

## *Multi-Generational Income Disadvantage and the Transition to Adulthood*

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The importance of childhood SES on later life outcomes is well documented (Duncan, Ziol-Guest & Kalil, 2010; Ratcliffe & McKernan, 2010). Children raised in poor households do worse on cognitive tests (Smith, Brooks-Gunn & Klebanov, 1997), completed schooling (Axinn, Duncan & Thornton, 1997) and in the labor market (Hauser & Sweeney, 1997). We extend this research by analyzing data from the Transition to Adulthood Supplement (TA) to the Panel Study of Income Dynamics (PSID) on childhood resources and young adult achievement across three generations.

Between 1968 and 1997 the PSID gathered education, employment and income data primarily from the household head and wife; information on other household members was limited. In 1997 the PSID launched the Child Development Supplement (CDS) which collected information regarding the behavior and development of children (aged 0-12 at the time of the interview) in PSID households and added new measures of the household environment and family relationships. An additional wave of CDS interviews was conducted in 2002. In 2005 CDS-children who had finished high school (either by dropping out or graduating) were recruited into the TA study.

A significant portion of the TA sample consists young adults residing in their childhood homes (for at least part of every year) and as a result they would not have been interviewed in the core PSID. The instrument is a hybrid of the CDS and core questionnaires, collecting information on young adult development and expectations as well as detailed education, employment and income data. This paper will analyze the 2005, 2007 and 2009 waves of TA data.

The TA sample represents the third generation of described at the outset, as these respondents are children of a parent who grew up in a PSID household. Thus, we have information on the childhood economic resources of both these young adults and their parents, allowing us to investigate the extent to

which a parent's childhood circumstances (i.e. the SES of the TA respondents' grandparents) influence those of his/her children. To our knowledge this is the first such use of these three-generation PSID data. Because the respondents are about 19 years old on average, we analyze the determinants of early indicators of later adult success, high school completion and college entry, and model these outcomes as functions of multi-generational income disadvantage.

Our sample consists of respondents for whom we have information on late childhood (ages 11-15) average, inflation-adjusted per capita family income, as well as the same income measure for their parents when they were at this same age. To test the robustness of our findings, we will measure childhood SES using different indicators, including income relative to the appropriate poverty threshold, placement on the income distribution, and parental education.

The descriptive statistics presented in Table 1 make use of the preliminary 2009 data on 1068 young adults. In the absence of TA-specific weights (which will become available at the end of 2011), we apply the individual-level weights from the 2009 core PSID. The sample means shown are illustrative of the issues we will explore; those for all respondents are shown in column 1. About one in eight respondents has dropped out of high school and 73.5 percent are enrolled or have been enrolled in a post-secondary institution. Comparing parents' education to grandparents' education we see a sizable generational shift towards college: whereas nearly 75 percent of parents were raised in households where no parent completed college, over 60 percent of these parents had at least some college experience.

Columns 2 (respondents from households at the bottom 20 percent of the income distribution) and 3 (those from the remaining 80 percent) document the large differences in intergenerational outcomes by SES. Thirty percent of low-income respondents were high school dropouts, compared to only 8.1 percent for the rest of the distribution. The college-enrollment gap is also around 20 percentage

points. Only 3.6 percent of low-income respondents were raised by parents with a college degree, compared to 31.4 percent of other respondents.

The final column shows the statistics for respondents raised in low-income households by parents who themselves grew up in low-income households. These respondents have very low mean per capita income as children—\$2,560 per capita compared to the sample mean of \$10,560 and the mean for all TA respondents from the lowest quintile, \$5,810.

By controlling for the respondents' parents' childhood circumstances as well as his or her own, we will be able to test the importance of the persistence of disadvantaged circumstances. For example, if the outcome in question depends only on the respondent's own childhood resources, then parents' childhood resources should not matter. Thus, in a model that includes controls for both, a statistically significant association between parental childhood resources would be evidence of a more complicated relationship. Our multivariate regression models will explore this relationship, as well as potential mediating and moderating factors. Data from the PSID and CDS provide a number of variables that distinguish income disadvantage and may help explain the lack of social mobility. Such factors include neighborhood and school characteristics, measures of the home environment, including education-related expenditures and family structure, and measures of respondents' cognitive and behavioral development. We will also examine the role of parents' employment histories, in particular time in low-wage employment, time unemployed and out of the labor force and histories of program participation, particularly receipt of food stamps and welfare.

Table 1: Descriptive Statistics, TA Respondents with PSID-Participant Grandparent

	Sample	Bottom Quintile	Upper Quintiles	Own + Parent Bottom Quintile
High school dropout	0.123	0.308	0.081	0.357
Any college, enrolled or completed	0.735	0.563	0.764	0.630
Own childhood average annual income*	1.787	0.376	2.102	0.361
.	(2.087)	(0.157)	(2.186)	(0.149)
Parent's childhood average annual income*	1.056	0.581	1.162	0.256
.	(0.766)	(0.418)	(0.786)	(0.092)
Parents' education				
No high school	0.103	0.340	0.050	0.381
High school graduate	0.266	0.387	0.239	0.357
Some college	0.369	0.237	0.398	0.214
College degree	0.263	0.036	0.314	0.048
Grandparents' education				
No high school	0.365	0.679	0.295	0.841
High school graduate	0.373	0.233	0.404	0.146
Some college	0.130	0.067	0.144	0.012
College degree	0.133	0.021	0.157	0.000
Age	18.738	19.005	18.678	18.988
.	(1.231)	(1.416)	(1.178)	(1.460)
Female	0.516	0.503	0.519	0.464
Sample size	1068	195	873	84

\* In 10K, 2005 USD.