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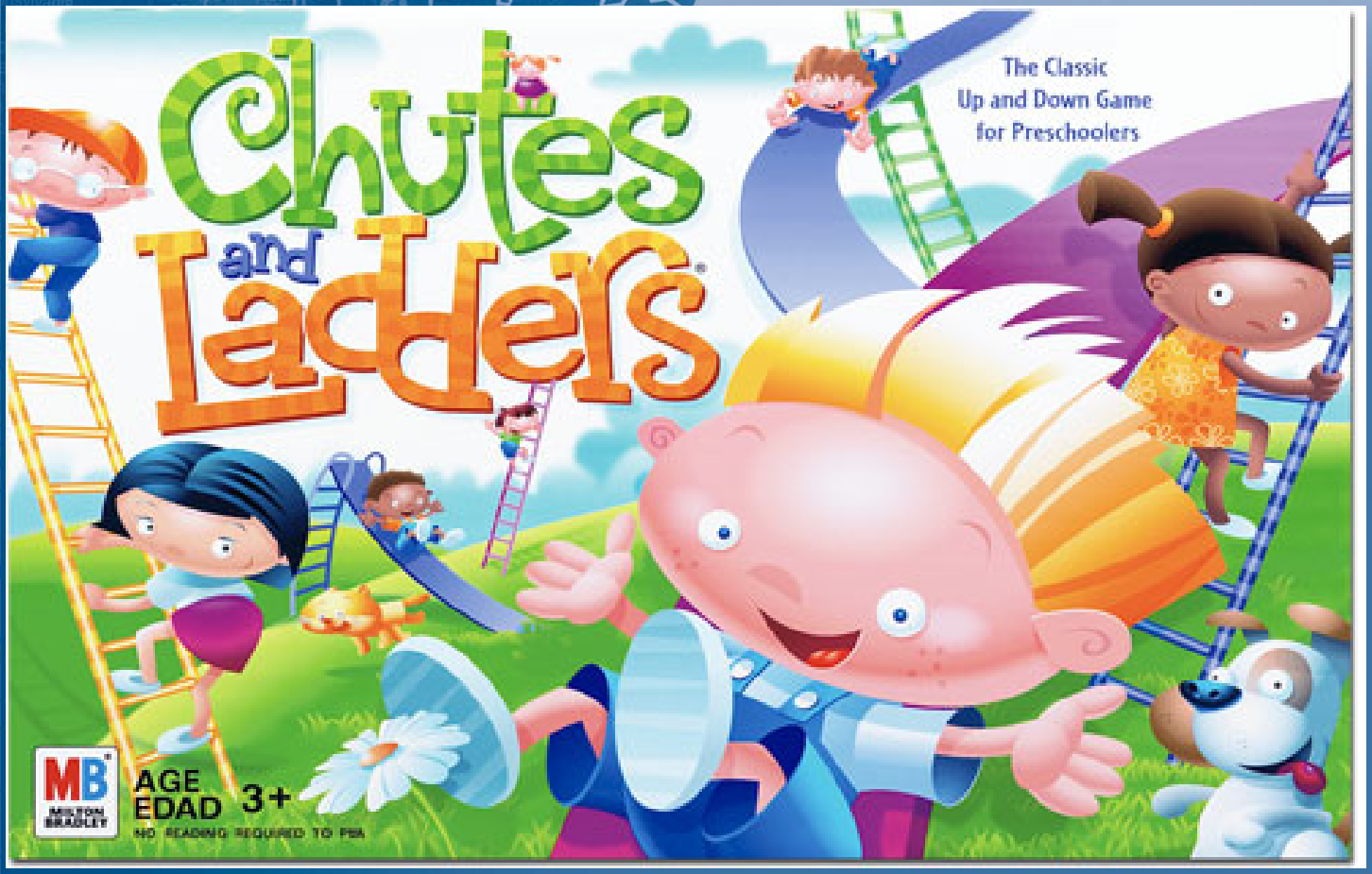

Structure, Opportunities and the Broader Economy

David Johnson

Federal Reserve Conference on Economic Mobility, April 3, 2015

The who, what, where, when, why and how?

- **Who:** Whose resource is measured?
  how do we adjust for differences in the unit of analysis

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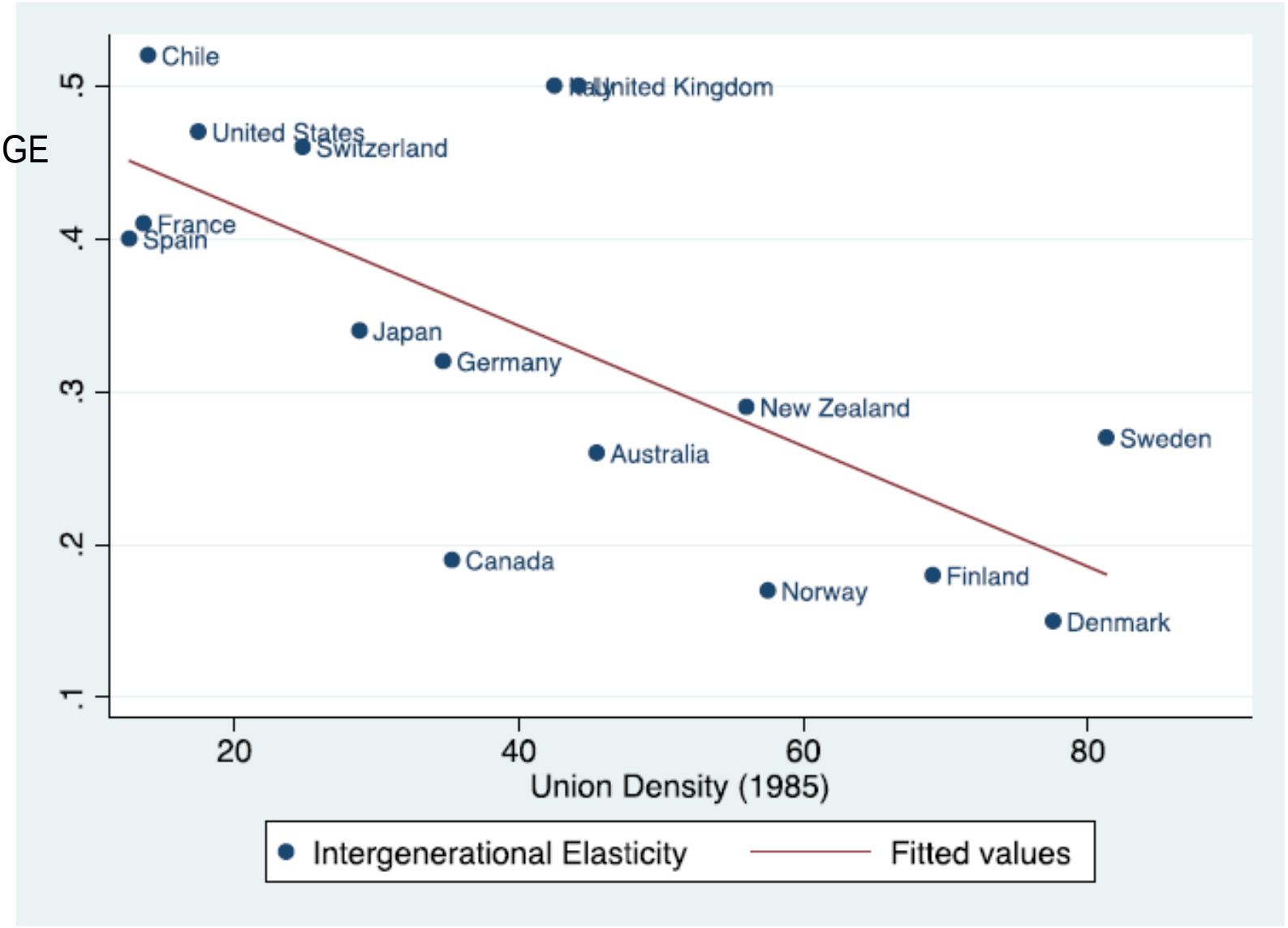
- **Where:** Do the measures differ by location?
- **When:** When do we adjust for the time period used?
  And how to adjust for inflation
- **Why:** Why is the measure needed; what is the purpose?
  Well-being, trends, inequality
- **How:** Which data set is used?
  CPS, CE, SCF, IRS, PSID

