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Downward Mobility from the Middle Class: Waking Up from the American Dream

By Gregory Acs



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This report is intended for educational and informational purposes.

For additional information on The Pew Charitable Trusts and the Economic Mobility Project, please visit www.economicmobility.org or email us at info@economicmobility.org.

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Executive Summary

The idea that children will grow up to be better off than their parents is a central component of the American Dream, and sustains American optimism. However, *Downward Mobility from the Middle Class: Waking up from the American Dream* finds that a middle-class upbringing does not guarantee the same status over the course of a lifetime.¹ A third of Americans raised in the middle class—defined here as those between the 30th and 70th percentiles of the income distribution—fall out of the middle as adults. The data also show differences in rates of downward mobility from the middle based on both family background and personal characteristics.

The research for this report was undertaken to answer critical questions about what accounts for downward mobility from the middle class, and how those factors influence people differently depending on their race and gender. Four main findings were identified:

Marital status, education, test scores and drug use have a strong influence on whether a middle-class child loses economic ground as an adult.

In this era of two-worker families, both men and women who are divorced, widowed or separated are more likely to lose their middle-class status, as are never-married men and women.

- Compared with married women, women who are divorced, widowed or separated are between 31 and 36 percentage points more likely to fall down the economic ladder. In turn, never-married women are 16 to 19 percentage points more likely to be downwardly mobile than married women.
- Men who are divorced, widowed or separated are 13 percentage points more likely to drop out of the middle class than are married men, and men who have never married are 6 to 10 percentage points more likely to fall than married men.

Men and women raised in middle-class homes are generally more likely to fall out of the middle if they do not obtain education beyond high school.

- Women with a high school diploma or less who are raised in middle-class homes are between 14 and 16

percentage points more likely to be downwardly mobile than women who get a college degree.

- Men with no more than a high school diploma are 7 to 15 percentage points more likely to be downwardly mobile than men with just some postsecondary education but no bachelor's degree.

A relatively low score on the Armed Forces Qualification Test (AFQT), which measures reading comprehension, math knowledge, arithmetic reasoning and word knowledge, correlates with downward mobility, as does the use of heroin or crack cocaine.

Race is a factor in who falls out of the middle class, but only for men.

- White, black and Hispanic women are equally likely to experience downward mobility out of the middle class, but 38 percent of black men fall out, compared with 21 percent of white men. Hispanic men also appear more likely than white men to fall from the middle as adults, but the difference is not statistically significant.

There is a gender gap in downward mobility from the middle, but it is driven entirely by a disparity between white men and white women.

- Only among whites are women more downwardly mobile than men: Thirty percent of white women fall out of

the middle class, compared with 21 percent of white men. Black women experience less downward mobility than black men, and Hispanic men and women have nearly identical chances of falling from the middle.

Differences in average test scores are the most important observable racial difference in accounting for the large downward mobility gap between black men and white men, but none of the factors examined in the report sheds light on the gap between white men and white women.

- Black men raised in middle-class families are 17 percentage points more likely to be downwardly mobile than are white men raised in the middle. Taking into account a range of personal and background characteristics—such as father's occupational status, individual educational attainment and marital status—reduces this gap, but still leaves a sizable portion unexplained. However, taking into account differences in AFQT scores between middle-class white and black men reduces the gap until it is statistically indistinguishable from zero.
- On the other hand, even after accounting for personal and background differences, the gap between white men and white women remains almost completely unexplained.

Introduction

In January 2009, the Economic Mobility Project (EMP) commissioned a public opinion poll to assess Americans' perceptions of their own economic mobility and opportunity and the mobility prospects of future generations. When asked to define the American Dream, one of the more popular options chosen was "your children being financially better off than you."² Indeed, the promise of each generation doing better than the one that came before it is a founding principle of our country and sustains American optimism.

Defining middle class as those between the 30th and 70th percentiles of the income distribution, this report finds

that a third of Americans raised in the middle class fall down the income ladder as adults.³ What's more, the data show differences in rates of downward mobility based on both family background and personal characteristics.

What accounts for downward mobility from the middle class, and how do those factors influence people differently depending on their race and gender? What might explain differences in downward mobility by race and gender? Using survey data that tracks Americans from youth into adulthood, this report explores these questions to better understand why the American Dream eludes some in the middle class.

Data and Definitions

This report draws from the National Longitudinal Survey of Youth (NLSY) 1979 cohort, focusing on youth who were age 14-17 in 1979 and who lived in their parents' homes in 1979 and 1980.⁴ Their economic status was then assessed in 2004 and 2006, when they were between the ages of 39 and 44.⁵ The sample is divided into three racial groups: Non-Hispanic whites (including a small number of people who are not white, black or Hispanic); non-Hispanic blacks; and Hispanics.

The middle-class group is defined as those falling between the 30th and 70th percentiles of the family-size-adjusted income distribution. This is a broader definition of “middle class” than that used in EMP’s 2008 report, *Getting Ahead or Losing Ground: Economic Mobility in America*, which defined “middle income” as falling between the 40th and 60th

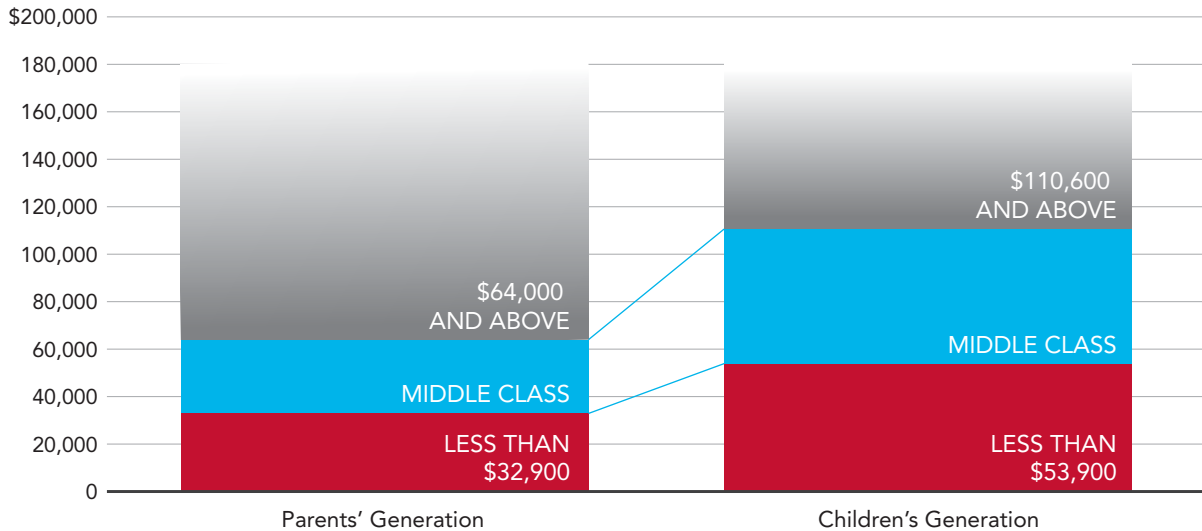
percentiles. Using the 30th percentile as the lower bound for middle-income status has some appeal—it is around the income level at which most individuals are ineligible for public-assistance programs for low-income families and, as such, the life experiences of those just above and just below the cutoff may be qualitatively different.

A family’s income is adjusted for family size by dividing it by the poverty line for the family. The poverty line measures a family’s needs; it varies by family size and composition. In these data, those raised in middle-class families had income-to-needs ratios from 1.70 to 3.37 (the 30th to 70th percentiles). This definition of middle class roughly translates to income from about \$32,900 to \$64,000 in 2010 dollars for a family with two adults and two children (see Figure 1).

