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Family Income Trends by Race, Ethnicity and Education Level

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*These are my views alone and not necessarily those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.
Thanks to Ana H. Kent and Lowell R. Ricketts for help in preparing this presentation.*

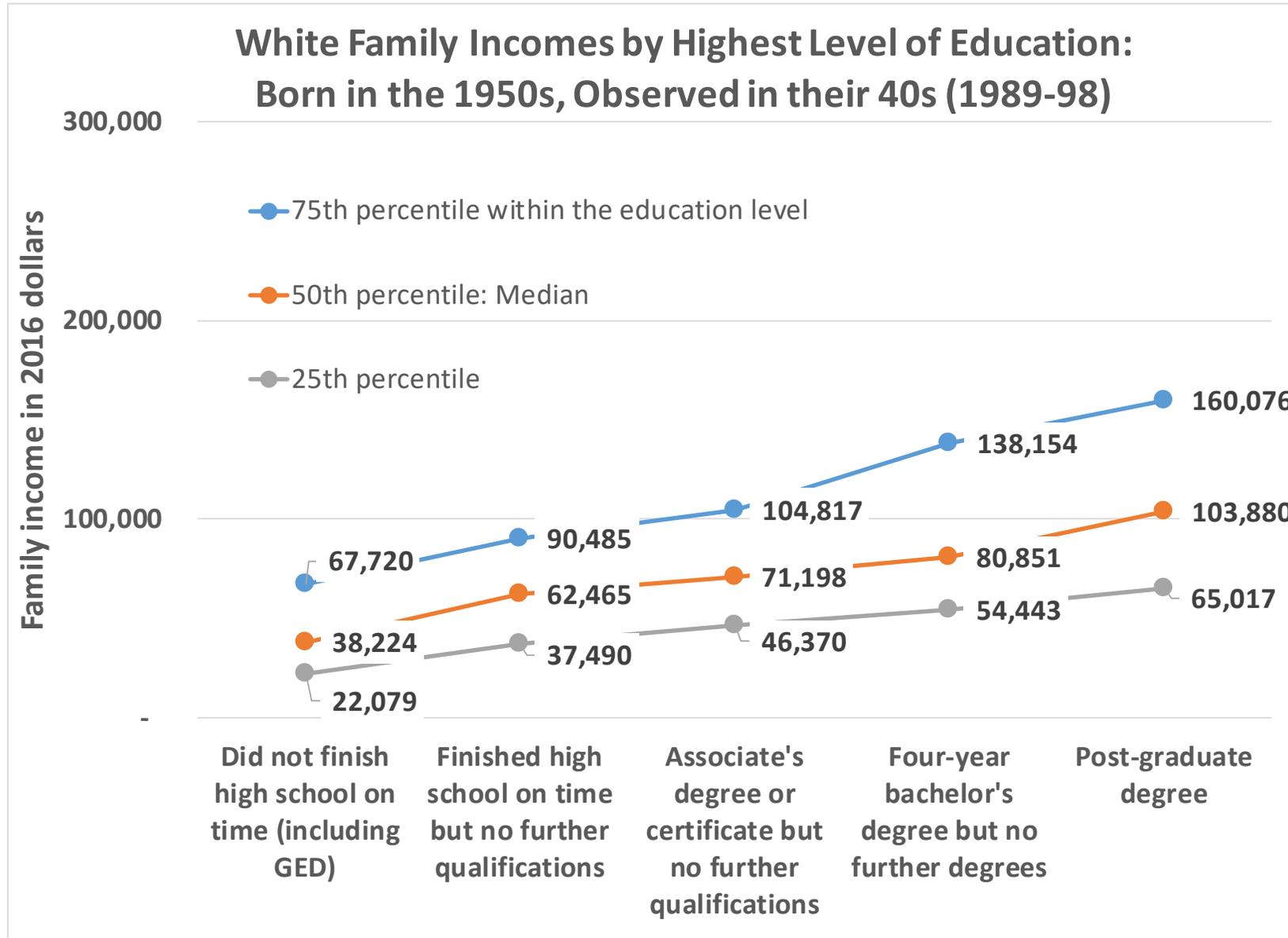
Family Income Trends by Race, Ethnicity and Education Level

- More education means more income for all races and ethnicities.