Freeman/Han: *How Does Declining Unionism Affect the American Middle Class and Inter-generational Mobility?*

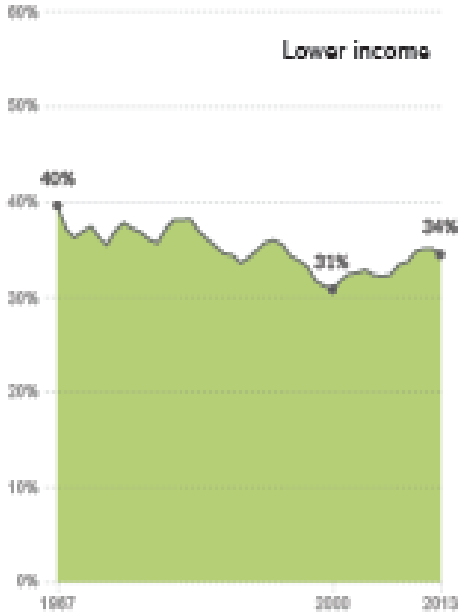


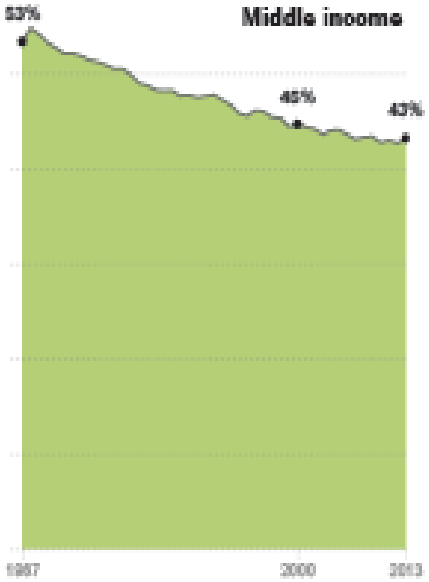
Source: Corak (2013) and OECD (2012).

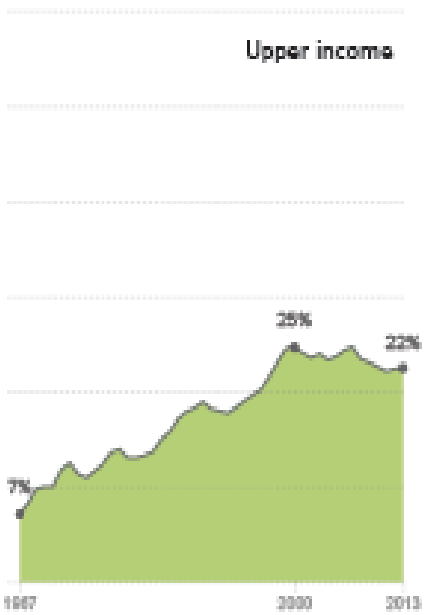
The shrinking middle class was accompanied by an increasing upper class

The Shrinking American Middle Class

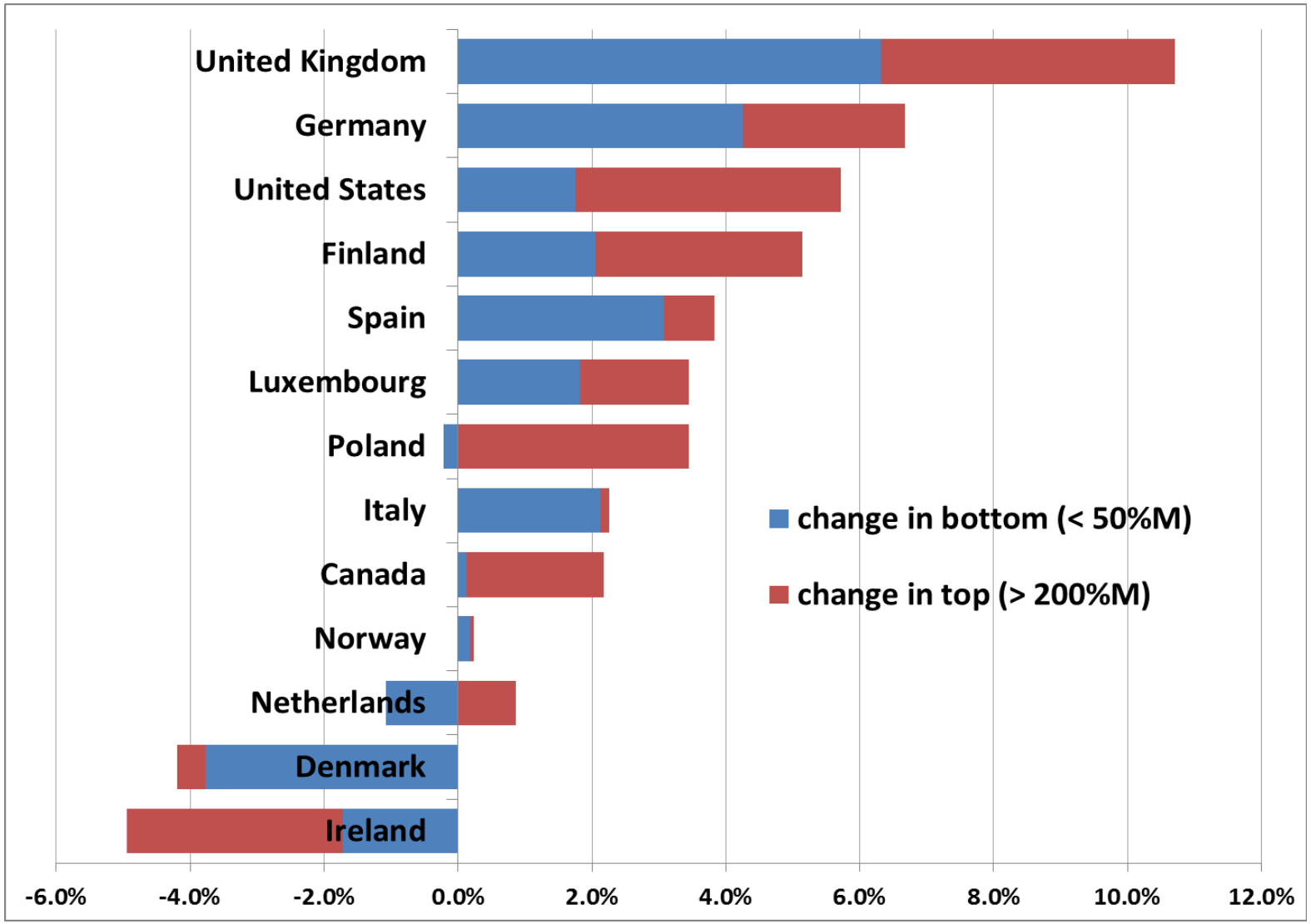
By ALICIA PARLAPIANO, ROBERT GEBELOFF and SHAN CARTER JAN. 26, 2015 Related Article





