

Syracuse University

SURFACE at Syracuse University

Center for Policy Research

Maxwell School of Citizenship and Public
Affairs

9-1995

Slow Motion: Economic Mobility of Young Workers in the 1970s and 1980s

Greg J. Duncan
University of California, Irvine

Johanne Boisjoly
Université du Québec à Rimouski

Timothy M. Smeeding
University of Madison-Wisconsin

Follow this and additional works at: <https://surface.syr.edu/cpr>



Part of the [Economic Policy Commons](#), [Economics Commons](#), and the [Public Policy Commons](#)

Recommended Citation

Duncan, Greg J.; Boisjoly, Johanne; and Smeeding, Timothy M., "Slow Motion: Economic Mobility of Young Workers in the 1970s and 1980s" (1995). *Center for Policy Research*. 405.
<https://surface.syr.edu/cpr/405>

This Working Paper is brought to you for free and open access by the Maxwell School of Citizenship and Public Affairs at SURFACE at Syracuse University. It has been accepted for inclusion in Center for Policy Research by an authorized administrator of SURFACE at Syracuse University. For more information, please contact surface@syr.edu.

**Income Security Policy Series
Paper No. 11**

**SLOW MOTION: ECONOMIC MOBILITY OF YOUNG
WORKERS IN THE 1970S AND 1980S**

**Greg J. Duncan, Johanne Boisjoly, and
Timothy M. Smeeding**

**Center for Policy Research
Maxwell School of Citizenship and Public Affairs
Syracuse University
Syracuse, New York 13244-1090**

September 1995

\$5.00

Abstract

This paper investigates the question of how long it takes young male workers to earn enough to reach a given standard of living, e.g., enough to support a family. We use the Panel Study of Income Dynamics data on the earnings of children and their parents to answer these questions. Our findings are that all groups of men, classified by race, ethnicity, and education level, are taking longer to reach a given standard of living. Some, e.g., undereducated black males, will never reach middle class standards of living for themselves. Implications for household formation, marriage, and public policy are discussed in closing.

I. Introduction

Few indicators of economic performance are as important as the labor market's ability to generate jobs that pay enough to secure above-poverty or middle-class standards of living for families. The ability of young men to support a family at an acceptable standard of living is seen by many as the cornerstone to stable family life; couples must be able to afford such goods as a home and have the resources to begin a family.

William Wilson (1987) targets the falling labor-market prospects of black men as key in the disintegration of the black family and the increasing concentration of urban poverty among blacks. Katherine Newman (1988) provides ethnographic evidence of the pernicious effects of downward mobility on the psychological and physical health of working and middle-class whites. And Gary Burtless (1994) shows how the wages of low-skilled single mothers who have tried to work their way off welfare have deteriorated in the 1980s.

When judged by this earnings-based standard, the structural changes sweeping the labor market in the past two decades have proved especially detrimental to relatively less-skilled workers. Numerous studies (reviewed in Levy and Murnane 1992) have documented the increasingly unfavorable position of younger, less experienced and less educated workers relative to older and more educated workers. In absolute terms, the earnings of less skilled workers have fallen sharply. Bound and Holtzer (1991) document the adverse trends in both earnings and labor-force participation of black male workers.

Lower and flatter earnings trajectories raise the question of whether certain groups can ever expect to earn a decent wage. Increasing doubts about labor-market prospects can contribute to early school leaving, worker indifference, decline in citizen participation, and perhaps even to the pursuance of more lucrative careers in crime and other illegal activities (Freeman 1987).

This paper presents a different kind of picture of earnings trends among young male workers. It differs from past work in focusing on a set of simple but very important calculations: how long does it take a young male worker to earn enough to support a family? And how many men never earn that much?

We provide three novel contributions to the literature on this topic. First, we adopt a longitudinal perspective by focusing on earnings trajectories of young male workers. Most past work has been based on comparative cross-sectional data from the Current Population Survey (e.g., U.S. Bureau of the Census, 1992).

Second, our analysis is focused on normative earnings thresholds—earned income sufficient to support a family of three at a standard of living defined by various multiples of the poverty line. Almost all of the previous work on earnings dynamics has relied on parametric models that do not focus directly on different points in the income distribution. We view these key points as thresholds of success that help determine marriageability, ability to afford children and economic independence more generally.¹

Third, by using a data set with reliable measurement of parental income, we provide a unique intergenerational perspective on trends in earnings mobility.²

Literature Review

The theoretical underpinnings of earnings trajectories are spelled out in Mincer's (1974) classic study of how the human-capital model accounts for patterns of education, experience and earnings found in cross-sectional data from the 1960 Census. Earnings levels are assumed to vary with a worker's level of human capital, the most important elements of which are completed schooling and on-the-job training (OJT).

