

Intergenerational income persistence

Measures of intergenerational persistence can be indicative of equality of opportunity, but the relationship is not clear cut

Keywords: intergenerational income mobility, equality of opportunity, data quality

ELEVATOR PITCH

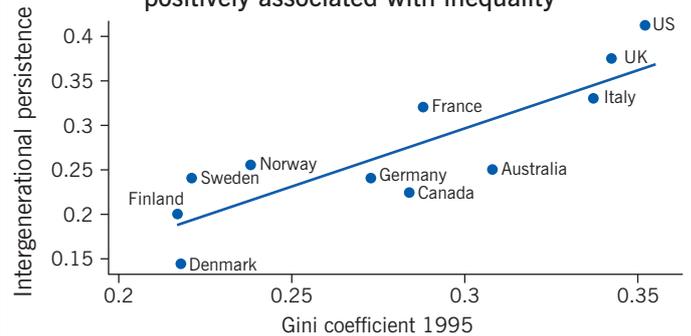
A strong association between incomes across generations—with children from poor families likely to be poor as adults—is frequently considered an indicator of insufficient equality of opportunity. Studies of such “intergenerational persistence,” or lack of intergenerational mobility, are concerned with measuring the strength of the relationship between parents’ socio-economic status and that of their children as adults. However, reliable measurement requires overcoming important data and methodological difficulties. Moreover, the association between equality of opportunity and common measures of intergenerational persistence is not as clear-cut as is often assumed.

KEY FINDINGS

Pros

- ⊕ Intergenerational income elasticity, a measure of inequality transmitted between generations, is related to a well-developed conceptual framework.
- ⊕ Comparisons of intergenerational income persistence across countries, localities, and time reveal settings where intergenerational links are weaker.
- ⊕ The impacts of poorly measured parental income on estimates of intergenerational elasticity are clearly understood.
- ⊕ Correlations between rank positions in the income distribution, which are unrelated to the particular distribution, may be a purer measure of persistence than elasticity. Researchers are developing other measures which can capture the size and direction of mobility.

The Great Gatsby curve: Intergenerational elasticity is positively associated with inequality



Note: The Gini coefficient is a common measure of inequality; data are for people born in the 1960s and 1970s.

Source: [1], Figure 6B.

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Cons

- ⊖ Not all mechanisms driving intergenerational persistence are necessarily clearly related to fairness and equality of opportunity.
- ⊖ Data requirements for reliably comparing estimates of intergenerational mobility are stringent, resulting in considerable uncertainty.
- ⊖ Intergenerational elasticity assumes that the intergenerational relationship is constant across the income distribution and therefore is affected by changes in inequality between generations.
- ⊖ The properties of new measures of intergenerational persistence are less well understood.

AUTHOR'S MAIN MESSAGE

Measures of intergenerational mobility, such as intergenerational elasticity, help paint a broad picture of intergenerational inequalities. However, data limitations introduce biases, and any discussion of optimal intergenerational persistence entails value judgments, which must be clearly articulated. By using new measures and data, and comparing intergenerational persistence across countries, time, and localities, researchers have begun to develop a more nuanced picture of intergenerational persistence and the mechanisms driving it. That is critical for identifying the most effective policy levers to apply.