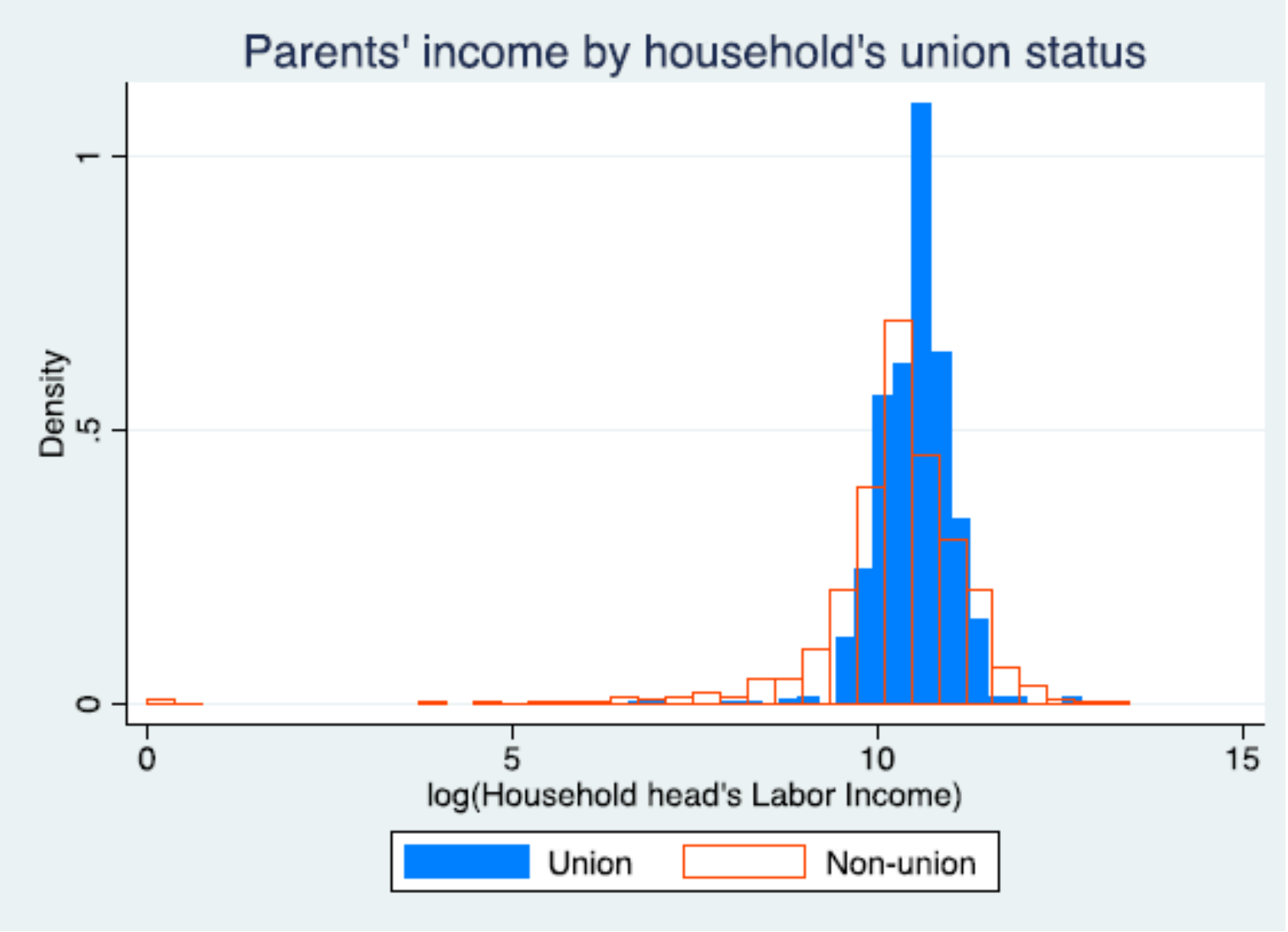


Share of the middle class fell for most countries between 1980s and late 2000s – and many went up

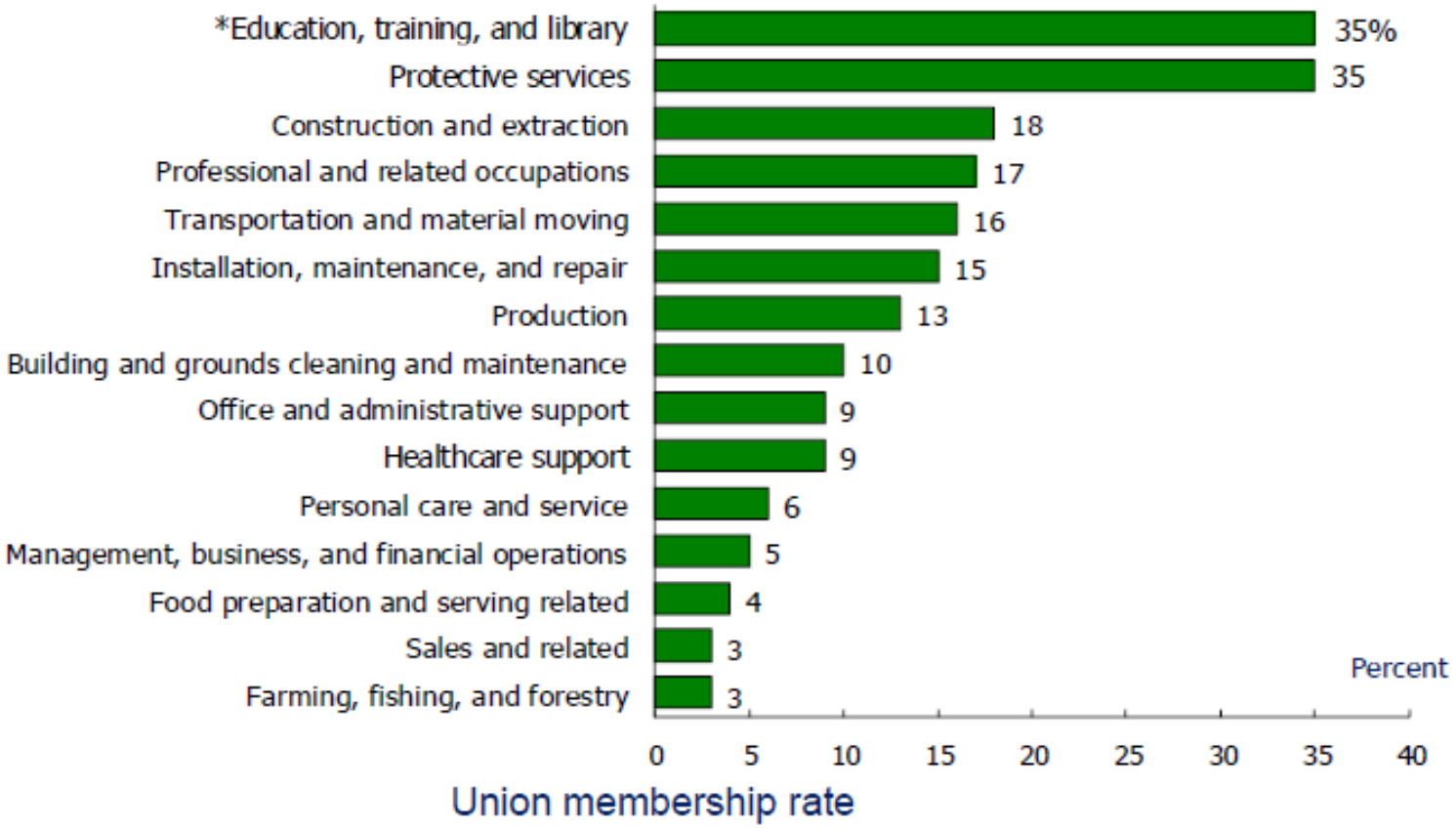


Change in share of people between half and twice median income from early 1980 and late 2000 using calculations from LIS data by Nathaniel Johnson

Income for union households show less dispersion than for non-union households



Unions members are concentrated in certain occupations



*Note: Education, training, and library occupations are included in Professional and related occupations, which also is shown separately.
Source: Current Population Survey (CPS), 2014 annual averages.