The presumed informality with which on-the-job training occurs makes its volume and cost more difficult to measure than the volume and cost of formal schooling. Further complicating the cost calculation is the presumption that most costs are indirect, in the form of earnings foregone during the training period. This is readily apparent in apprenticeship training arrangements, in which the participant usually earns less as an apprentice than he could in a job with a less promising future. His higher earnings after the apprenticeship period constitute the payoff to the investment in the apprentice-based OJT.

However, OJT is much more universal than are formal apprenticeships. Most workers and their employers are presumed to invest heavily in OJT at the beginning stages of their careers and then reduce their investments as higher earnings increase the indirect costs, and approaching retirement reduces the benefits, of further investments.

These considerations lead to expectations that workers with lower levels of schooling will begin their 20s with earnings levels that are close to or even higher than those of more educated workers. However, as the earnings payoffs to the presumed greater investments of more highly educated workers start to accumulate, it is expected that the highly educated workers' earnings will first reach the "cross-over" point and then progressively outdistance those of less-educated workers.

Earnings profiles are presumed to fluctuate with the relative demand in the labor market for the skills of different kinds of workers as well as the supply of workers with different skill levels. Earnings trends in the 1970s and 1980s have shown a falling and then sharply increasing return to additional years of schooling for male workers (Levy and Murnane 1992). The picture of changes in earnings as workers grow older is slightly more complicated. Younger workers with only high-school degrees have fallen further and further behind older high-school graduate

workers throughout this period. Changes have not been as adverse in the relative position of younger college graduates as compared with older college graduates.³

Research has demonstrated that changes on both the supply and demand sides of the labor market can account for some of these trends. On the supply side, sharp increases in the number of college-graduate workers during the 1970s (Welch 1979), slower growth in college-graduate labor in the 1980s (Katz and Murphy 1992), and immigration-induced increases in the low-skill segment of the labor market (Borjas, Freeman and Katz 1990), all have appeared to play important roles.

On the demand side, global economic trends appear to have greatly strengthened demand for the skills of highly educated and experienced workers relative to less educated and experienced workers (Bound and Johnson 1992; Gottschalk and Smeeding 1995).

What do these trends imply about young workers' ability to provide above-poverty or middle-class standards of living? It seems clear that low-skilled workers entering the labor force in the 1980s and early 1990s have lower initial earnings and perhaps slower wage growth than low-skilled workers who had entered the labor force during the 1970s. This leads to expectations that the more recent cohorts will take longer to earn enough to secure above-poverty and middle-class living standards and that growing numbers of workers will never reach these thresholds. Trends in the earnings of higher-skilled workers have not been as adverse, leading to somewhat more favorable predictions about trends in their ability to cross certain earnings-based thresholds.

Data

Our data come from the 1968-1992 waves of the Panel Study of Income Dynamics (PSID). Since 1968, the PSID has followed and interviewed annually a national sample that began with about 5,000 families. Low-income families were oversampled in the original design.

When weighted, however, the sample is designed to be continuously representative of the nonimmigrant population as a whole.

Interviews are usually conducted with the “head” of each family, who is defined as the husband or male partner in male-female partnerships and is asked to provide extensive employment information about himself, his spouse and all other individuals in the family aged 16 and older. Note that this implies that earnings information on male workers who are not yet heads of their own households will be reported by proxy. We adjust for the likely measurement error caused by proxy reporting in our analysis by requiring that earnings transitions consist of two or more consecutive years in which earnings are above a given threshold. Our analysis is restricted to male workers. Comparisons of male earnings data in the Current Population Survey and the PSID show similar trends (Gottschalk and Moffitt 1992).

Criteria for sample selection were dictated by conflicting needs to: i) maximize the number of birth cohorts about whom trend data could be calculated; ii) gather parental income information during the years in which the young men still resided with their parents; and iii) extend the measurement of earnings as far into adulthood as possible. In light of these concerns, we restricted our analysis to PSID sample males who were observed as members of interviewed households in at least one of the three years between aged 17 and 19 as well as one or more years after age 20. When weighted for differential initial sampling probabilities and attrition, our data are representative of cohorts born from 1949 to 1971. Sample members from the earliest of these cohorts entered adulthood in the late 1960s and early 1970s and provide many years of data on earnings into their 30s and early 40s. For sample members from the most recent of these cohorts, entering adulthood in the late 1980s and early 1990s, much longer portions of their childhoods have been observed, at the expense of earnings data for their adult years.