- In percentage terms, the median-family-income boosts associated with each step up the educational ladder are about:
 - 50-100% for on-time high-school completion (HS) over GED/no HS
 - 15-30% for associate's degree (AD) or certificate over HS
 - 50-90% for terminal four-year bachelor's degree (4Y) over HS
 - 25-60% for post-graduate degree (PG) over 4Y (PG)
- AD boost has declined a lot; 4Y and PG boosts declined a little.

Isolating the Income Boosts from Education

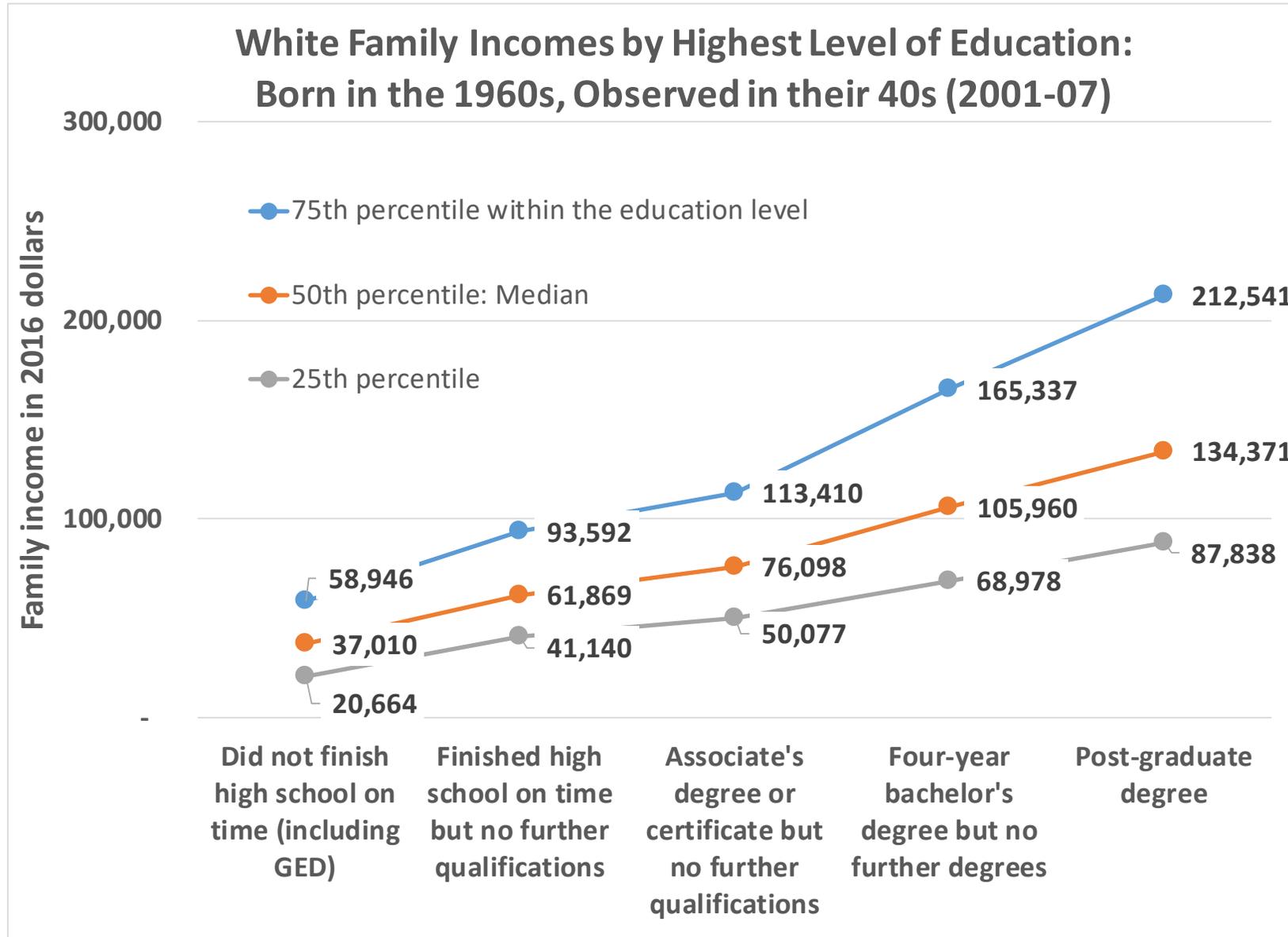
- All summary statistics are for families of a single race and ethnicity to highlight continuing structural and systemic factors.
