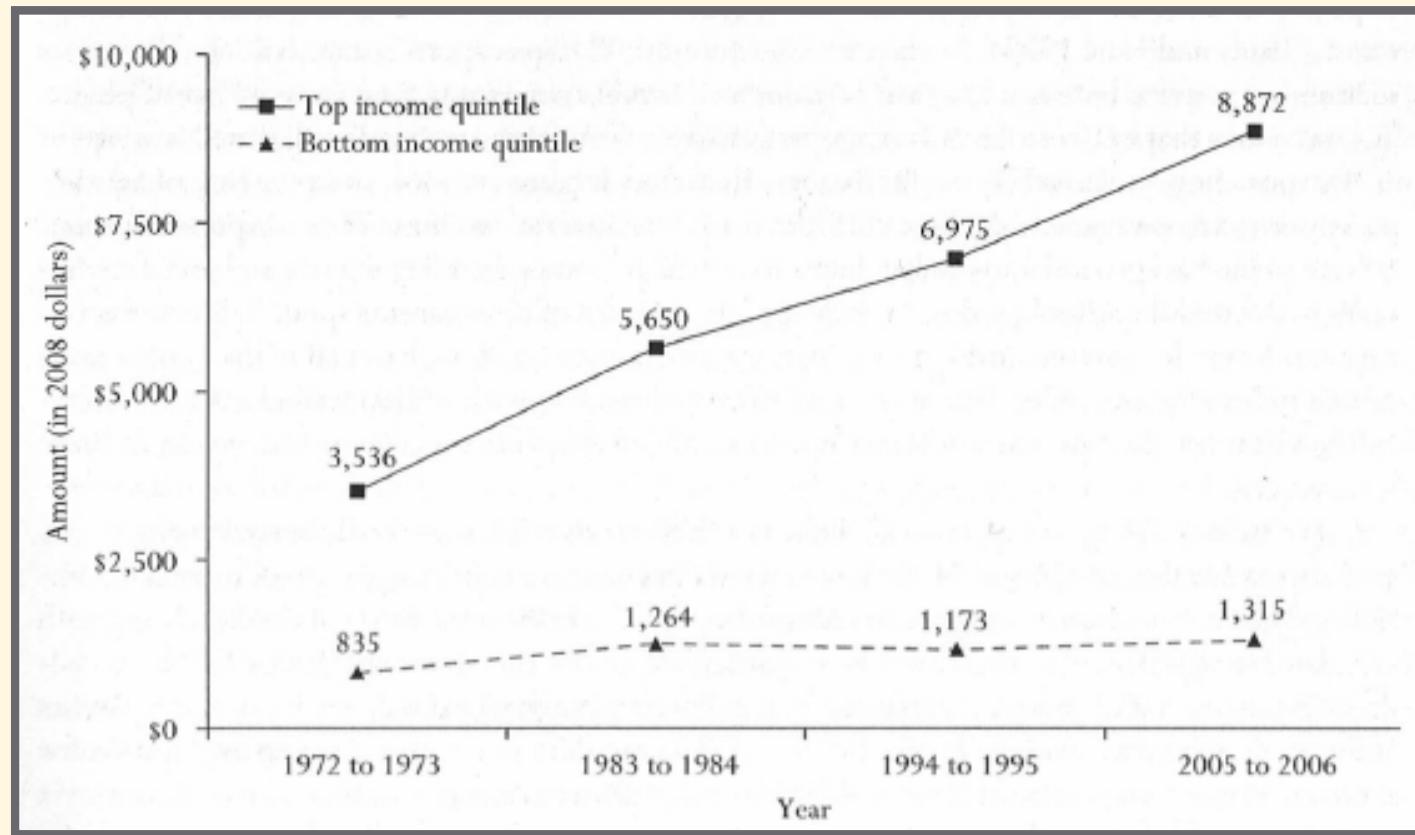
Labor market: Licensure



Rising licensure replaces unions and provides new intergenerational conduit?