Parental-family income information was gathered from as many of the years between ages 15 and 19 as possible when the sample male was a child, step-child or grandchild of the household “head.” Virtually all individuals who were between ages 15 and 19 during the panel period resided with either a parent or a grandparent. Our measures of parental-family income distinguishes families with incomes within 150 percent of the poverty line, from 150 percent to four times the poverty line, and above four times the poverty line. Other demographic variables included in our analysis are: i) mother’s education, in years; ii) race of the individual, distinguishing black from all other races; iii) and the years of completed schooling of the individual himself.

We selected age 21 as the starting point for our analysis of earnings trends. All but college graduates have typically completed their schooling by this point, and it can be thought of as the point at which career development begins in earnest for male workers. Our analysis of earnings trajectories after age 21 is cast in an event-history format—the number of years it takes male workers with various characteristics to attain given levels of earned income. In light of the large transitory component to earnings (Lillard and Willis 1978; Gottschalk and Moffitt 1994), we sought to bolster the reliability of our measurement of earnings attainments by requiring that a worker attain a given level of earnings for two consecutive years.⁴

Earnings thresholds chosen for our analysis include: i) annual income needed to support a family of three at the official poverty line (\$11,521 in 1993 dollars); ii) income needed to lift a family of three to the lower boundary of the middle class—defined as \$23,042, twice the three-person poverty threshold; and iii) an income sufficient to put the family in the middle of the middle-class—defined as \$34,563, three times the three-person poverty line.⁵

Our approach has both limitations and advantages. Among the limitations is the problematic nature of the official poverty thresholds (Ruggles 1990) and the possibility that any

given threshold, no matter how meaningful, may miss the crucial points in the income distribution at which the most important changes are occurring.

An alternative approach would have been to estimate a parametric model along the lines of Lillard and Willis (1978) or Moffitt and Gottschalk (1994), in which permanent and transitory components of earnings are modeled and estimated and (in the case of Lillard and Willis) then used to derive the kinds of threshold-based calculations we seek.

We persisted with our simpler approach because it offers two formidable advantages. First, it enabled us to focus directly on normatively interesting earnings thresholds. Using parametric models to derive threshold-based calculations of the kind we seek requires much stronger assumptions (e.g., in the case of Lillard and Willis 1978, multivariate normality of the underlying distribution of permanent earnings) than we were willing to make. Second, the goal of describing the comparative earnings dynamics of many labor market subgroups defined by cohort, ethnicity, parental background, and completed schooling is much more easily accomplished with our approach than with parametric earnings-dynamics models. The latter are best suited for global studies of earnings dynamics in which differences across subgroups of interest are severely constrained by the parametric nature of the models. A final advantage of our approach lies in the simplicity with which our results can be stated and interpreted.

Results

Descriptive statistics on our sample are shown in Appendix Table 1. Data are presented both for the overall sample and for subgroups of the sample defined according to whether the year in which the individual turned 21 was before 1980, or 1980 or after. In general, these sample characteristics mirror those of the population from which the sample is drawn and changed relatively little between the two sample periods.⁶

A crude look at the earnings trajectories of the men in our sample is provided in Figure 1, which plots the median earnings of the sample males by age. The medians are calculated from the complete samples of men of a given age, including those who were not in the labor market. To highlight the different experiences of recent and older cohorts, the data are presented separately for the groups of men according to whether or not they turned 21 before 1980.

It is clear from Figure 1 that the typical earnings of the more recent cohorts have consistently fallen below those of men coming of age in the 1970s. The slopes of the two sets of lines are roughly parallel.⁷ Drawn on the figure are the three earnings levels that will be used extensively in our threshold analysis. The median male in the earlier cohorts had crossed the \$11,521 poverty-based threshold by age 22; for the more recent cohorts the median male had crossed this threshold one year later. We use twice the poverty threshold—\$23,042—as our definition of entry into the middle class. In the older cohorts the median male had entered the middle class by age 29. For more recent cohorts, the crossing took place by age 30. In neither group had median males come close by age 30 to crossing the thrice-poverty threshold—\$34,563—that we use to define the heart of the middle class.