Figure 1

Defining the Middle Class

The Income Range of the Middle Class has Shifted Significantly Over the Past Generation



NOTE: Income calculated for family of four. Cut points defining the middle class are based on income adjusted for family size. A family's income is divided by the federal poverty line corresponding to its size and composition (e.g., number of adults and number of children). The dollar amounts in the figure are the result of multiplying the size-adjusted cut points by the federal poverty line for a family of four (two children and two adults). The cut point amounts for each generation (measured in 1979 and in 2004 and 2006) are then adjusted to reflect purchasing power in 2010, using the Personal Consumption Expenditure deflator from the Bureau of Economic Analysis.

Measures of Mobility

Three measures are used to assess the downward mobility of youth raised in middle-class families. The first defines downward mobility as the share of middle-class youth who fall below the 30th percentile of the income distribution when they are 39- to 44-year-olds.⁶ The second measure considers adults to be downwardly mobile if their income rank is 20 or more percentiles below their parents' rank in 1978-79. Unlike the first measure, this measure does not consider someone who drops from the 31st percentile as a child to the 29th percentile as an adult

to be downwardly mobile. On the other hand, it does consider someone who drops from the 69th to the 49th percentile to be downwardly mobile, even though the person in this example remains squarely in the middle of the income distribution as an adult.

Both of these definitions are based on *relative* mobility—where one stands relative to one's peers in the income distribution, compared with where one's parents stood relative to their peers. However, since living standards have improved over time due to economic growth, even a youth who is worse off

relative to his peers than his parents were might be materially better off than his parents. To address this issue, the analyses use a third measure that assesses downward *absolute* mobility: adults who started out in the middle class are considered downwardly mobile if their inflation- and family-

size-adjusted income is more than 20 percent below their parents' income. These three measures are interrelated but capture different facets of mobility, and considering all three gives a more complete picture of who is downwardly mobile from the middle and why.

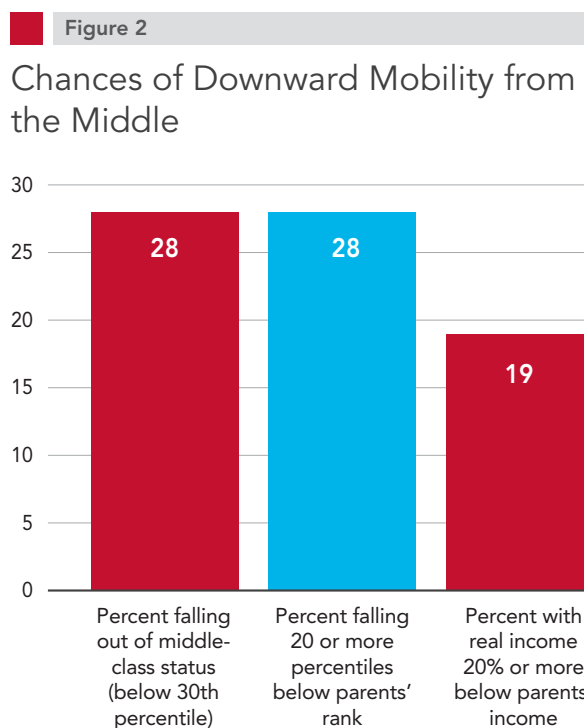
How Common is Downward Mobility from the Middle?

If growing up in the middle class did not confer any advantages to children, then one would expect that 30 percent of them would end up in the bottom 30 percent of families as adults. That is to say, no matter what their parents' income was, everyone—rich, poor or middle class—would have the same chance of being in the bottom 30 percent. Thirty percent of adults raised in rich families would end up there, 30 percent of adults raised in poor families, and 30 percent of those raised in middle-class families.

In fact, at least for adults raised in middle-class families, that is basically what happened—28 percent of adults whose parents were in the middle class fell from the middle themselves. Many did not fall far, however (remember that even moving from the 31st percentile to the 29th is enough). Looking at the second measure of downward mobility, 28 percent of adults also fell 20 percentiles or more below their parents' rank (though of course, they were not exactly the same 28 percent who moved down by the first measure). Finally, 19 percent of adults had income at least 20 percent lower than that

of their parents at a similar age—the third measure of downward mobility.

While the mobility findings do reflect what one would expect to see in terms of mathematical chances of leaving the middle class, not all middle-class children are equally likely to fall. As the remainder of this report shows, there are notable differences in downward mobility based on both family background and individual choices.



What Drives Downward Mobility from the Middle?

This section investigates how a range of factors including several mobility drivers examined in past EMP research, such as parental income and education and individual education and family structure, affect downward mobility from the middle.⁷ The first set of factors consists of family background characteristics or those characteristics that do not reflect the youth's own choices. These include whether one's mother has a high school diploma, whether one's father works in a professional or managerial occupation and the income percentile rank into which one's family falls.⁸ The second set of characteristics includes choice characteristics, such as youth's educational attainment and marital status, which in part reflect their own preferences as they move into adulthood.⁹ To explore the impact of potentially destructive decisions, drug use is included.

Additionally, youths' percentile scores on the Armed Forces Qualification Test (AFQT) are included. Everyone in the NLSY-79 survey was asked to take the AFQT, a standardized test administered by the U.S. military to determine qualification for enlistment in the armed forces. It

measures reading comprehension, math knowledge, arithmetic reasoning and word knowledge. Studies have shown that AFQT scores correlate well with performance in the military, as well as with adult wages. It is important to note that beyond measuring a person's human capital in the form of knowledge or cognitive skills, AFQT scores likely reflect a host of other factors that affect test performance not included here, such as motivation and self-confidence, which could also influence downward mobility.¹⁰ Furthermore, AFQT scores are likely to be influenced by a range of outside factors, such as school quality, which are not accounted for in the models here because measures are unavailable.

Figures 3 to 5 illustrate how the probability of downward mobility is connected to family background, choice characteristics and AFQT scores.¹¹ Because these factors may affect men and women—and their mobility—differently, men and women are examined separately. Each chart shows the predicted likelihood of downward mobility associated with having one characteristic rather than another—after statistically accounting for

WHAT DRIVES DOWNWARD MOBILITY FROM THE MIDDLE?

Figure 3

Additional Chance of Falling From the Middle to the Bottom Associated with Individual Characteristics