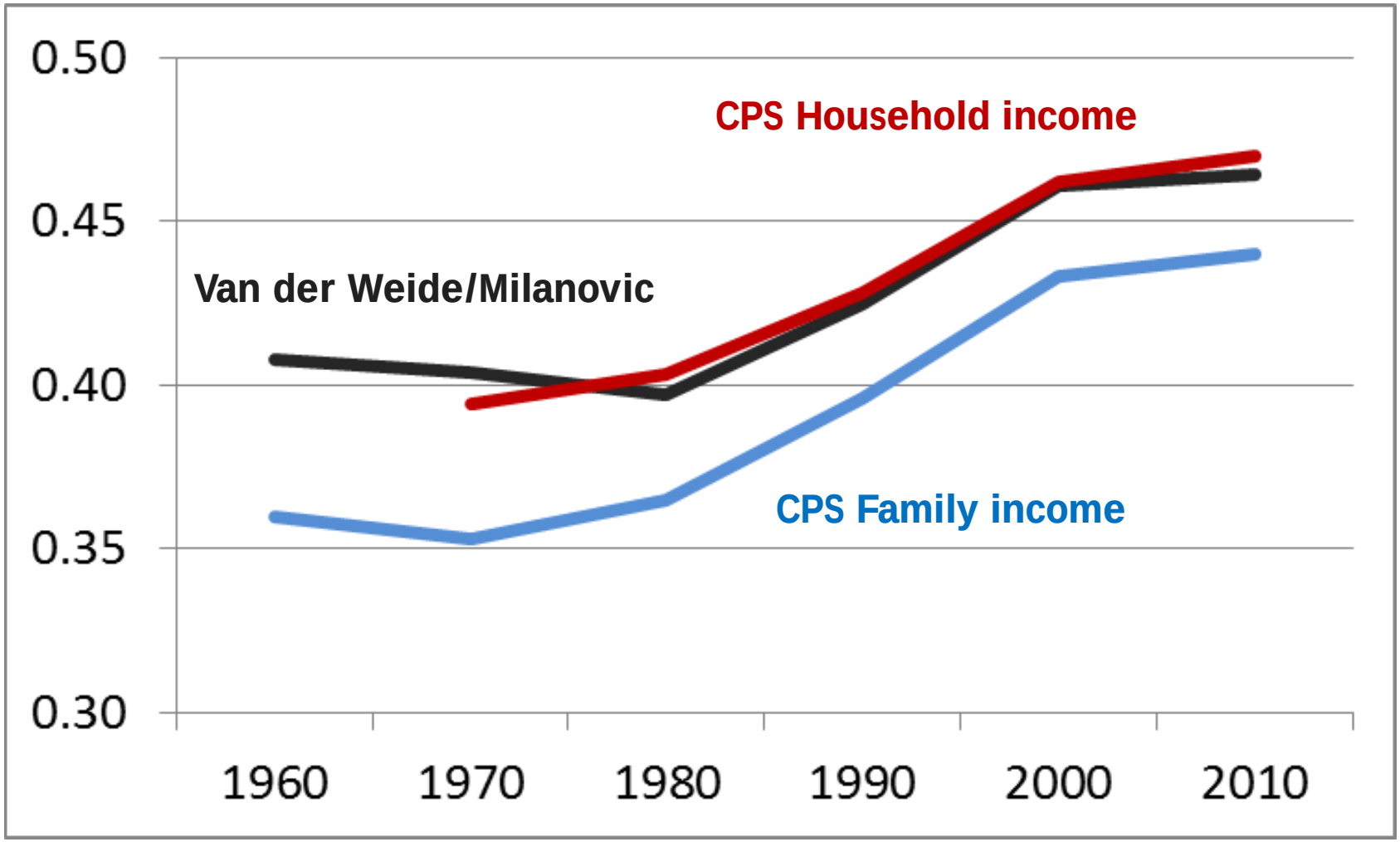
Union membership impacts blue collar workers and those without a high school degree

Table 6: Estimated Effect of Parents' Unionism and Income on Log (offspring income), by Parents' Education or Occupational Group

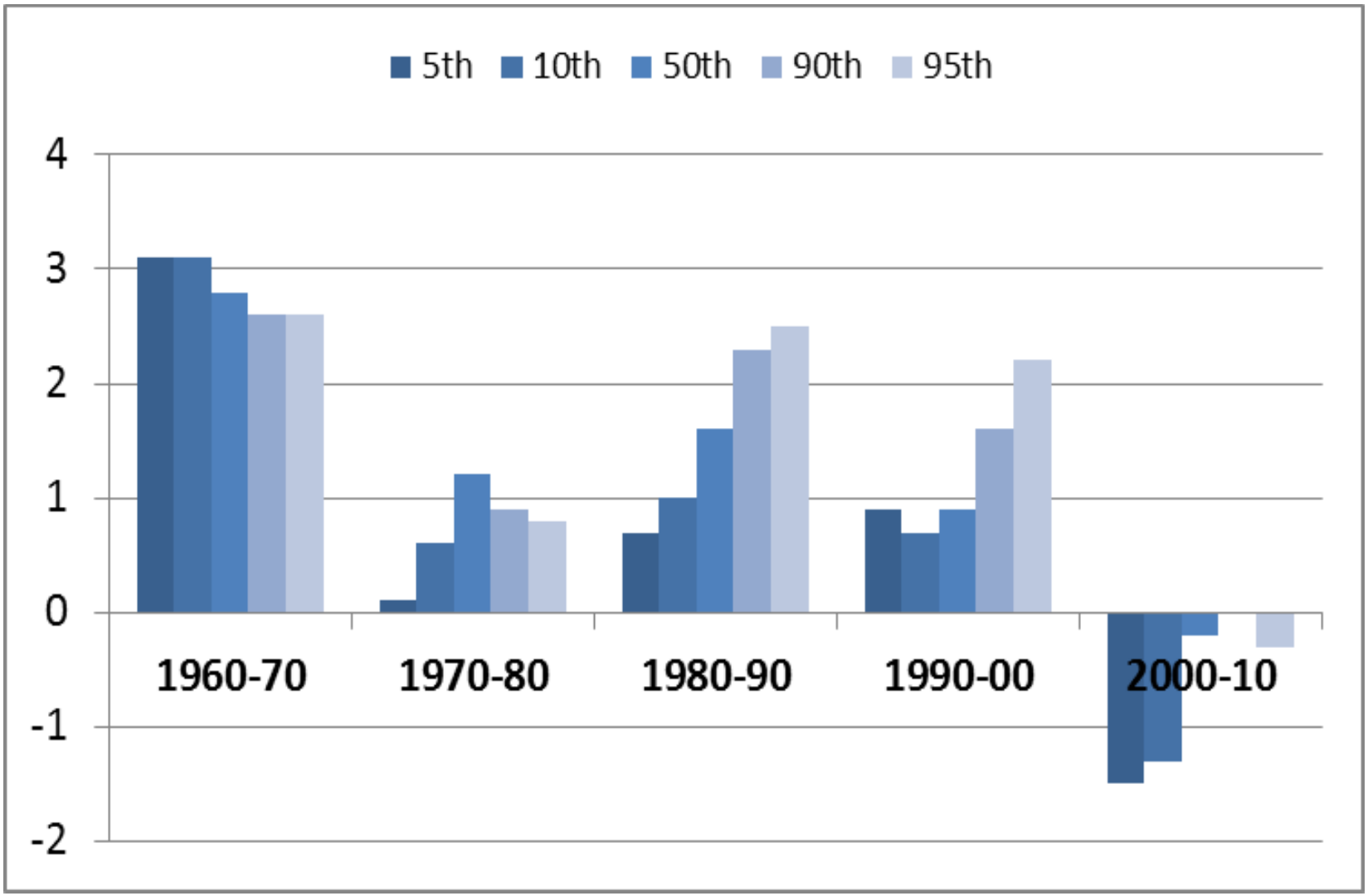
	< High school degree		High school degree		Blue collar		White collar	
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Union HH	0.177**	0.144*	0.087	0.084	0.227***	0.190**	0.130	0.121
	(0.074)	(0.076)	(0.084)	(0.084)	(0.074)	(0.072)	(0.101)	(0.101)
Log (HH income)		0.221***		0.056		0.260***		0.087
		(0.060)		(0.084)		(0.086)		(0.110)
Observations	423	423	461	460	375	373	502	502
R-squared	0.162	0.190	0.084	0.084	0.264	0.291	0.081	0.084

Note: Clustered standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. The offspring income is the labor income of full-time offspring. The HH income is the labor income of household head who is working full-time. Covariates include parents' age, race, ethnicity, full-time status, marital status, industry, and the urban status of the household.