Although illuminating, these median-based figures provide no information on the distribution of experiences of workers in these cohorts, the individual-level trajectories, or on the experiences of interesting subgroups of workers defined by skill and family background. For these features we now turn to our longitudinal analysis, the heart of which are calculations of the number of years beyond age 21 it takes male workers to attain earnings levels sufficient to provide a three-person family with an income as high, twice as high and three times as high as the official poverty line.

We first estimated Kaplan-Meier survival curves for these threshold-crossing events both for the overall sample and for subsets of the sample defined by cohort and other demographic

characteristics. Table 1 provides a summary of our findings. Shown there are unweighted case counts as well as estimated weighted fractions of each subset of workers whose earnings: i) were immediately above the given threshold;⁸ ii) had crossed the given threshold by age 25; and iii) had crossed the given threshold by age 30. As a measure of the permanence of the threshold crossing, we also present estimates, based on the subset of individuals whose earnings had crossed the threshold, of the fraction who continued to have earnings higher than the given threshold for the following three consecutive years. The more universal the experience of staying above the threshold, the more valid is our threshold-based analysis.

The first row of Table 1 reveals these basic data for the entire sample of young men (n=2670). More than one-quarter (28 percent) had earnings immediately above the poverty line (i.e., annual earnings were more than \$11,521 at both ages 21 and 22); three-fifths (62 percent) had crossed this threshold by age 25 and more than four-fifths (82 percent) had crossed it by age 30. Our measure of permanence reveals that the vast majority (80 percent) of those crossing the line at some point stayed above the line for at least three additional years.⁹

Not surprisingly, men were considerably less successful at crossing thresholds drawn at twice and three times the poverty line before age 30. Only 6 percent and 1 percent had earnings above these respective thresholds at both ages 21 and 22. By age 25, only one-quarter of all men had crossed the twice-poverty-line threshold and very few (7 percent) had crossed the thrice-poverty-line threshold. And while a slight majority (52 percent) had crossed the twice-poverty lower boundary of the middle class by age 30, only one-quarter (26 percent) had secured the thrice-poverty earnings levels sufficient to place them in the heart of the middle-class.

Our chief interest is in comparing older and newer cohorts in terms of their success in crossing these earnings-based thresholds. Dividing the sample according to whether individuals turned 21 before or after 1980 not only produces two roughly equal-sized groups, but also marks

the time at which research has shown that many of the adverse labor-market trends started to become apparent.

The second and third columns of Table 1 show a pervasive uniform downward shift in the fortunes of the recent cohorts relative to older cohorts. For example, there were roughly 15 percentage-point gaps in the fractions of men with earnings above: i) the poverty line by age 25 (70 percent for the older cohorts vs. 55 percent for the recent ones); ii) twice the poverty line by age 25 (34 percent vs. 17 percent); and iii) three times the poverty line by age 30 (33 percent vs. 18 percent). A more complete picture is provided in Figure 2, which plots the entire survival curves for the pre- and post-1980 cohorts for each of the three thresholds. Large and highly significant¹⁰ downward shifts occurred in the fractions of men crossing all three thresholds.

The next rows of the top third of Table 1 show to what extent economic and demographic characteristics of the men account for differences in the time taken to reach each of the three earnings thresholds. As might be expected from human capital theory, lower levels of schooling are associated with a greater likelihood (33 percent vs. 21 percent) of immediately crossing the lowest, poverty-based threshold. However, by age 25, greater fractions of the more highly-educated workers had crossed this and the two higher thresholds as well. Education differences are particularly striking for the twice- and thrice-poverty thresholds for age 30. Men who had completed at least some college were nearly twice as likely to have crossed the twice-poverty threshold (65 percent vs. 38 percent) as well as the thrice-poverty threshold (36 percent vs. 16 percent) by age 30.

Parental background variables produced similar differences. Men growing up with less educated mothers¹¹ or in families with near-poverty incomes were considerably less successful in crossing the earnings thresholds than were men with more educated mothers or higher family incomes. Race differences are particularly striking, especially at the highest threshold. Roughly

one-third (30 percent) of white men had crossed the thrice-poverty threshold by age 30 as compared with less than one-tenth (8 percent) of black men.

Our primary interest is in documenting changes in cohort fortunes for men coming of age in the 1970s and 1980s. The remaining rows of Table 1 provide the details. All in all, they reveal a remarkably uniform drop in the fortunes of workers at all skill levels and from all types of parental backgrounds. For example, the fraction of men not attending college who had succeeded in crossing the lower boundary of the middle class by age 30 fell by one-third (from 47 percent to 31 percent) for cohorts entering adulthood before 1980 in contrast to cohorts¹² entering adulthood after 1980. For men completing at least some college the percentage-point fall (15 points, from 71 percent to 56 percent) was nearly as large, although the relative drop was smaller. The more recent cohorts in virtually all of the demographic groups depicted in Table 1 had a more difficult time crossing all three earnings thresholds.