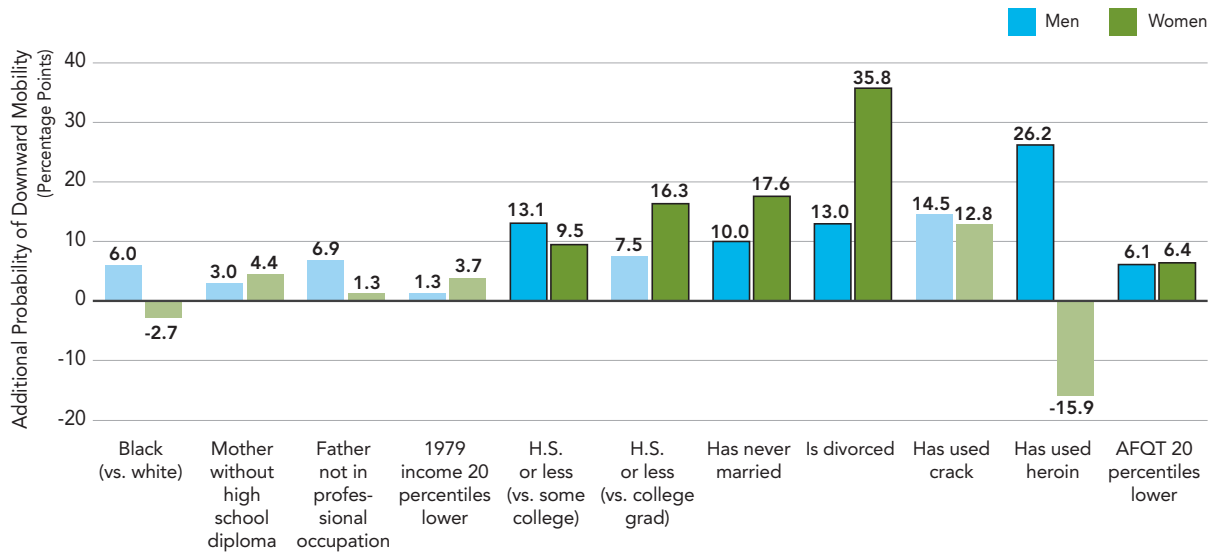
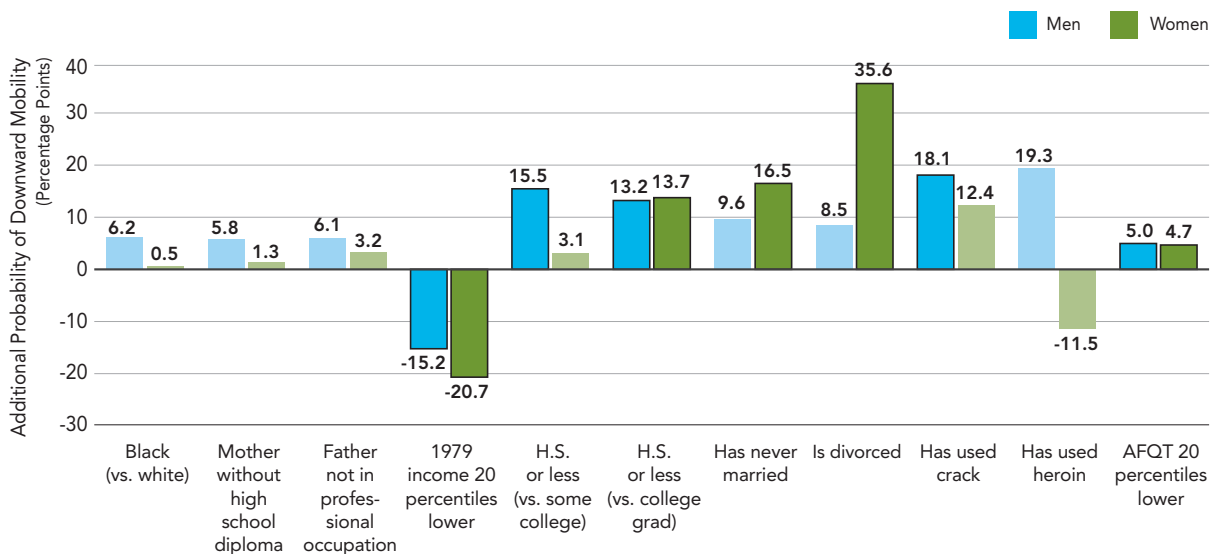


Figure 4

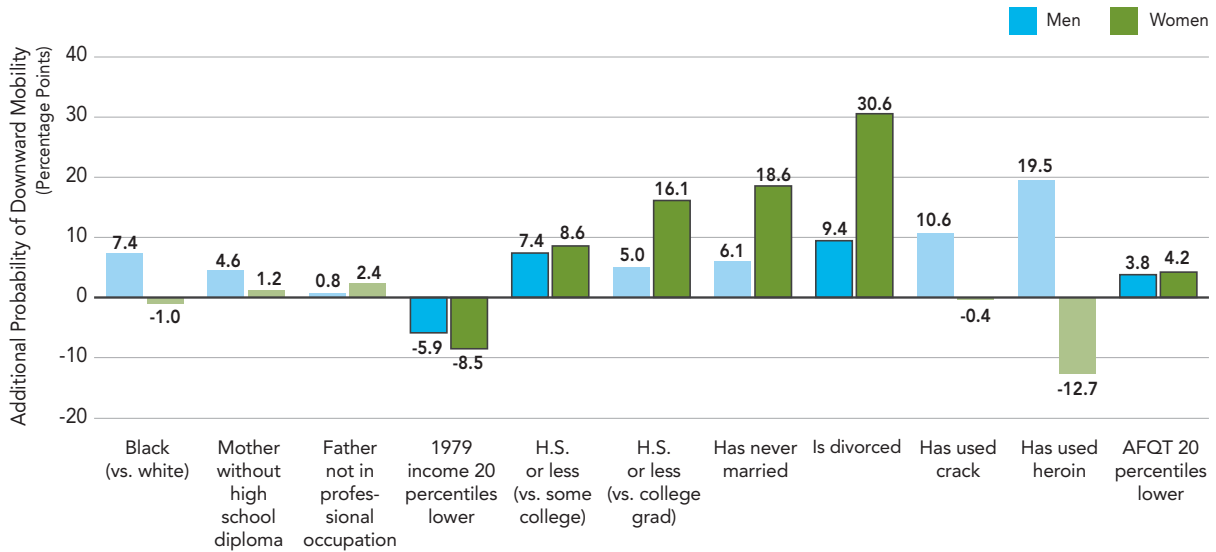
Additional Chance of Falling 20 Percentiles Below Parental Rank Associated with Individual Characteristics



NOTE FOR FIGURES 3 AND 4: Dark bars indicate the effect is statistically significant at $p < 0.05$. Model also controls for being Hispanic, living in one of four regions of the country and either in an urban or rural area in 1979, having used cocaine, having used marijuana at least 10 times and having missing data on any of the variables. These variables did not consistently have substantive or statistical significance across measures of downward mobility.

Figure 5

Additional Chance Real Income is 20 Percent or More Below Parents' Income Associated with Individual Characteristics



NOTE: Dark bars indicate the effect is statistically significant at $p < 0.05$. Model also controls for being Hispanic, living in one of four regions of the country and either in an urban or rural area in 1979, having used cocaine, having used marijuana at least 10 times and having missing data on any of the variables. These variables did not consistently have substantive or statistical significance across measures of downward mobility.

the impact of all the other factors. Many factors are strongly related to one another, making it difficult to tease out their individual importance. However, family structure, education and AFQT scores are consistently associated with downward mobility for both men and women, whereas drug use increases downward mobility among men.¹²

In general, being divorced and never having married are associated with downward mobility. The associations for women are stronger than for men, especially for being divorced.

Compared with married men, men who are divorced, widowed or separated are 13 percentage points more likely to drop out of middle-class status, 8 percentage points more likely to drop at least 20 percentiles below their parents' economic position and 9 percentage points more likely to have income that is at least 20 percent below the level of their parents.¹³ In part, this likely reflects the loss of a second income that often accompanies divorce or separation, though it is important to remember that incomes are adjusted for family size in these analyses.

More strikingly, compared with married women, women who are divorced, widowed or separated are 31 to 36

percentage points more likely to be downwardly mobile, depending on the measure. Never-married women are 16 to 19 percentage points more likely to be downwardly mobile than married women—also a stronger association than exists for men, who are 6 to 10 percentage points more likely to fall if they have never married.¹⁴ These gender differences likely are related to lower earnings among women than men.

Middle-class youth with lower AFQT percentile scores are significantly more likely to be downwardly mobile than those with higher scores.

This finding holds true across all three measures of mobility for both women and men. Scoring 20 percentiles lower on the AFQT increases the chances that a man or woman raised in a middle-class family will fall to lower-income status as an adult by about 6 percentage points. Similarly, a 20-percentile decline in AFQT scores is associated with a 5 percentage-point rise in the chance of falling 20 or more percentiles below one's parents' income rank, and a 6 percentage-point rise in the chance that income will be 20 percent or more below that of one's parents.