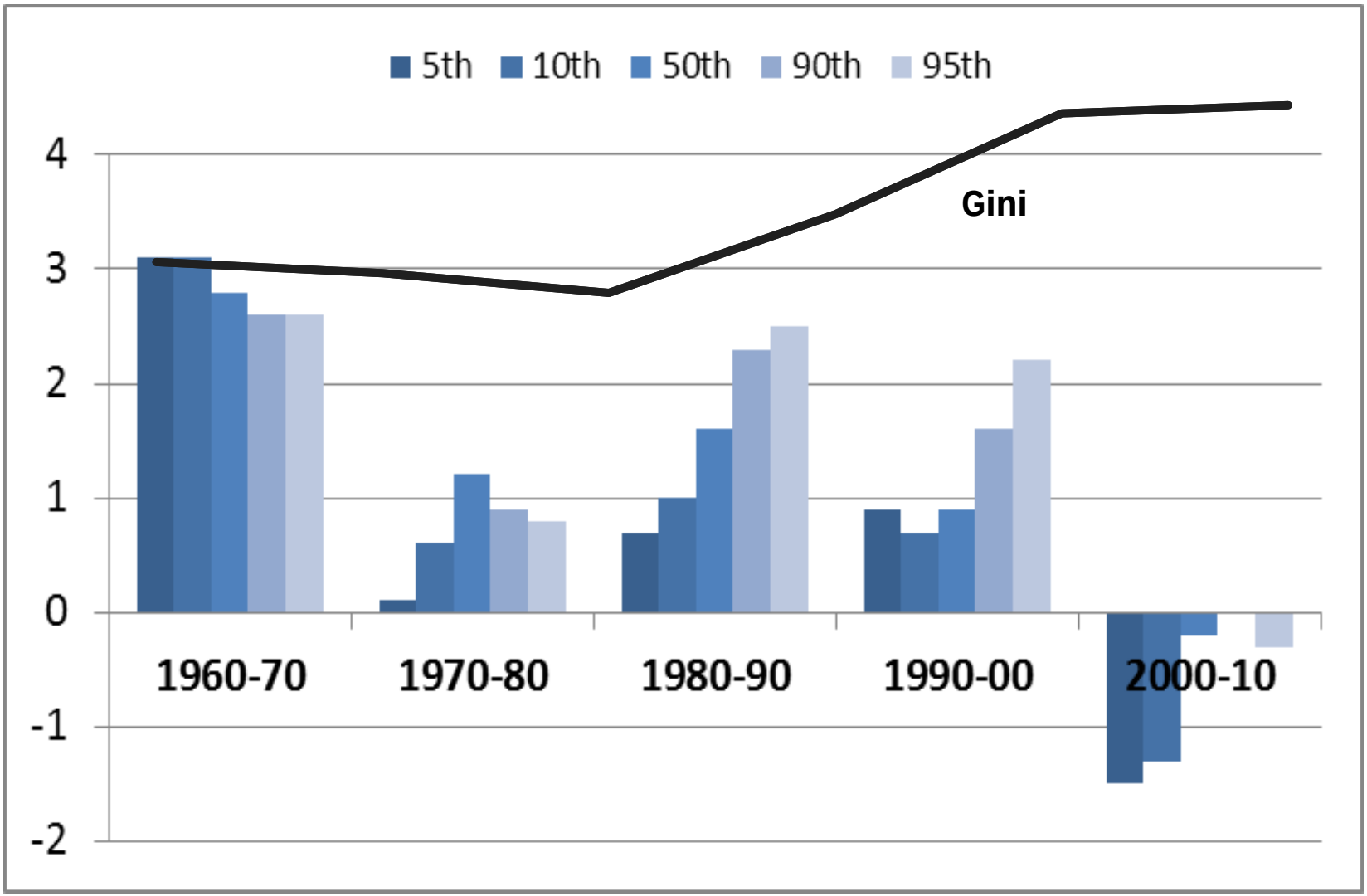
van der Weide and Milanovic: *Inequality Is Bad for Growth of the Poor (But Not for That of the Rich)*



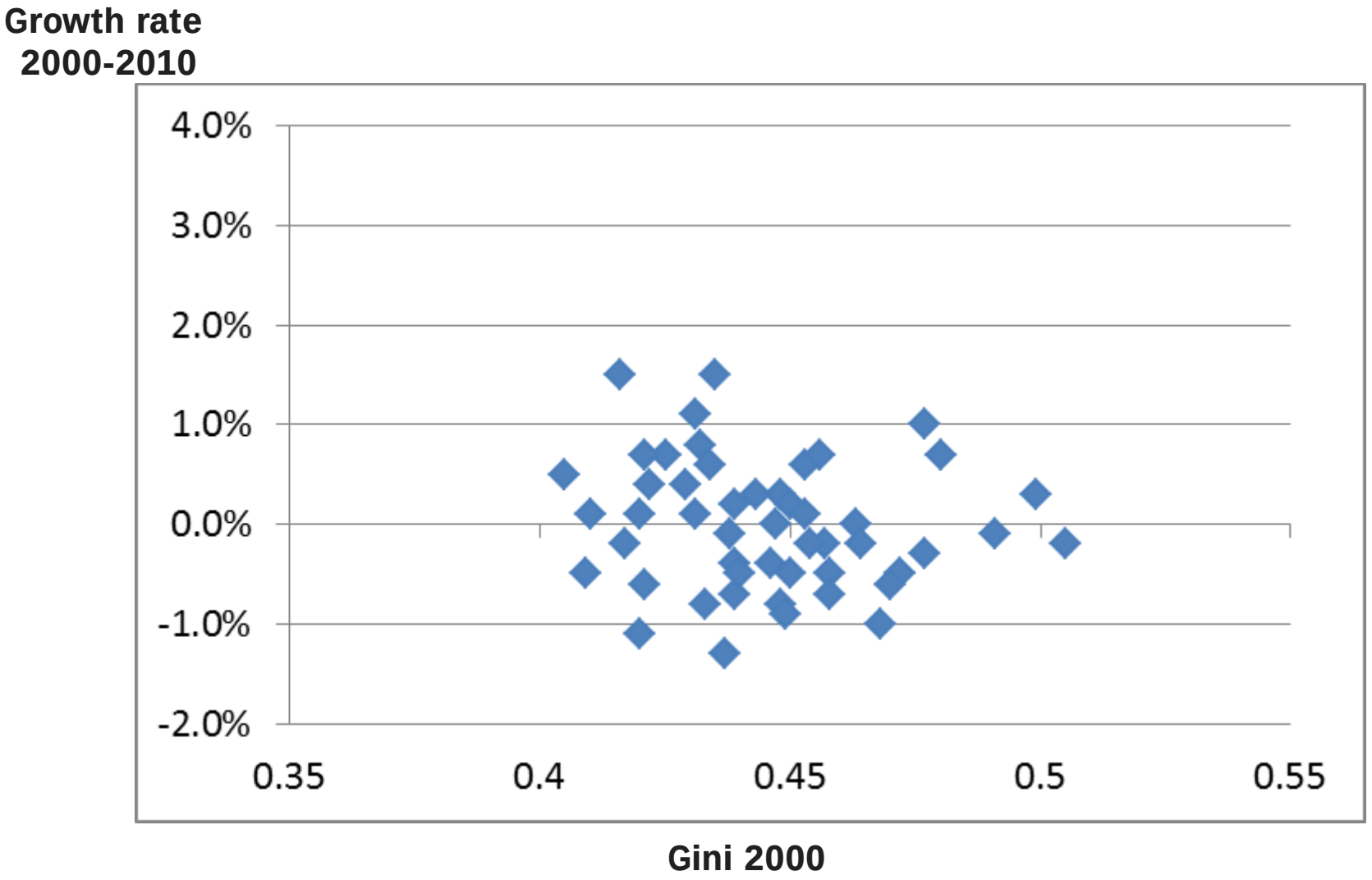
Differential growth in income by percentile indicates increasing inequality



The increase in the Gini is related to differential growth in income by percentile