When placed in a marriage-market context, Table 1 identifies a number of groups in which very large shares of their members failed to cross the various earnings thresholds. First, taking the minimalist view of the very lowest threshold—\$11,521—we find that barely half (54 percent) of black men and men growing up in families with near-poverty incomes who turned 21 in the 1980s had managed to earn above-poverty earnings before age 30. These respective fractions had been closer to two-thirds (66 percent and 64 percent) for men in these groups who had turned 21 prior to 1980.

A more realistic economic definition of a desirable mate would set the earnings threshold at twice the poverty line. The data on fractions of men successfully earning their way into the middle class (i.e., with earnings at least twice the poverty line) by age 30 are presented in Figure 3. All demographic groups defined by schooling, race or parental background did worse if they entered adulthood after 1980. Remarkable in Figure 3 is the universality of the changes.¹³

We conducted formal significance tests for changes in the position of the survival curves of the demographic subgroups shown in Table 1. In every case the position of curves had dropped significantly for more recent relative to older cohorts.

In order to test more systematically for changes in the event-history relationships depicted in our survival-curve analysis, we estimated a series of Cox regressions using as dependent variables the “hazard” of crossing each of the three thresholds by a given age (Table 2). Coefficients and standard errors shown in the first set of columns are from a series of bivariate Cox regressions involving only the given independent variable. Coefficients and standard errors shown in the second set of columns are from models that include the complete set of background variables. Results presented in the third set of columns are from regressions that include the background measures and the man’s own completed schooling. The final two columns show regression relationships for the most comprehensive model separately for two subsamples defined by cohort.

Not surprisingly, the bivariate results presented in the first set of columns mirror the findings from the survival-curve analysis. Men raised in families in the middle rungs of the SES ladder are most successful in crossing the lowest, poverty-line-based threshold, while men growing up with the most affluent backgrounds and attaining the most schooling are quickest to cross the twice- and, especially, thrice-poverty thresholds. Most of these bivariate relationships are reduced by up to half with the addition of the other control variables.

In the multivariate regressions, men growing up with high-school graduate mothers, many of whom entered the labor force several years prior to age 21, are most successful at early crossings of the poverty-line threshold. This advantage declines as the earnings threshold is raised to twice and three times the poverty line. Men from poorer backgrounds—defined either by

parental income or by mothers failing to complete high school—are significantly disadvantaged with regard to the latter two poverty thresholds.

Even after controlling for other elements of their backgrounds, black men are still much less successful than white men in crossing all three thresholds, with the race-based effect increasing as the threshold is raised. And when we control for all elements of family demography and economic status, the cohort measures show no significant deterioration in earnings mobility between men turning 21 in the first and second half of the 1970s, but a significant drop in the fortunes of these men and men turning 21 in the 1980s.

Somewhat surprisingly, the addition of the men's own completed schooling changed these estimated relationships very little. Education itself is a powerful predictor of earnings success. When compared with college graduates, men with a high school diploma but no college degree were more successful at crossing the poverty threshold at a younger age, but significantly less successful at crossing the thrice-poverty threshold. High-school dropouts do the worst of all.

To examine structural changes across the cohorts, we ran separate regressions for the cohorts turning 21 before and after 1980. These results are also detailed in Table 2, along with notation for whether a given pair of coefficients differed significantly from one another.¹⁴

For all three thresholds there was a significantly larger coefficient on the cohort indicator for the recent relative to the older cohorts. This means that the deterioration in threshold crossings was significantly faster in the 1980s than the 1970s, a result consistent with the pattern of coefficients on the calendar-year dummies presented in the first three columns.

Apart from the cohort coefficients, no other differences were found for the twice-poverty line thresholds and only one interaction was found for the poverty-line threshold—the small advantage enjoyed by men growing up in middle- as opposed to high-income backgrounds disappeared.

In addition to the cohort measure, three significant interactions were found for the highest earnings threshold. Compared with older cohorts, recent cohorts of black men were significantly less successful in crossing the thrice-poverty threshold. The earnings of recent cohorts of high-school dropout declined as well. A final and somewhat surprising result is that the regression-adjusted disadvantage of men from poor backgrounds disappears. Additional analyses (not shown in Table 2) revealed that the unadjusted effect of parental income is about half as large for the recent as opposed to the older cohorts and that more of the drop in the effect of parental income comes from the declining advantages of coming from a higher-SES parental family than a worsening in the prospects of those coming from a low-SES family.