Among men and women raised in middle-class homes,

having no more than a high school education is strongly correlated with downward mobility.

Compared with those with no more than a high school education, women who attended or completed college are 9 and 16 percentage points, respectively, less likely to drop out of the middle class as adults. The gaps are the same—9 and 16 percentage points—when looking at the likelihood of income falling 20 percent below one's parents. Women with college degrees are 14 percentage points less likely to fall 20 percentiles or more below their parents' levels than those with schooling at the high school level or below. Among men, having a college degree appears less important for downward mobility than it is for women, and having attended college at all is more important.

Among men who were in the middle class as youth, using crack cocaine or heroin is associated with dramatic increases in downward mobility.

Unsurprisingly, these analyses suggest that one of the worst choices a middle-class male youth can make with respect to future mobility is to use hard drugs. Male youth who have tried crack cocaine are

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10 to 18 percentage points more likely to experience downward mobility than those who have not, and the figures for heroin are 19 to 26 percentage points.¹⁵

Among women, the effects of hard drug use on downward mobility are harder to pin down. Figures 3 to 5 appear to show that heroin use among women actually protects against downward mobility, but that would be an inappropriate conclusion. The estimates for drugs'

impact on women are never statistically different from zero—they are imprecisely measured, probably because of the small number of female drug users who start out in the middle class.¹⁶

The next section explores racial and gender mobility gaps, but because of the imprecision of the estimates, it mostly considers how gaps are affected by groups of factors, such as family background and choice factors.

How Does Downward Mobility from the Middle Differ Across Demographic Groups?

The previous section demonstrated the effects of various personal and background characteristics on downward mobility from the middle for men and women separately. However, because whites, blacks and Hispanics often look different along these and a number of other dimensions, as do men and women, they have different rates of downward mobility, which is not conveyed by Figures 3 to 5. This section, therefore, turns to the question of downward mobility differences by race and sex. Across the three mobility measures, three main findings are apparent. First, consistent with previous EMP research, African Americans experience significantly more downward mobility than whites, regardless of the measure used. Second, the differences in downward mobility by race are limited to differences between white and black men. Finally, the only notable gender gap in downward economic mobility is among whites.

African Americans experience more downward mobility than whites.

Figure 6 shows the likelihood that a person raised in a middle-class family will fall into a lower-income category as an adult. The leftmost set of bars indicate that blacks raised in middle-class families are significantly more likely (37 percent) than non-Hispanic whites (25 percent) to drop below the 30th income percentile as adults. Figure 7, showing the share of youth falling 20 percentiles or more below their parents' income percentile, and Figure 8, showing the percent with income that is 20 percent or more below the level of their parents, reveal the same pattern. Differences between non-Hispanic whites and Hispanics are comparatively small and not statistically significant. Although differences between blacks and Hispanics appear bigger, these also fail to achieve statistical significance.

Figure 6

Intergenerational Downward Mobility by Race and Gender

Dropping Out of Middle-Class Status (Below 30th Percentile)

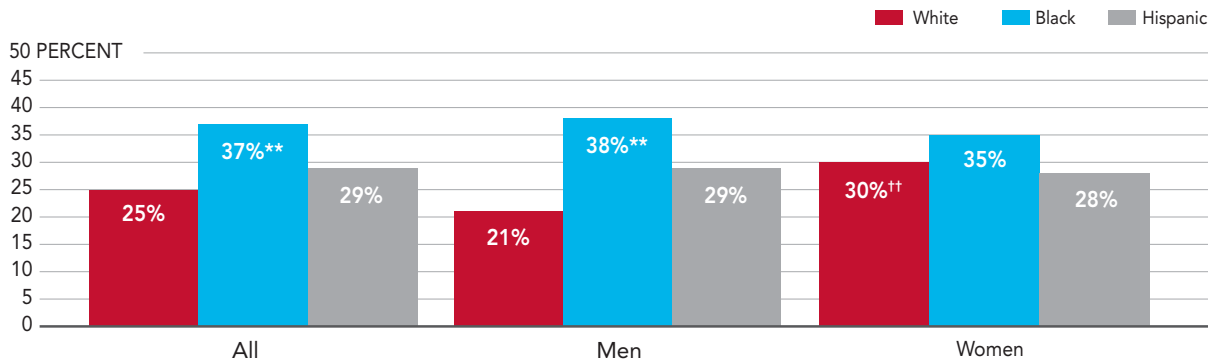


Figure 7

Intergenerational Downward Mobility by Race and Gender

Income Rank is 20 or More Percentiles Below Parents'

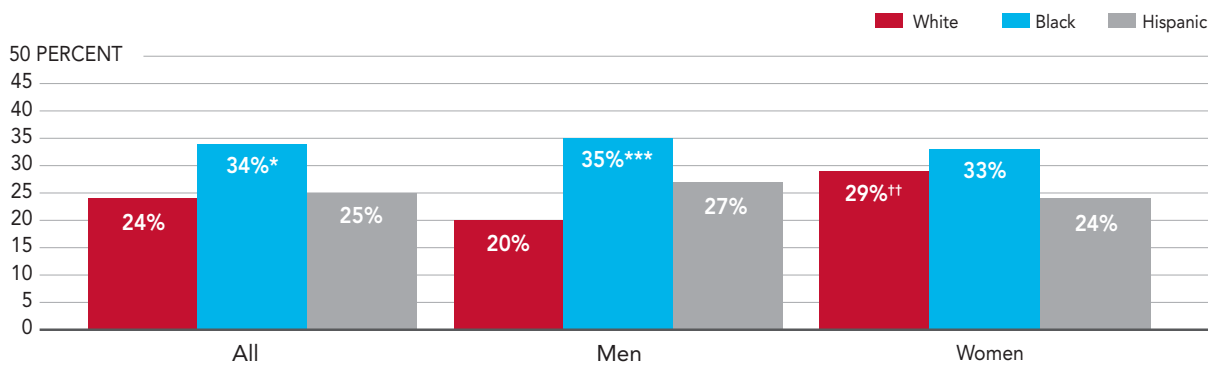
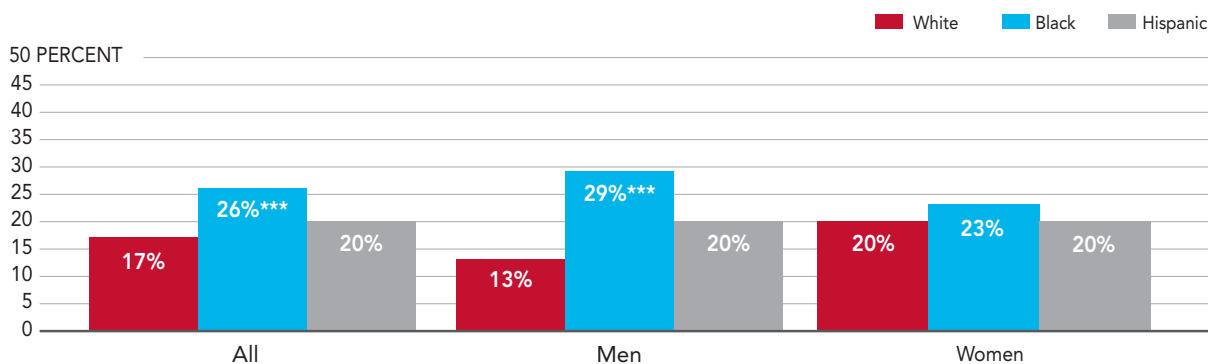


Figure 8

Intergenerational Downward Mobility by Race and Gender

Real Income is 20 Percent or More Below Parents' Income



Note for Figures 6 to 8: Tabulations from the NLSY-79. Sample comprises individuals who lived in middle-class families in 1979-1980 who were between the ages of 14 and 17 in 1979 and 39-44 between 2004 and 2006. Middle class is defined as family income-to-needs ratios between the 30th and 70th percentiles of the income distribution.