State Gini and State growth rates show little correlation



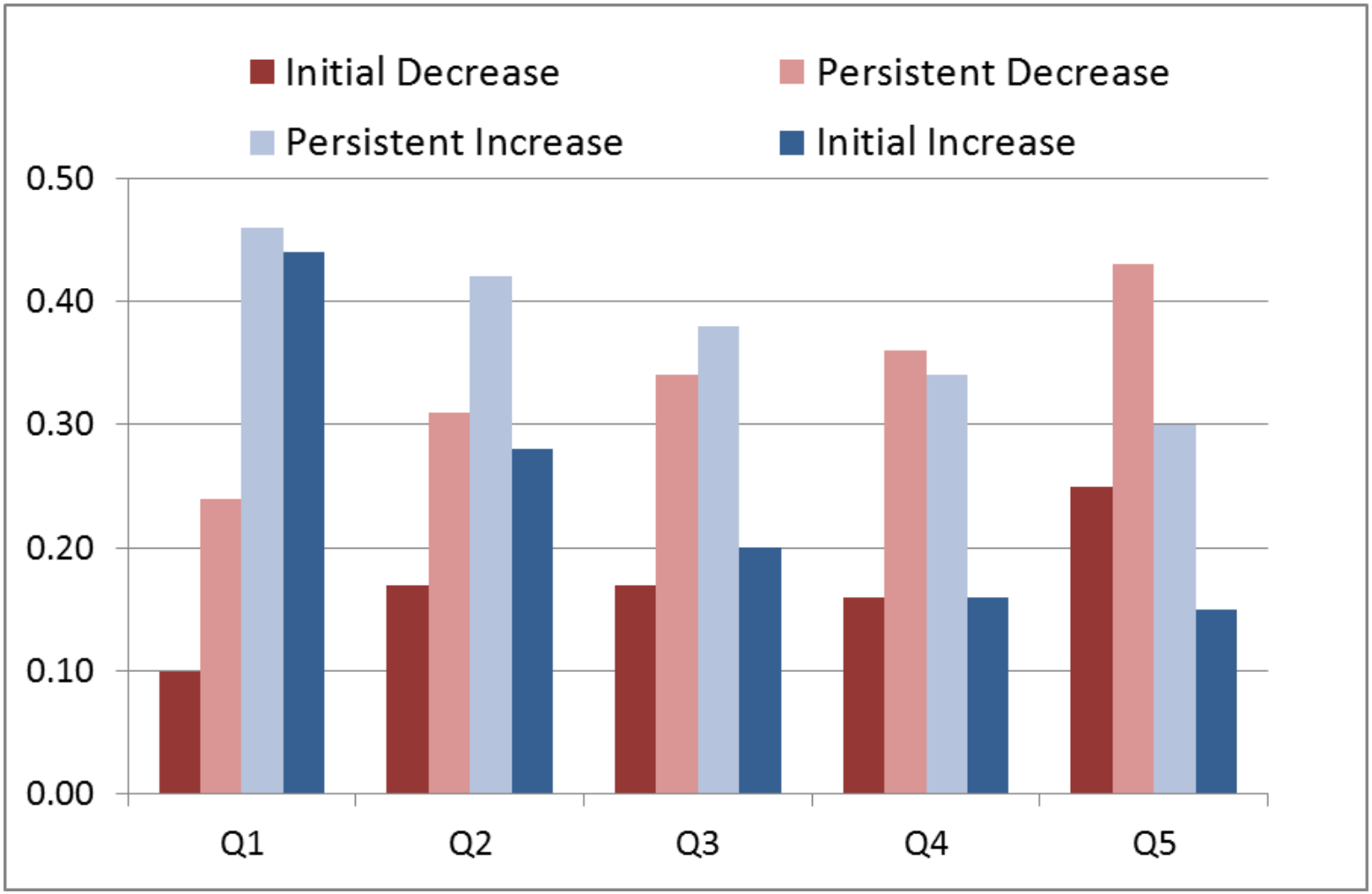
Bottom inequality yields growth at the top
Top inequality decreases bottom incomes

	dlny5	dlny10	dlny25	dlny50	dlny75	dlny90	dlny95	dlny99
gini_b40	-0.379***	-0.183**	-0.0309	0.0248	0.0488*	0.0601**	0.0745***	0.0651**
	(-2.91)	(-2.34)	(-0.68)	(0.74)	(1.75)	(2.43)	(3.06)	(2.00)
gini_t40	-0.118	-0.163**	-0.143**	-0.0823*	-0.0123	0.00320	-0.000675	0.0187
	(-1.25)	(-2.04)	(-2.35)	(-1.73)	(-0.31)	(0.09)	(-0.02)	(0.34)

(From Table 4: dependent var. = per capita income growth at given percentile of state income distribution; 1960-2010; 10-year periods)

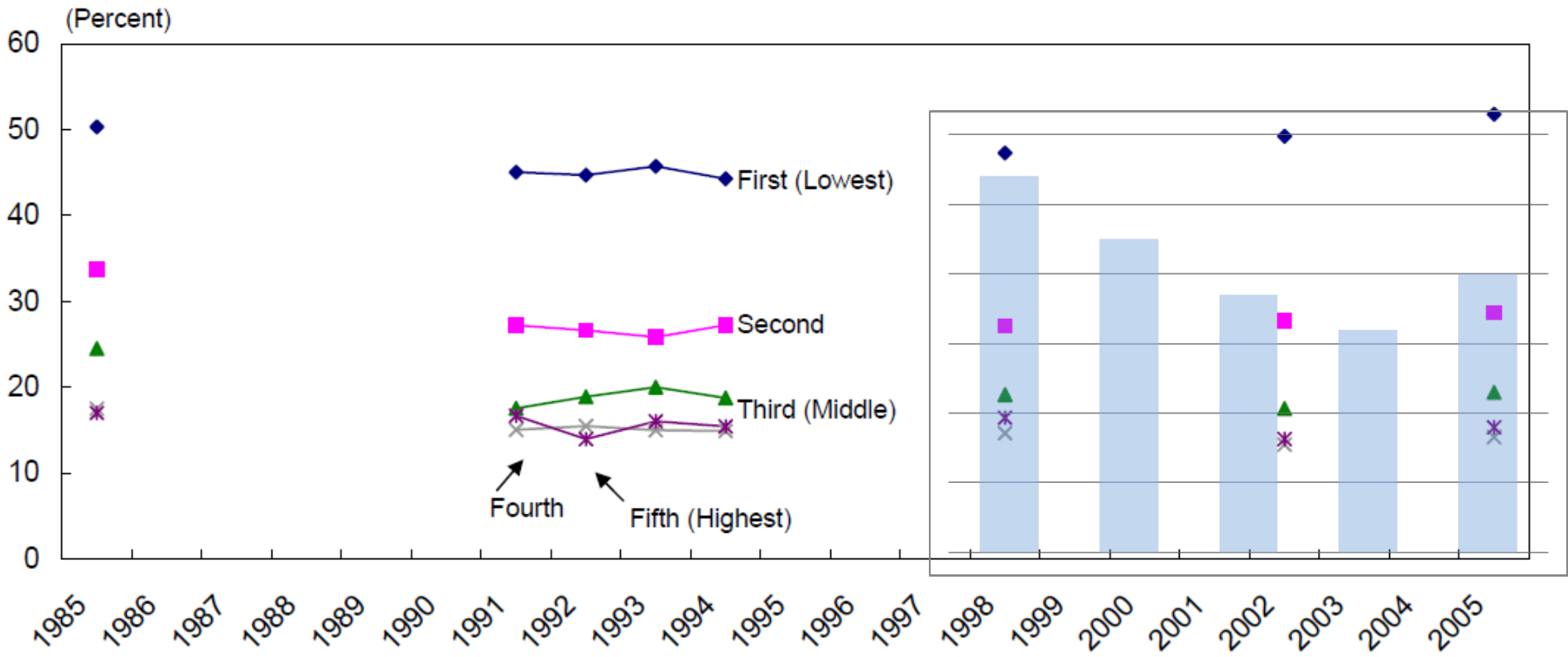
Larrimore, Mortenson and Splinter: Income and Earnings Mobility in U.S. Tax Data

Percent of tax units experiencing changes in income greater than 25% (over two years (initial) or subsequent two years (persistent))