Discussion

Although largely pessimistic, these results do point to one reassuring fact: it is indeed still possible to build up a stock of skills that provide a middle-class standard of living in a one-earner household. Focusing on cohorts turning 21 during the 1980s, and taking the twice-poverty thresholds as the lower boundary of the middle class, we find that more than four in ten (42 percent) of all male workers and a majority (56 percent) of college-educated male workers had attained earnings levels sufficient to enter the middle class by age 30.

The bad news is that relatively few members of the overlapping groups of blacks, men with less schooling and men from low-SES family backgrounds succeeded in crossing the middle-class threshold. The strongest effects are associated with schooling: failure to obtain a college education, or, much worse, dropping out of high school, increasingly limits one's chance of crossing even the lower boundary of the middle class.

Most sobering is the fact that **all** groups are taking longer to reach a given standard of living, and increasing numbers (particularly of black men) will never reach middle-class standards

of living by themselves. These trends suggest that a partnership—marriage and a two-earner family—is increasingly needed to attain a middle-class living standard. Moreover, even if women were to begin earning as much as their spouses, two partners with less than a college education would be hard pressed to even reach middle-income status. Issues such as the cost of children—health care, education, housing—and also the cost of working—childcare and transportation—will increase in importance as this younger cohort ages. The ability and willingness of this generation of workers to pay the Social Security taxes needed to support their aging baby-boomer parents will continue to be an important issue, as we move into the 21st century, particularly if these intergenerational differences persist.

The lower level and slower growth of earnings, even among the college educated, belies the American dream of income mobility and an increasingly better standard of living for all. And bitterness toward those who do not work will increase if work fails to bring about an increasingly better life. If international trade, deskilling and competition are driving the patterns of men's wages that we see, then the adverse effects of these trends are likely to be with us for a long time. And if the increasing absolute and relative returns to capital (as opposed to labor) we have witnessed in the 1980s continue for another decade or two, those who are able to save (thanks to age, cohort or inheritance) will do much better than those who cannot. All in all, we see no grounds for believing that the disparity in both the income and wealth distribution will shrink significantly in the foreseeable future (Duncan, Smeeding and Rodgers 1994; Wolff 1995). What our results indicate is that this shrinking is liable to have an important cohort and age component which we should also take into account.

Although the trend in earnings appears to be affected by global economic forces over which we have little control, steps can be taken to limit the effects of these economic trends on the family incomes of younger workers. Of particular concern are young and middle-aged black

men who have lost both in absolute terms and relative to whites. Prudent, but activist, public policy is needed to add to the human capital of all younger Americans, particularly young blacks. These additions must focus on schooling, on school-to-work transitions, and on continuing education once workers are employed. Programs will be needed that supplement the family incomes of full-time, full-year workers at some acceptable standard of living (e.g., the Earned Income Tax Credit). And programs that help reduce the costs of having children (e.g., refundable child credits); the cost of feeding them (e.g., Food Stamps); and the costs of divorce (e.g., guaranteed child support) will help those men with flatter earnings profiles—even if they are divorced—to support themselves and their children at a decent standard of living.

A relentless optimist might see some beneficial effects in these trends. For example, reduced earnings prospects for men, coupled with stronger enforcement of child support, might drive up the cost and therefore reduce the incidence of divorce. And declining earnings prospects in the corporate sector may encourage workers to become self-employed. In the longer term, such risk taking will probably provide a wider distribution of income and wealth. However, most people will view the story told by these earnings patterns as a sobering, if not depressing one.