* Indicates that the difference compared to whites is statistically significant— *p<0.10,** p<0.05,*** p<0.01.

† Indicates that the difference compared to men is statistically significant — † p< 0.05, †† p< 0.01.

Differences in downward mobility by race are limited to differences between white and black men; women of different races are equally likely to experience downward mobility.

The share of black men who fall out of middle-class status is nearly twice as high as the share of white men who do so (38 percent versus 21 percent). Hispanic men also appear more likely than white men to drop out of the middle as adults, but the difference is not statistically significant. Across the three measures of mobility, white, black and Hispanic women experience similar rates of downward mobility from the middle, and the differences among them are not statistically significant.

The gender gap in downward mobility from the middle is only present among whites.

Only among whites are women more downwardly mobile than men: Thirty percent versus 21 percent in Figure 6, and a gap equally sizable in Figures 7 and 8, all of which are statistically significant. In fact, black women consistently show *less* downward mobility than black men, although the difference is never statistically meaningful. Hispanic men and women have nearly identical chances of falling from the middle.

Explaining Racial and Gender Differences in Downward Mobility from the Middle

It is important to note that a factor can be important for explaining downward mobility in general without it being important for explaining the black-white gap among men or the male-female gap among whites. For instance, having high AFQT scores might promote mobility for both men and women, but if men and women have similar test scores, then it will not explain mobility *differences* between them. The analyses in this section assess the extent to which differences in downward mobility by race and gender are accounted for by observable differences in individuals' backgrounds and characteristics. Among men raised in middle-income families, the gap in downward mobility between whites and blacks is substantially reduced when those observable differences are taken into account, with differences in test scores playing a prominent role. Among whites raised in middle-income families, the male-female gap in downward mobility cannot be accounted for by differences

in backgrounds, characteristics and test scores investigated here.

The first step to explaining differences in dropping from the middle by race and gender is to see how the family and personal characteristics of men and women of different races vary (see Table 1). These comparisons suggest that, on net, white men and women raised in middle-class families are advantaged relative to their black and Hispanic counterparts. The differences between white and black men, especially with regard to their educational attainment, their likelihood of being married, their test scores and their fathers' occupation, are particularly large. Differences between white and black women also are large, except that they have similar education levels. Hispanics tend to fall between whites and blacks for both sexes, with the exceptions of mothers' education and their own education.

Table 1

Characteristics of Men and Women Who Started in the Middle Class

	MEN			WOMEN		
	WHITE	BLACK	HISPANIC	WHITE	BLACK	HISPANIC
Parent Characteristics						
Mother has at least a high school diploma	68%	64%	42%	67%	59%	44%
Father's occupation is professional/managerial	21%	3%	16%	23%	5%	9%
Average family rank in income distribution: 1979	50.5	47.7	50.2	50.9	46.5	49.1
Individual Characteristics						
Has high school diploma	93%	95%	90%	96%	98%	91%
Has a college degree	27%	15%	17%	24%	22%	18%
Married	65%	45%	63%	67%	48%	62%
Has never married	13%	35%	19%	6%	23%	13%
Is divorced/widowed/separated	23%	21%	18%	27%	29%	25%
10+ lifetime uses of marijuana	42%	40%	45%	27%	12%	15%
Used cocaine	32%	29%	29%	22%	9%	16%
Used crack	7%	12%	7%	7%	6%	4%
Used heroin	2%	4%	4%	1%	2%	0%
Average AFQT percentile	46.4	21.7	36.3	45.5	27.5	32.8

NOTE: Tabulations from the NLSY-79. Sample comprises people who lived in middle-class families in 1979-1980 who were between the ages of 14 and 17 in 1979 and 39-44 between 2004 and 2006. Middle class is defined as family income-to-needs ratios between the 30th and 70th percentiles of the income distribution. Sample sizes: 386 white men, 113 black men, 89 Hispanic men, 366 white women, 123 black women, 112 Hispanic women.

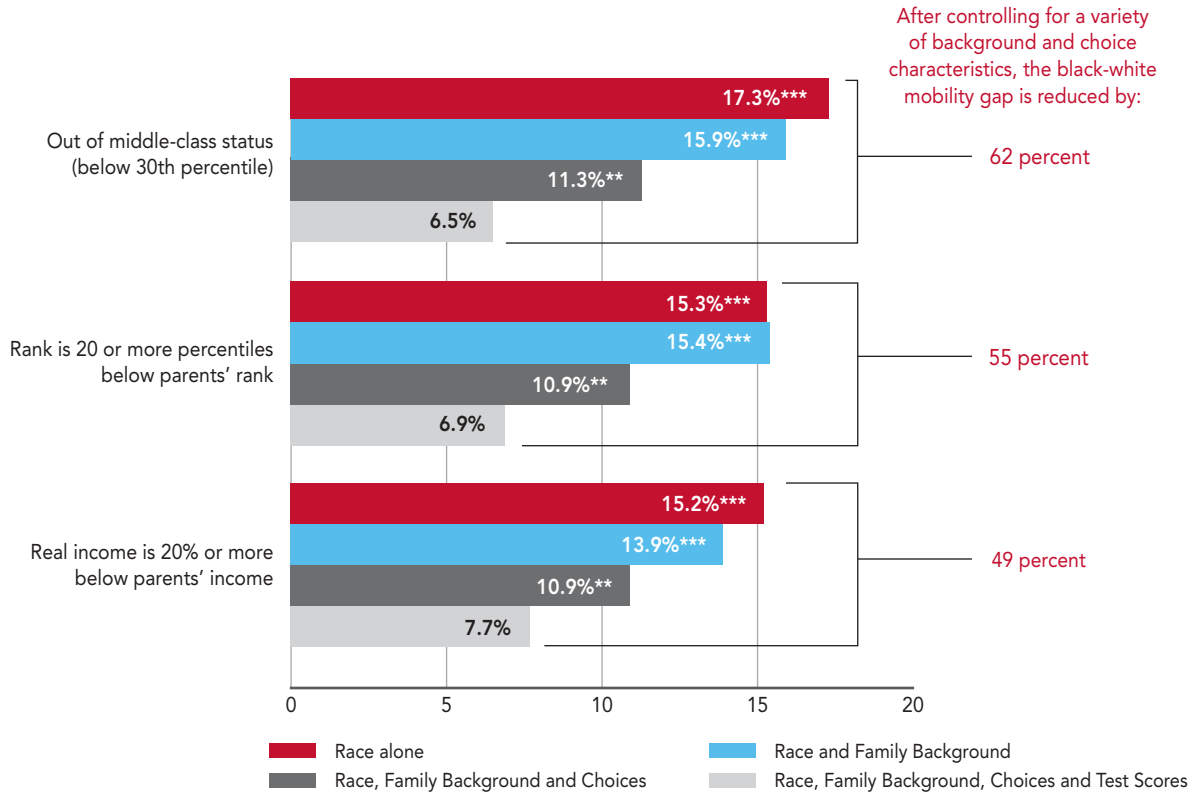
These differences in family and personal characteristics by race and sex are consistent with the findings on downward mobility: The greatest differences in these characteristics are between white and black men, and this is the only pair for whom intergenerational downward mobility rates differ significantly. Based on the characteristics here, downward mobility differences between white men and women are unexplained (because they look so similar across the range of factors considered), and the mobility outcomes of black and

Hispanic women relative to men seem less impressive than their advantages on the characteristics here would predict. The only real disadvantage women starting in the middle seem to have relative to men is that they are more likely to be divorced.¹⁷

By using statistical models that estimate the effect of each factor on downward mobility differences, holding the other factors constant, it is possible to explore more deeply the sources of group differences in downward mobility.