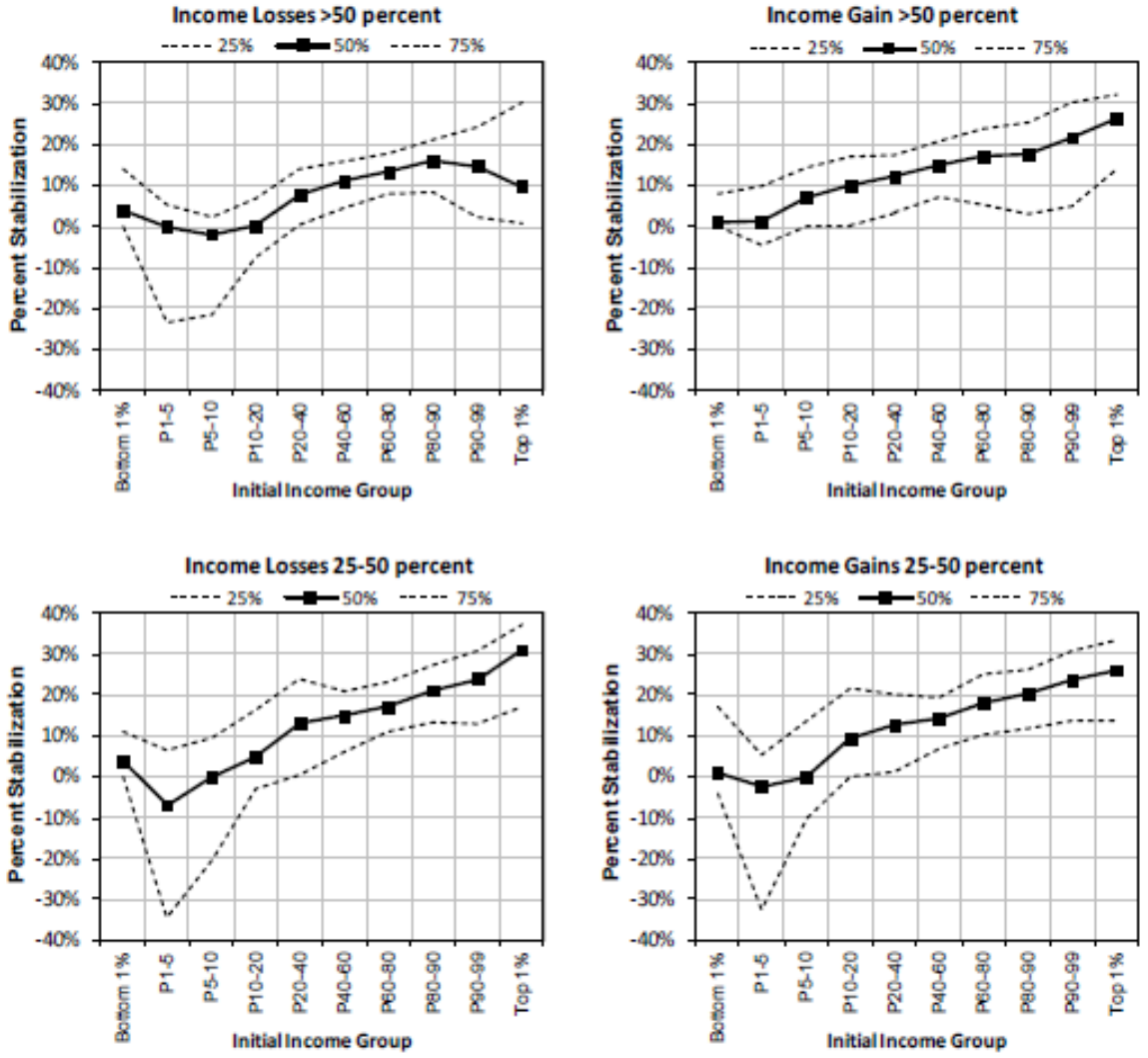
SIPP data linked to IRS data shows more volatility at low income

Percentage of Households Whose Incomes Changed by 25 Percent or More Over the Previous Year, by Quintile of the Income Distribution



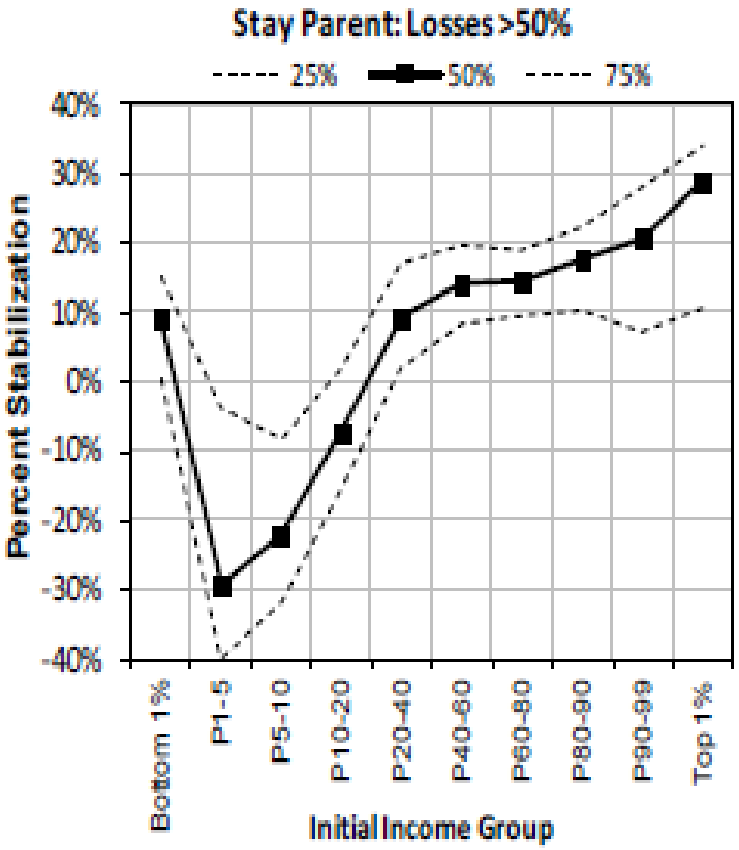
Taxes slightly mitigate large income changes

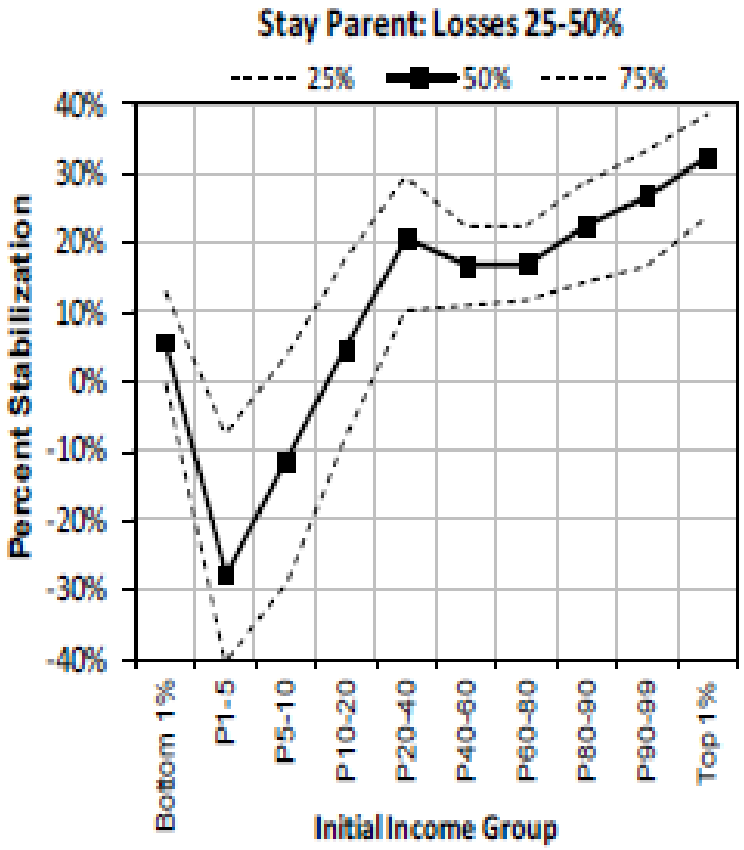
Figure 1: Stabilization of Income from Federal Income Taxes