- To eliminate important life-cycle effects, I look only at family incomes for people in their 40s; dollar amounts inflation-adjusted.
- To identify trends in educational income premiums, I compare three decade-long birth cohorts when they were in their 40s:
 - People born 1950-59, in 1989-98 Survey of Consumer Finances
 - People born 1960-69, in 2001-07 Survey of Consumer Finances
 - People born 1970-79, in 2010-16 Survey of Consumer Finances
- Caution: Cannot disentangle “treatment” from “selection” effects.

White 1950s-Born Family Incomes by Education Level



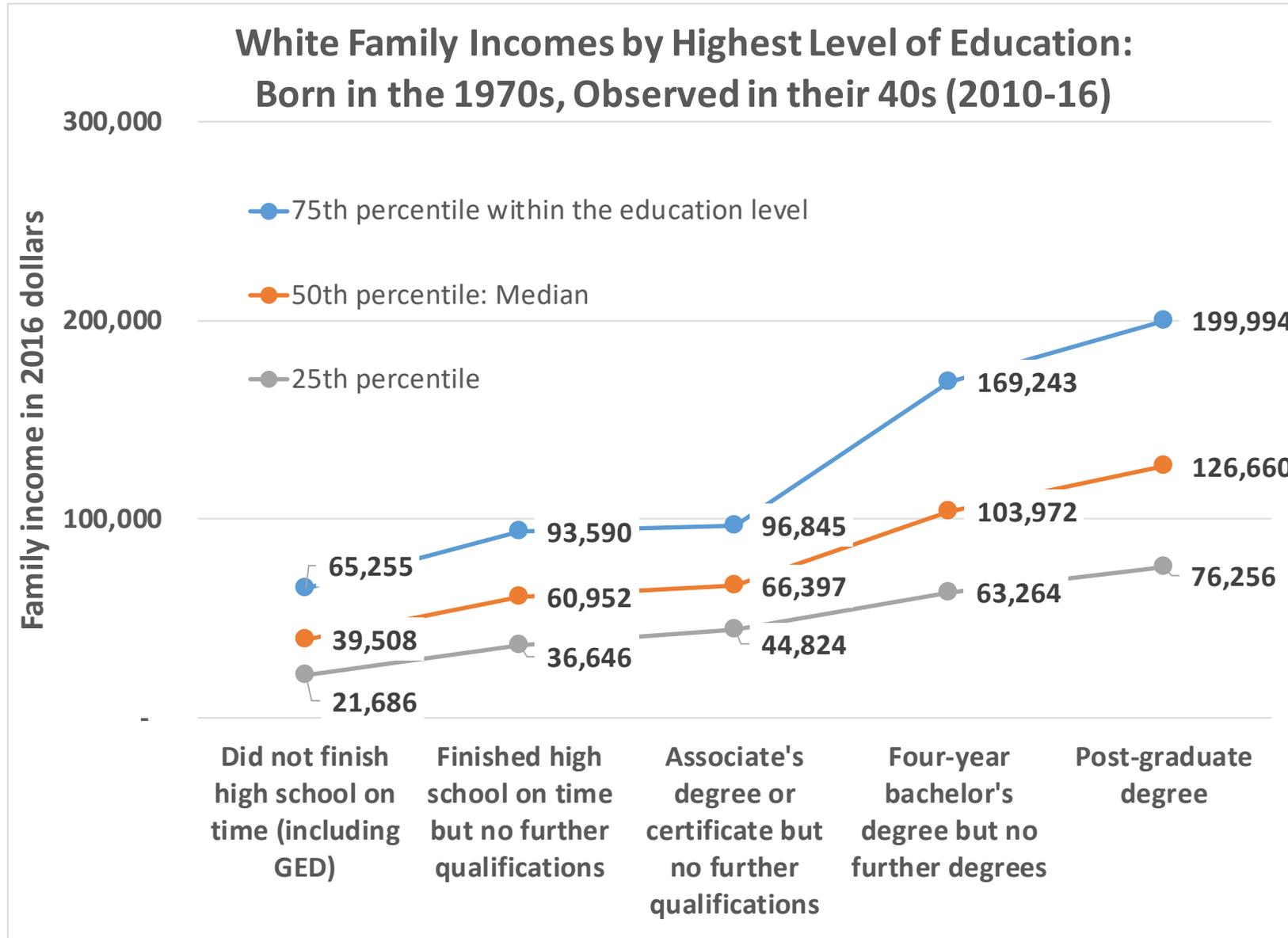
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

White 1960s-Born Family Incomes by Education Level



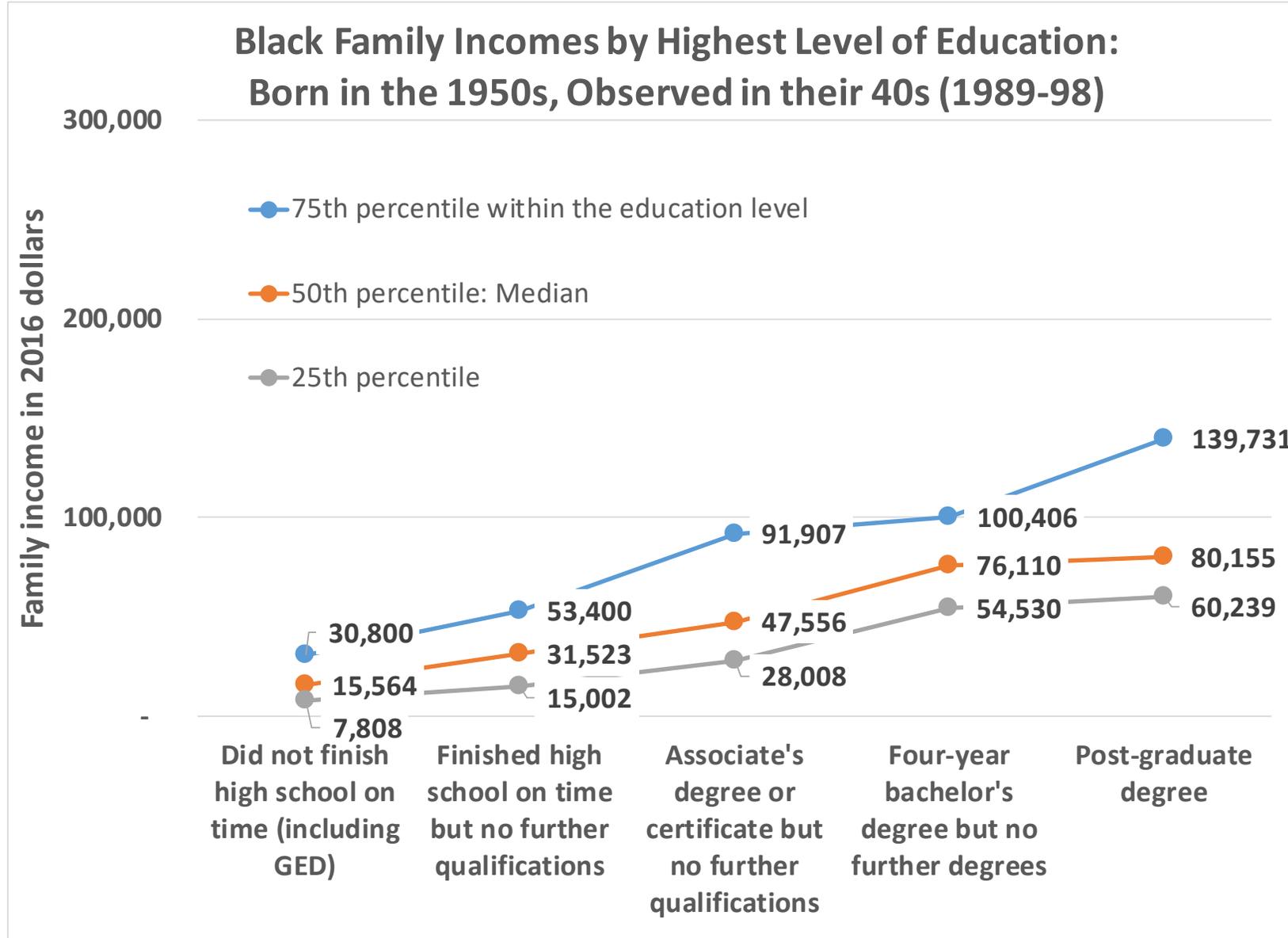