Figure 9

Black Men’s Additional Chances of Downward Mobility Versus White Men’s



Note: Tabulations from the NLSY-79. Sample comprises individuals who lived in middle-class families in 1979-1980 who were between the ages of 14 and 17 in 1979 and 39-44 between 2004 and 2006. Middle class is defined as family income-to-needs ratios between the 30th and 70th percentiles of the income distribution.

* Indicates that the difference compared to whites is statistically significant - * p < 0.10, ** p < 0.05, *** p < 0.01 .

Differences in average test scores are the most important observable racial difference in accounting for the downward mobility gap between black and white men.

Figure 9 shows how the gap in downward mobility between black and white men changes when taking into account the factors explored above—family background and individual

characteristics—on which black and white men might differ. Those differences might in turn explain the average downward mobility gap between the two groups. Investigating one set of factors at a time is a way to see whether black and white men who are identical in terms of all the factors considered still differ in terms of their downward mobility. If adding a set of factors to the analysis reduces the black-white mobility gap, then differences in those factors help explain what is driving disparities in downward mobility from the middle.¹⁸

As illustrated in Figure 9, the findings are consistent across the three measures of downward mobility: Even after controlling for differences in family backgrounds, locations and choices, black men raised in middle-class families still are significantly more likely to be downwardly mobile than white men raised in middle-class families. The top-most bar in Figure 9, for example, shows the black-white difference in the probability that a man who was in the middle class as a youth falls out of the middle in adulthood. Before taking other characteristics into account, black men raised in middle-class families are 17 percentage points more likely to be downwardly mobile than white men (the gap shown in Figure 6). The second bar in the top-most set shows what happens to the gap when controls for family background characteristics are added to the analysis. After taking differences in family background into account, the black-white difference falls to 16 percentage points. Accounting for choices reduces the gap to 11 percentage points. In other words, all of these factors combined provide part of the explanation for the different rates of downward mobility between black and white men, but a sizable unexplained gap remains.

Adding AFQT scores to the model, however, reduces black-white differences in downward mobility so that the two rates are statistically indistinguishable.

The steadily shrinking bars in each panel of Figure 9 indicate that after taking AFQT scores into account, along with the family background and choice factors, the black-white downward mobility gap among men is smaller by 49 to 62 percent, depending on the mobility measure. The fact that the gaps are no longer statistically distinguishable from zero means that these factors may explain the *entire* gap. And AFQT scores are the single biggest predictor of black-white differences in downward mobility from the middle class among these factors.¹⁹

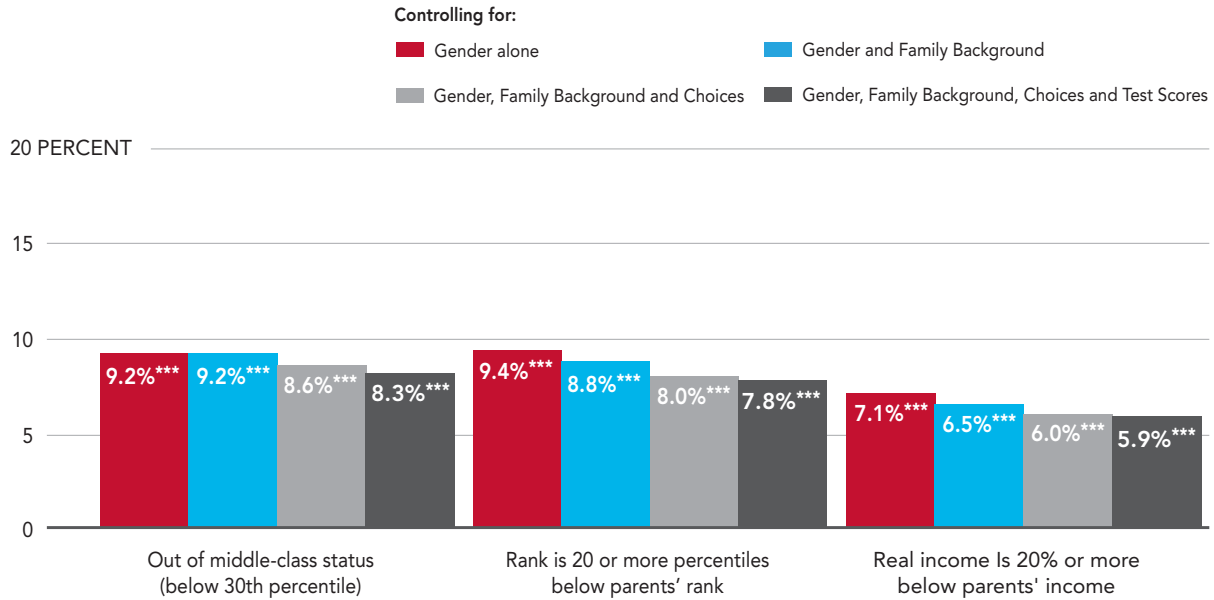
Differences in downward mobility between white men and women are mostly unrelated to the factors considered in this report.

Figure 10 shows how the downward mobility gaps between white men and women change as different sets of factors are statistically controlled. In stark contrast to the black-white male gaps in Figure 9, the white male-female gaps in Figure 10 do not decline by much, even when the full set of factors included in this report are controlled, and they remain statistically significant.²⁰

Given that the factors considered can account for a substantial portion of the racial gaps among men, it is striking how unrelated white gender gaps are to the

Figure 10

White Women’s Additional Chances of Downward Mobility Versus White Men’s



Note: Tabulations from the NLSY-79. Sample comprises individuals who lived in middle-class families in 1979-1980 who were between the ages of 14 and 17 in 1979 and 39-44 between 2004 and 2006. Middle class is defined as family income-to-needs ratios between the 30th and 70th percentiles of the income distribution.

* Indicates that the difference compared to whites is statistically significant - * p < 0.10, ** p < 0.05, *** p < 0.01 .

diverse factors considered. A reasonable speculation is that differences in labor market factors (occupations chosen, hours worked, years of experience at a given age and hourly pay for a given job) and in family structure (single parenthood)

might account for much of the downward mobility gaps between white men and white women. Whatever is behind the gender gap among whites, it is likely to be a different set of factors than those behind the racial gap among men.

Conclusion

A key element of the American Dream is that each generation will exceed the living standards and economic position of the one that came before it. At the very least, parents—especially in the middle class—want to ensure that their own economic position will transfer to their children. Nonetheless, consistent with previous work by EMP, this report demonstrates that about one quarter of children raised in middle-class families are downwardly mobile as adults, a finding that persists across three definitions of downward mobility. The educational attainment, family structure and test scores of men and women appear to be strong drivers of downward economic mobility for initially middle-class Americans.

However, a more notable and troubling finding from this and other research is the stark contrast in downward mobility rates between whites and blacks, and in particular between white and black men. This report shows that nearly 40 percent of black men raised in middle-class families fall from the middle in

adulthood, double the number of white men who do so. In contrast, there is not a notable gap in downward mobility between white and Hispanic men, nor between women of different races.