Endnotes

1. This is not to deny that effective marriage partnerships most often involve labor-market activity by both partners, but here we focus on the attractiveness of one partner—the male. Dechter and Smock (1994) analyze trends in the relative earnings of both partners in young couples.
2. Two careful studies of intergenerational earnings mobility are provided by Solon (1992) and Zimmerman (1992). Neither of these studies address changes in mobility over time.
3. Turning again to the data cited in Levy and Murnane (1992), the ratio of earnings of 25-34 year-old high-school graduate workers relative to 35-44 year old high-school grads fell from .85 in 1979 to .81 in 1987. In contrast, comparable ratios for college graduates rose from .72 in 1979 and .81 in 1987.
4. A similar approach was taken by Bound et al. (1991) in their investigation of elderly women's exits from poverty. In constructing our event histories, we used as much information about earnings as possible. For example, if an individual was lost to nonresponse at age 23 but had not earned enough to cross any of the poverty-line thresholds prior to the point of nonresponse, then he would be counted as not having crossed prior to age 23 and as censored at the point of nonresponse. Losses to case and item nonresponse were considerable, amounting to 32.4 percent of the full sample of males who had been observed at least once between ages 17 and 19. Unweighted rates of nonresponse are somewhat higher among high-school dropouts (45.5 percent) than among high-school graduates (28.0 percent) and individuals with at least some college education (26.1 percent). All of our data are weighted by the PSID sampling weights that incorporate adjustments for differential nonresponse.
5. The U.S. Bureau of the Census (1992) has performed a similar analysis, selecting the ability to earn a sufficient income to support a family of four persons. Their results are consistent with ours in that their cross-sectional data showed rising numbers of young adults unable to earn enough to support a family of four.
6. An exception is that the completed schooling of the sample individuals declined somewhat. The lower rates of college graduation are due in part to the fact that completed schooling was measured at a younger age, on average, for men in the more recent set of cohorts.
7. We ran a series of OLS regressions of earnings on age using a "person-year" file containing separate observations for each year of age. The regression included interaction terms that allowed for differences in both the height and slope of the age-earnings profiles according to cohort. When earnings were cast in metric form, there was a highly significant difference in the height but not the slope of the regression lines for the cohorts turning 21 before and after 1980, with the more recent cohorts having lower earnings. In log form, both the height and slope of the age-earnings profiles for the recent cohorts were significantly lower than those of the earlier cohorts.

8. Given our definition of age range and threshold crossing, this amounted to finding that earnings were above the given threshold at both ages 21 and 22.
9. We wondered whether individuals crossing a given line at younger ages would be more likely to fall below it in subsequent years. There was a slight tendency for this to be the case, but the difference was small and does not affect our conclusions.
10. We assessed the significance of the changes in the survival curves with log rank and Wilcoxon tests. We also performed such tests on cohorts broken into four roughly equal groups defined according to the following years in which the individuals turned 21: i) 1970-1974; ii) 1975-1979; iii) 1980-1984; and iv) 1985-1992. Differences in survival curves were not statistically significant between the first two sets of cohorts for any of the three thresholds but were statistically significant between all other pairs of cohorts for all three thresholds. Thus, the fortunes of young workers defined according to our analysis began to sour for men turning 21 around 1980 and continued to decline throughout the 1980s.
11. We chose mother's rather than father's education as a background variable because it had less missing data associated with it. Parental schooling levels are highly correlated with one another.
12. We use the term "white" to refer to all race/ethnicity groups other than blacks. The nature of our PSID sample leads it to underrepresent immigrants since 1968.
13. All but two of the differences shown in Figure 3 are significant at the 5 percent level or less. Cohort differences blacks and individuals who grew up in poor or near poor families are significant at about the 20 percent level.
14. These regressions also include a linear control for cohort.

Tables and Figures

Unfortunately, the tables and figures are not available as computer files. You can order a hard copy of the paper (with the tables and figures) by either of two ways:

1. Fill out an online form at http://www-cpr.maxwell.syr.edu/forms/inc_fr.htm

OR

2. Write to

Publications Officer
Center for Policy Research
426 Eggers Hall
Syracuse University
Syracuse, NY 13244-1020
(315)443-9929 (phone)
(315)443-1081 (fax)

Thank you.