Source: David B. Grusky and Beth Red Bird, *The Rise of Licensure*, Stanford Center on Poverty & Inequality

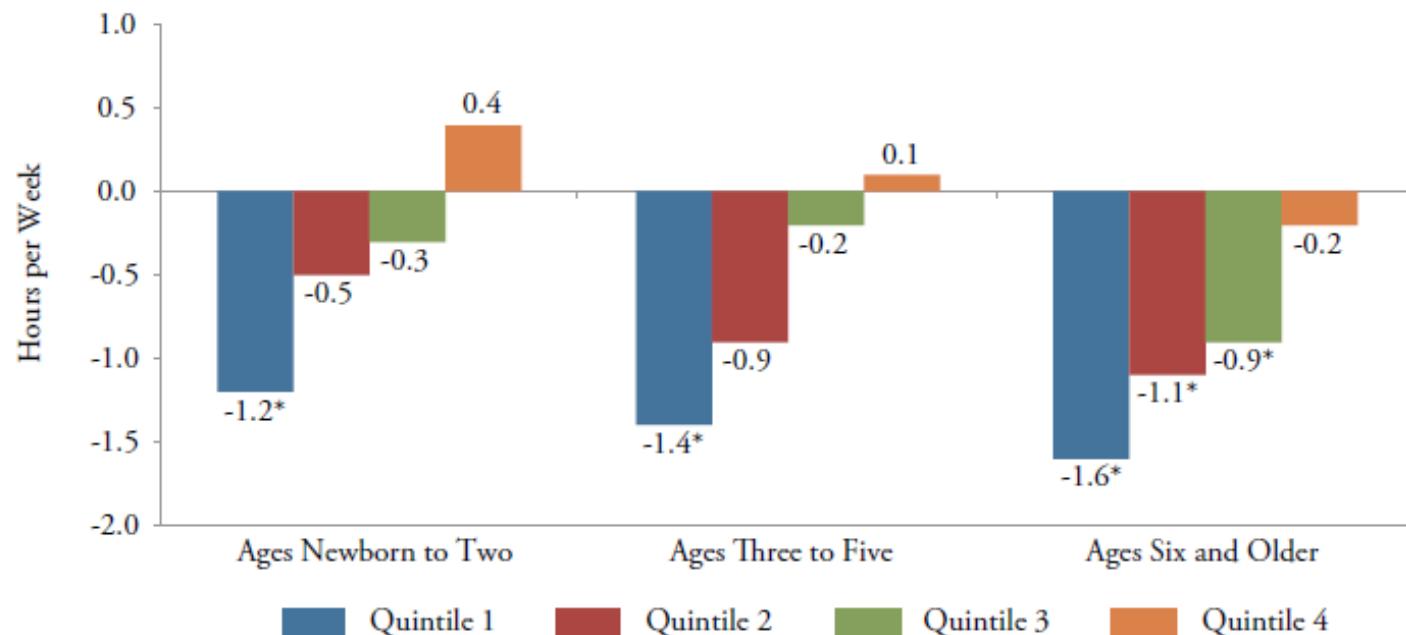
Cultural forces: Growing middle-class anxiety (and hence enrichment expenditures on children may grow at faster rate than income)



Note: Enrichment expenditures include, for example, high-quality child care, summer camps, private schooling, travel, and music lessons. Adapted from Neeraj Kaushal, Katherine Magnuson, and Jane Waldfogel, *Whither Opportunity*. Source: Consumer Expenditure Surveys

Increasing differentials in time investments?

Figure 21: Disparities in Weekly Time Spent in Literacy Activities by Age and Household Income Quintile¹⁰¹



Source: Meredith Phillips, based on Panel Study of Income Dynamics, 2009. Bars show difference relative to children whose family is in the top quintile, adjusted for child's age in month and gender. *Denotes statistically significant difference at the p<0.05 level.

Summing up

Possible forces for rigidification

Immigration
Divorce
Assortative mating
Income segregation
Income inequality
Wealth inequality
Performance gap
Educational attainment
Returns to education
College composition
Licensure
Cultural anxiety

Possible forces for fluidity

Marriage
Cohabitation
Racial homogamy
Incarceration
Postgrad. composition
Unionization