The findings presented here raise several important questions for future research. Because AFQT scores explain a large portion of the black-white difference in downward intergenerational mobility, it is important to better understand why AFQT scores differ so substantially, even among youth raised in middle-class families. The scope of factors that AFQT could be reflecting, beyond a person's human capital potential or academic ability, also needs to be better understood. Further, future research should explore why racial and ethnic differences in downward intergenerational mobility are confined to men and not women.

Finally, this report leaves open the question of why white women are more downwardly mobile than white men.

CONCLUSION

The striking lack of correspondence between the factors affecting racial gaps in mobility among men and the factors affecting gender gaps among whites highlights the complicated nature of economic mobility. The fact that black and Hispanic women also appear advantaged relative to their male counterparts, yet do not have less downward mobility, also suggests that

gender-specific factors are important for mobility. Even when confining analyses to black and white men, up to half of the downward mobility gap is unaccounted for by the factors considered here. These findings highlight the importance of continued research into the drivers of downward mobility, how they might differ across groups and how they might vary from the drivers of upward mobility.

Appendix

Modeling Results for Figures 3 to 5 (Explaining the Causes of Individual Downward Mobility)

OLS Regression Coefficients, with Standard Errors in Parentheses

MEN

	Out of middle-class status (below 30th percentile)	Rank is 20 or more percentiles below parents' rank	Real income is 20% or more below parents' income
Black	0.059809 (.0544132)	0.062674 (.0526263)	0.074435 (.0500612)
Hispanic	0.044624 (.0537959)	0.048453 (.0531297)	0.032809 (.0480597)
Mother Graduated High School	-0.0299 (.0451668)	-0.05833 (.0456984)	-0.04565 (.0400189)
Mother without High School Diploma	-0.0751 (.0878942)	-0.12599 (.0814461)	-0.05345 (.0754947)
Father Professional/Manager	-0.06873 (.0421091)	-0.06071 (.0438483)	-0.00816 (.0386112)
Father not in Professional Occupation	-0.02842 (.0493095)	-0.03764 (.0453886)	-0.01793 (.0413799)
1979 Family Income Rank	-0.00066 (.0014985)	0.007614 (.0014479)	0.002942 (.00128)
Lived in Northeastern City	-0.09145 (.1036279)	-0.08432 (.089274)	0.001673 (.089885)
North Central City	-0.02504 (.0890715)	-0.05115 (.0840082)	0.035946 (.0788161)
North Central, Not in City	0.018907 (.0589251)	-0.00611 (.060387)	0.016841 (.0492161)
Southern City	0.021115 (.1240681)	0.016758 (.1004041)	-0.01443 (.0920716)
South, Not in City	0.000882 (.0614843)	0.022583 (.0640848)	0.049417 (.0535433)
Western City	-0.00951 (.0967347)	-0.03782 (.096651)	-0.1106 (.0550827)
West, Not in City	0.038201 (.066724)	-0.02295 (.0662019)	0.018956 (.0555794)

APPENDIX

	Out of middle-class status (below 30th percentile)	Rank is 20 or more percentiles below parents' rank	Real income is 20% or more below parents' income
Region or City Missing	-0.1355 (.116787)	-0.27603 (.0673124)	-0.17912 (.0593596)
Some College	-0.13059 (.0422372)	-0.15454 (.0429476)	-0.07394 (.035866)
College Graduate	-0.07472 (.0453155)	-0.13204 (.0459726)	-0.0501 (.035381)
Never Married	0.099885 (.0484097)	0.095535 (.0490901)	0.060695 (.040473)
Divorced, Widowed, Sep.	0.129583 (.0491784)	0.084559 (.0467579)	0.094421 (.0433222)
Used Marijuana 10+ Times	-0.01031 (.0450417)	-0.02079 (.0431814)	0.026179 (.0403333)
Used Crack Cocaine	0.144844 (.0851293)	0.18075 (.0824937)	0.106491 (.0812122)
Used Powder Cocaine	0.069461 (.0518451)	0.040906 (.0493978)	0.047555 (.046725)
Used Heroin	0.262137 (.1122981)	0.1932 (.1268499)	0.194766 (.1423163)
Drug Use Missing	0.224225 (.0843952)	0.07533 (.0793352)	0.172945 (.080532)
AFQT Percentile Score	-0.00306 (.0007888)	-0.00248 (.0007831)	-0.00189 (.0006588)
AFQT Score Missing	0.237882 (.1653492)	0.164023 (.1324256)	0.160922 (.1408019)
Constant	0.3739 (.1064742)	0.019583 (.0994021)	0.047166 (.0873717)

WOMEN

	Out of middle-class status (below 30th percentile)	Rank is 20 or more percentiles below parents' rank	Real income is 20% or more below parents' income
Black	-0.02727 (.0542782)	0.00519 (.0528899)	-0.01004 (.049182)
Hispanic	-0.06009 (.0535681)	-0.02238 (.0543364)	-0.03045 (.049527)
Mother Graduated High School	-0.04422 (.0429833)	-0.0131 (.0420451)	-0.01244 (.0390143)
Mother without High School Diploma	0.015582 (.1224497)	0.09067 (.1364204)	0.106586 (.1152161)
Father Professional/Manager	-0.01253 (.049132)	-0.03222 (.047679)	-0.02376 (.0418255)
Father not in Professional Occupation	-0.02573 (.0607058)	-0.00275 (.054946)	-0.04103 (.0499059)

APPENDIX

	Out of middle-class status (below 30th percentile)	Rank is 20 or more percentiles below parents' rank	Real income is 20% or more below parents' income
1979 Family Income Rank	-0.00185 (.0015568)	0.010339 (.001467)	0.004266 (.0013474)
Lived in Northeastern City	0.087857 (.1722767)	0.082886 (.1603668)	0.055236 (.1523797)
North Central City	-0.12664 (.1107818)	-0.01691 (.1084472)	0.013123 (.1090926)
North Central, Not in City	0.005828 (.0638172)	0.061238 (.0605467)	0.00255 (.0558175)
Southern City	-0.04909 (.0863909)	0.033201 (.0936863)	-0.07437 (.0773622)
South, Not in City	0.015218 (.0665053)	0.054196 (.061652)	0.030711 (.0585146)
Western City	-0.04404 (.1292623)	-0.06957 (.136347)	-0.01571 (.1340688)
West, Not in City	-0.03904 (.0790885)	-0.03133 (.0704638)	-0.01412 (.0667849)
Region or City Missing	-0.00306 (.1732173)	0.113051 (.1449294)	-0.19495 (.1241349)
Some College	-0.0946 (.0482181)	-0.03057 (.0472551)	-0.08569 (.0432292)
College Graduate	-0.16338 (.0480604)	-0.13748 (.0484432)	-0.16134 (.0391828)
Never Married	0.175752 (.0672245)	0.164823 (.0676648)	0.185539 (.0647703)
Divorced, Widowed, Sep.	0.357515 (.0487021)	0.356422 (.0475358)	0.305625 (.0462921)
Used Marijuana 10+ Times	-0.0439 (.0560645)	-0.0151 (.0536151)	-0.03489 (.0503491)
Used Crack Cocaine	0.128372 (.0886663)	0.123807 (.0931046)	-0.00413 (.0821524)
Used Powder Cocaine	0.083478 (.0631894)	0.067403 (.0629498)	0.058228 (.0563851)
Used Heroin	-0.15941 (.2341077)	-0.11473 (.1669656)	-0.12654 (.217134)
Drug Use Missing	0.072953 (.0984604)	0.115473 (.1065179)	0.156656 (.0993843)
AFQT Percentile Score	-0.0032 (.0009806)	-0.00234 (.0009827)	-0.00211 (.0008756)
AFQT Score Missing	0.071975 (.1164945)	-0.15629 (.0655385)	-0.03984 (.0607658)
Constant	0.517406 (.1177215)	-0.224 (.0993324)	0.052567 (.0911937)

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Endnotes

1 Middle class is a social construct that reflects occupational status, education and income among other factors. For ease of explanation in this report, however, the term “middle class” is used solely as a description of income status.