Bibliography

- Borjas, G., R. Freeman, and L. Katz. 1990. "On the Labor Market Effects of Immigration and Trade," unpublished paper, Harvard University.
- Bound, J. G. Duncan, D. Laren. and L. Oleinick. 1991. "Poverty Dynamics in Widowhood," *Journal of Gerontology: Social Sciences*, 46(3): 115-124.
- Bound, J. and G. Johnson. 1991. "Changes in the Structure of Wages in the 1980s: An Evaluation of Alternative Explanations," *American Economic Review*, 82(3): 371-392.
- Bound, J. and H. Holtzer. 1991. "Industrial Shifts, Skill Levels, and the Labor Market for White and Black Males," mimeo, Ann Arbor: Population Studies Center.
- Burtless, G. 1994. "The Employment Prospects of Welfare Recipients." Presented at the Conference "Self-Sufficiency and the Low-Wage Labor Market: A Reality Check for Welfare Reform," Urban Institute, Washington, DC, April 1, 1994.
- Dechter, A. and P. Smock. 1994. "The Fading Breadwinner Role and the Economic Implications for Young Couples," Institute for Research on Poverty Discussion Paper #1051-94, Madison, WI.
- Duncan, G., T. Smeeding, and W. Rodgers. 1993. "W(h)ither the Middle Class?: A Dynamic View." In Dimitri Papadimitriou and Edward Wolff (eds.), *Poverty and Prosperity in the USA in the Late Twentieth Century*. London: MacMillan, pp. 240-271.
- Freeman, R. 1987. "Crime and the Employment of Disadvantaged Youth," NBER Working Paper #3875. Cambridge, MA: National Bureau of Economic Research.
- Gottschalk, P. and R. Moffitt. 1992. "Earnings and Wage Distributions in the NLS, CPS, and PSID." Part I of Final Report to the U.S. Department of Labor, Brown University.
- Gottschalk, P. and R. Moffitt. 1994. "The Growth of Earnings Instability in the U.S. Labor Market," *Brooking Papers on Economic Activity*, 2: 217-254.
- Gottschalk, P. and T. Smeeding. 1995. "Cross-National Comparisons of Levels and Trends in Inequality," mimeo, Boston College and Syracuse University, May.
- Katz, L. and K. Murphy. 1992. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *Quarterly Journal of Economics*, 107(1): 35-78.
- Levy, F. and R. Murnane. 1992. "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," *Journal of Economic Literature*, 30(3): 1333-1381.
- Lillard L. and R. Willis. 1978. "Dynamic Aspects of Earnings Mobility," *Econometrica*, 46: 985-1012.

- Mincer, J. 1974. *Schooling, Experience and Earnings*. New York: National Bureau of Economic Research.
- Newman, K. 1988. *Falling From Grace*. New York: Vintage.
- Ruggles, P. 1990. *Drawing the Line*. Washington, D.C.: Urban Institute Press.
- Solon, G. 1992. "Intergenerational Income Mobility in the United States," *American Economic Review*, 82(3): 393-408.
- U.S. Bureau of the Census. 1993. "Workers With Low Earnings: 1964 to 1990," Current Population Reports, Series P-60, No. 179. Washington, DC: U.S. Department of Commerce.
- Welch, F. 1979. "Effects of Cohort Size on Earnings: The Baby Boom Babies' Financial Bust," *Journal of Political Economy*, 87(5): 565-97.
- Wilson, W. 1987. *The Truly Disadvantaged: The Inner City, The Underclass and Public Policy*. Chicago: University of Chicago Press.
- Wolff, E. 1995. *Top Heavy: A Study of Increasing Inequality of Wealth in America*. New York: Twentieth Fund.
- Zimmerman, D. 1992. "Regression Toward Mediocrity in Economic Stature," *American Economic Review*, 82(3): 409-429.

INCOME SECURITY POLICY SERIES

Policy Series Papers

Policy Paper	Title	Author(s)	Date
1	W(h)ither the Middle Class? A Dynamic View	Duncan, Smeeding, and Rodgers	February 1992
2	Reality or Illusion: The Importance of Creaming on Job Placement Rates in Job Training Partnership Act Programs	Anderson, Burkhauser, and Raymond	February 1992
3	Modeling Application for Disability Insurance as a Retirement Decision: A Hazard Model Approach Using Choice-Based Sampling	Burkhauser, Butler, Kim, and Slotsve	February 1992
4	How People with Disabilities Fare When Public Policies Change—Past, Present, and Future	Burkhauser, Haveman, and Wolfe	February 1992
5	Disability or Work: Handicap Policy Choices	Burkhauser	February 1992
6	A Cautionary Tale of European Disability Policies: Lessons for the United States	Aarts, Burkhauser, and de Jong	February 1992
7	The Importance of Employer Accommodation on Job Duration of Workers with Disabilities: A Hazard Model Approach	Burkhauser, Butler, and Kim	December 1992
8	Public Policies for the Working Poor: The Earned Income Tax Credit Versus Minimum Wage Legislation	Burkhauser and Glenn	February 1994
9	Transitions between Child Care Arrangements for German Pre-Schoolers	Ondrich and Spiess	April 1995
10	Putting the Minimum Wage Debate in a Historical Context: Card and Krueger Meet George Stigler	Burkhauser, Couch, and Wittenburg	June 1995
11	Slow Motion: Economic Mobility of Young Workers in the 1970s and 1980s	Duncan, Boisjoly, and Smeeding	September 1995