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White 1970s-Born Family Incomes by Education Level



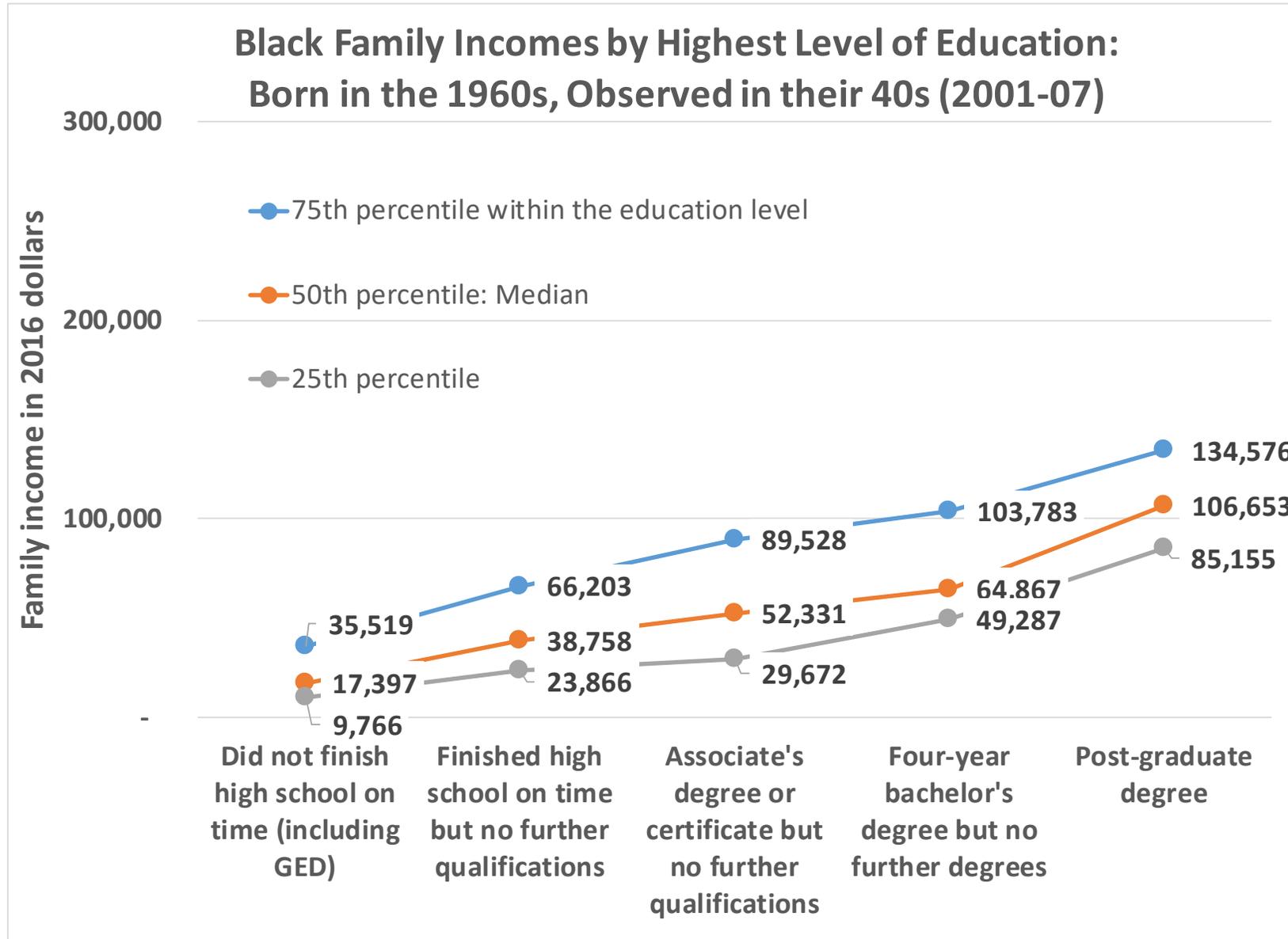
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Black 1950s-Born Family Incomes by Education Level



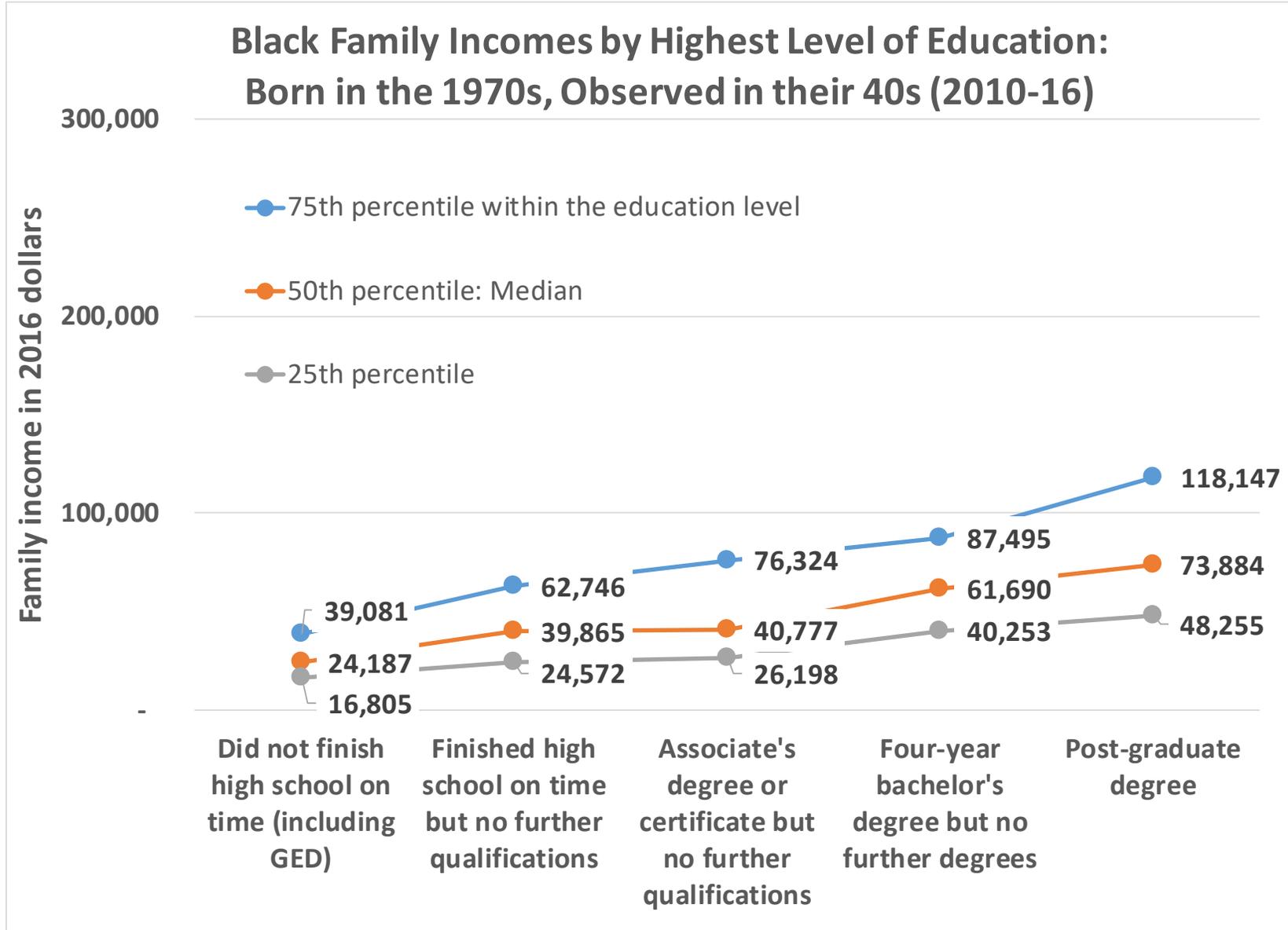