2 Economic Mobility Project, 2009. When asked to rank various definitions of the American Dream on a scale of 1 to 10, with 10 describing the American Dream perfectly, respondents ranked “your children being better off financially than you” as 7.8 out of 10.

3 See Endnote 1.

4 The NLSY-79 began with a cohort of more than 12,000 youth ages 14-21 in 1979, re-interviewing them annually through 1994 and biennially since then, gathering data on employment, income, family formation, schooling and risk-taking behaviors. In the early waves of the survey, data on family background and parents were also collected. The sample of youth from middle-class families who appear in the NLSY as adults in 2004/2006 comprises 1,189 observations. The number of whites, blacks and Hispanics are 752, 236, and 201, respectively. There are 588 men and 601 women; among whites there are 386 men and 366 women; among blacks, there are 113 men and 123 women; and among Hispanics, there are 89 men and 112 women. Attrition from the NLSY for youth raised in middle-class families does not substantially alter the weighted characteristics of our analysis sample.

5 Two years of data are used at each point in time to average out variation in annual income. Because the NLSY asks about income received in the previous year, the analyses compare parents' income in 1978 and 1979 with their adult children's income in 2003 and 2005.

6 Again, this varies from Isaacs, Sawhill, and Haskins, 2008, which considers youth who drop into the bottom income quintile (below the 20th percentile) to be downwardly mobile.

7 See Isaacs, Sawhill and Haskins, 2008; Haskins, Holzer and Lerman, 2009; and DeLeire and Lopoo, 2010.

8 That youth raised in married-parent families fare better on a host of socioeconomic outcomes as adults than youth in single-parent families, even after taking income differences into account, is well-established in the literature (McLanahan and Sandefur 1994). Here, however, the population of interest is selected on income—only those youth raised in middle-class families are included. As such, the youth from single-parent families who are nonetheless middle class might have intangible personal and family assets that allow their families to attain middle-class status and might guard against downward mobility. In contrast, youth from two-parent families that do not achieve higher-income status (i.e., they are middle class) might have intangible personal and family liabilities that might contribute to downward mobility. This selection into the middle-class sample contributes to a perverse finding when youth family structure is included in the regression models: being raised in a two-parent family contributes to downward mobility, particularly among whites. Similar selection-driven findings are reported by Mazumder (2008) and Hertz (2004). Rather than include a measure of family structure in this descriptive model and implying that blacks are protected against downward mobility because they are more likely to come from single-mother families, the models here exclude family structure. Excluding family structure has negligible effects on the other included variables.

9 Clearly the choice variables are not *solely* the result of choices made in a vacuum where children are unaffected by their experiences and opportunities.

10 Regarding motivation, it is notable that the youth in the NLSY had no incentive to try their hardest—or try at all—on the battery of tests that make up the AFQT. Analysis of the NLSY data has found a significant number of test takers received scores as low as would be predicted if they had randomly answered questions (or lower—see Fischer et al., 1996). Regarding self-confidence, experimental research has shown that African Americans’ test performance suffers to the extent that they are anxious about confirming negative stereotypes. Their performance can be experimentally improved by, for instance, reassuring them that the test does not reflect intelligence. Even white test takers perform worse on a test if told that Asians typically outperform whites on it. See Steele (2010). Research suggests that the AFQT does not suffer from much racial bias in that it predicts labor market outcomes similarly for blacks and whites (Neal and Johnson, 1996), but this is a separate issue from stereotype threat, which could operate in test taking, academic achievement and job performance to produce associations between test scores and future outcomes.

11 To preserve sample size, indicators for missing data are also included without imputing values for the missing ones. As such the variables of interest (e.g., mother has a high school degree or more) capture the effect of the variable (e.g., the difference between having a mother with and without a high school degree) and the missing information indicator (e.g., mother’s education unknown) adjusts for nonrandomly missing information as well as any effects of all the reasons that the variable was not reported (i.e., not knowing a mother’s education because she was absent from the family). No variable is missing more than 5.5 percent of the time (weighted), but in some instances, those missing data for a specific variable might be extremely likely to be downwardly mobile—as such, the missing value indicators are occasionally statistically significant. For example, those who do not report information on drug use are significantly more likely to be downwardly mobile than those who report that they did not use drugs. Several other

factors are inconsistently or weakly associated with downward mobility, or are imprecisely estimated. See the Appendix for full regression estimates.

12 The results in this section are based on linear probability models that control for whether one’s mother has a high school diploma, whether one’s father is a professional or manager, one’s parents’ income rank in 1979 and one’s AFQT percentile score. They also include a full set of dummies for central-city residence and region; dummies for race/ethnicity, educational attainment, marital status, and drug use; and dummies for missing data on mother’s education, father’s occupation, region/central-city residence, drug use, and AFQT scores. Figures 3 to 5 do not show variables that are not consistently substantively or statistically significant across the different models. Full details and results of the modeling are presented in the Appendix.

13 These differences are statistically significant at a level of $p < 0.05$, except for falling 20 percentiles ($p = 0.07$).

14 The p values for men are 0.052 for falling 20 percentiles and 0.134 for falling 20 percent. All other differences noted are statistically significant at a level of $p < 0.05$.

15 In terms of falling from the middle class, the estimated effect of heroin is statistically significant at the $p < 0.05$ level while the p value for crack is 0.089. For dropping 20 percentiles, the estimated effect of crack is statistically significant while the p value for heroin is 0.128. Neither crack nor heroin has a statistically significant effect on dropping 20 percent.

16 There are only six women in the sample who have used heroin, who are unlikely to be representative. Obtaining more reliable estimates would require a larger survey, which would result in a greater number of middle-class female drug users in the data who would be more representative of middle-class female drug users nationally.

17 Note that there are many other possible background and personal characteristics not considered in this report that could reveal stark

differences between women and men. For example, years of work experience are not explored here, but doing so would likely go some way toward reconciling these findings, since women are more likely than men to spend time out of the labor force to raise children.

18 Technically, the analyses are based on stepwise OLS regression models that pool black and white men, in which groups of independent variables are iteratively added to an initial model that includes only an indicator variable for race.

19 Using a statistical technique called a Oaxaca decomposition allows an explanation of the racial gap in downward mobility in terms of both racial differences in the means of the various factors themselves (for example, differences in college graduation rates) and racial differences *in the association* between background factors and downward mobility (for example, racial differences in how important having a college degree is for avoiding downward mobility). Consistent with the results in Figure 9, AFQT score differences appear to be the

most important factor behind black-white downward mobility differences. No other factor considered in this report had a statistically meaningful effect—or a substantively large effect—on any of the black-white mobility gaps among men, except that the gap in the likelihood of falling 20 percentiles would have been even *larger* if not for the fact that the parental family income rank of black men was lower on average than that of white men. Even more strikingly, the collective effect of the family background factors and of the choice factors was never statistically significant. Between 27 percent and 47 percent of the black-white mobility gap among men is explained by black-white differences in the means of the various factors included in the report. Of course, AFQT scores reflect family background and other influences to some extent, so it is not technically accurate to say that differences in cognitive skills, scholastic achievement or knowledge explain the gap.

20 Nor does estimating separate models for white men and women identify a single factor for which male-female average differences account for any part of any of the three mobility gaps.

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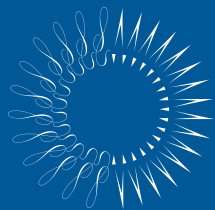
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