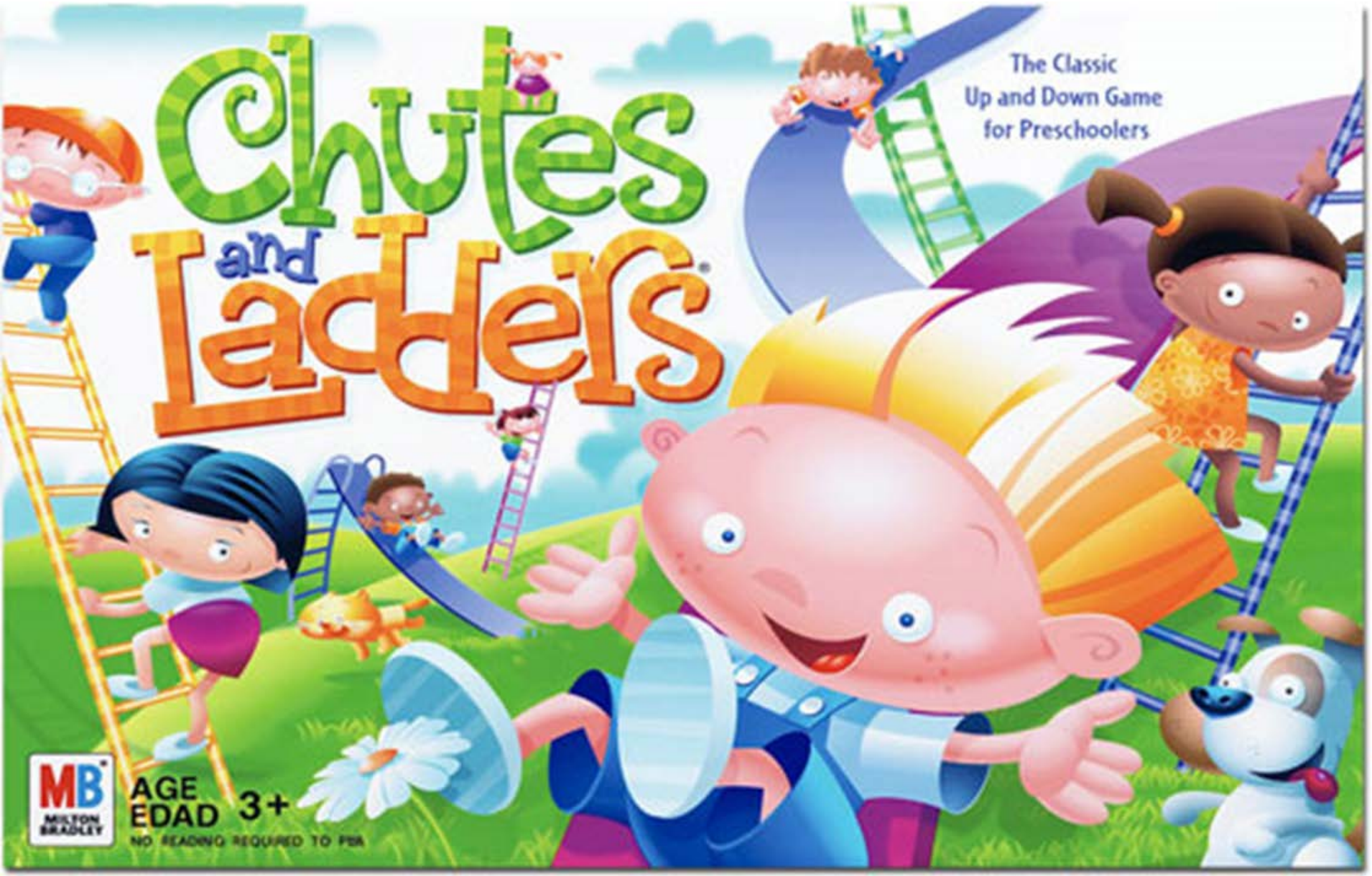


Source: Enhanced CWHS panel and authors' calculations.

Stabilization falls at low income for parents (who qualify for EITC)






Chutes and Ladders
The Classic
Up and Down Game
for Preschoolers
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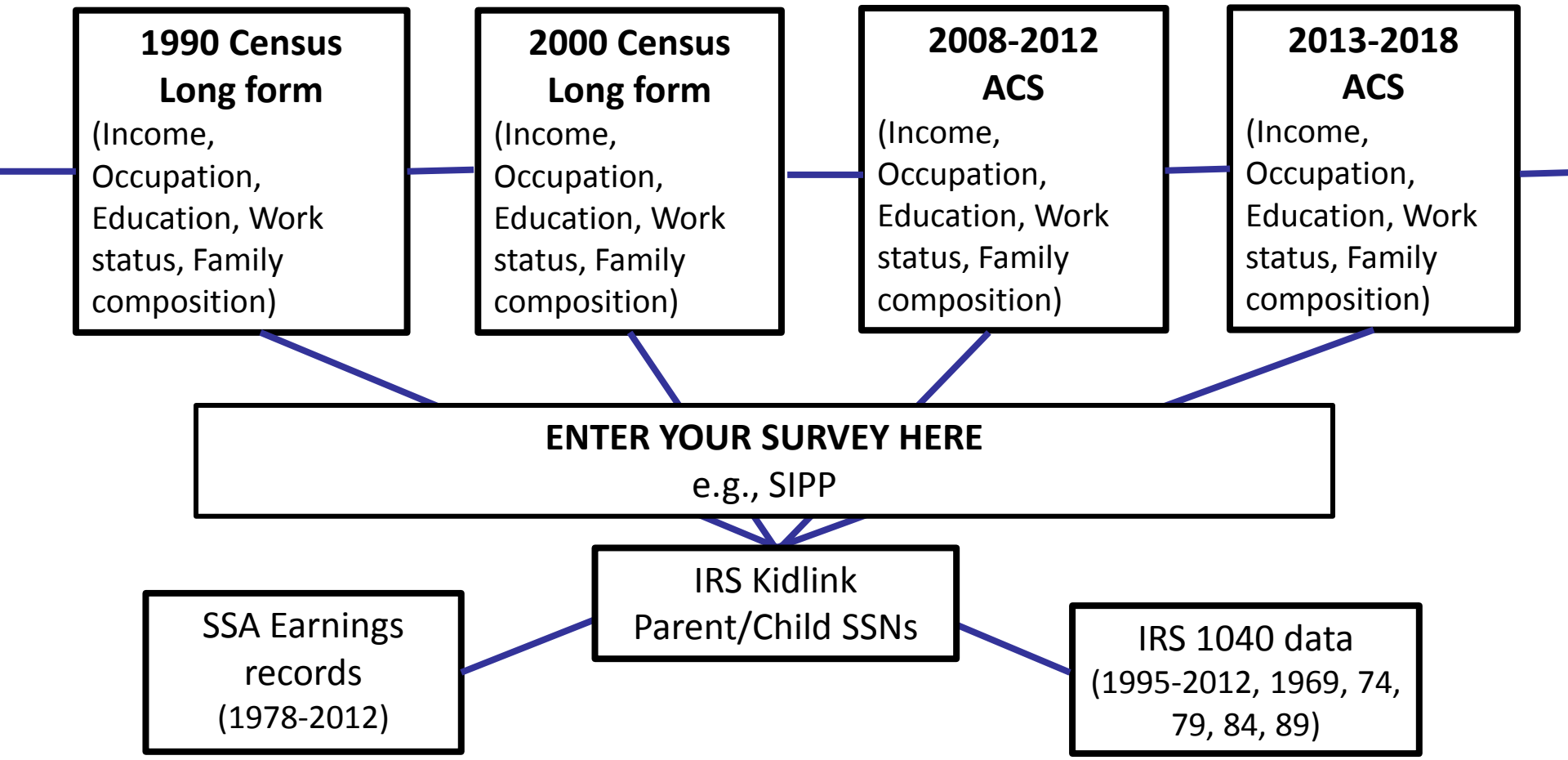
AGE
EDAD 3+
NO READING REQUIRED TO PLAY

ADVERTISEMENT: American Opportunity Study

Linking Censuses, Survey Data and Administrative Records