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Black 1960s-Born Family Incomes by Education Level



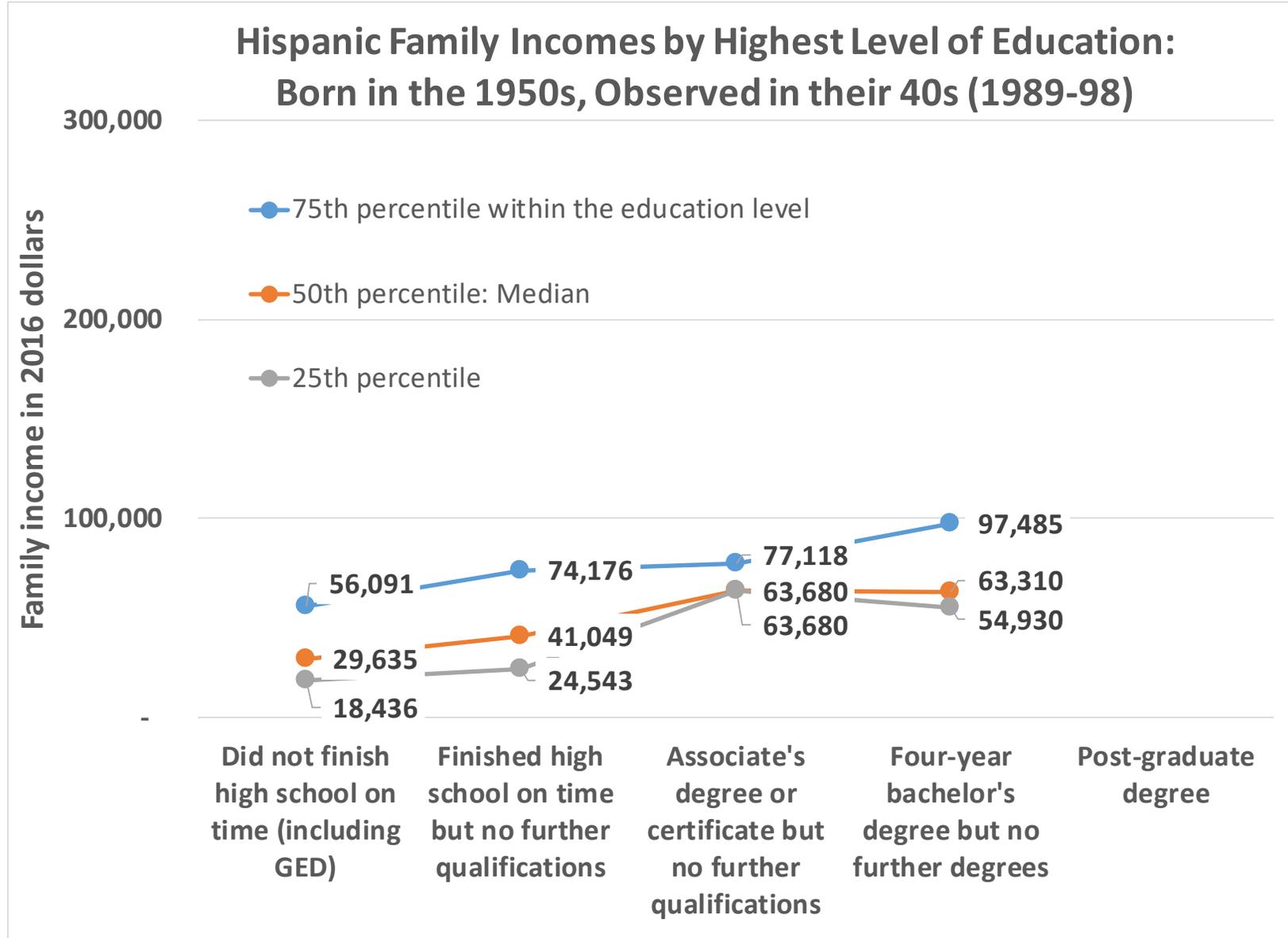
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Black 1970s-Born Family Incomes by Education Level



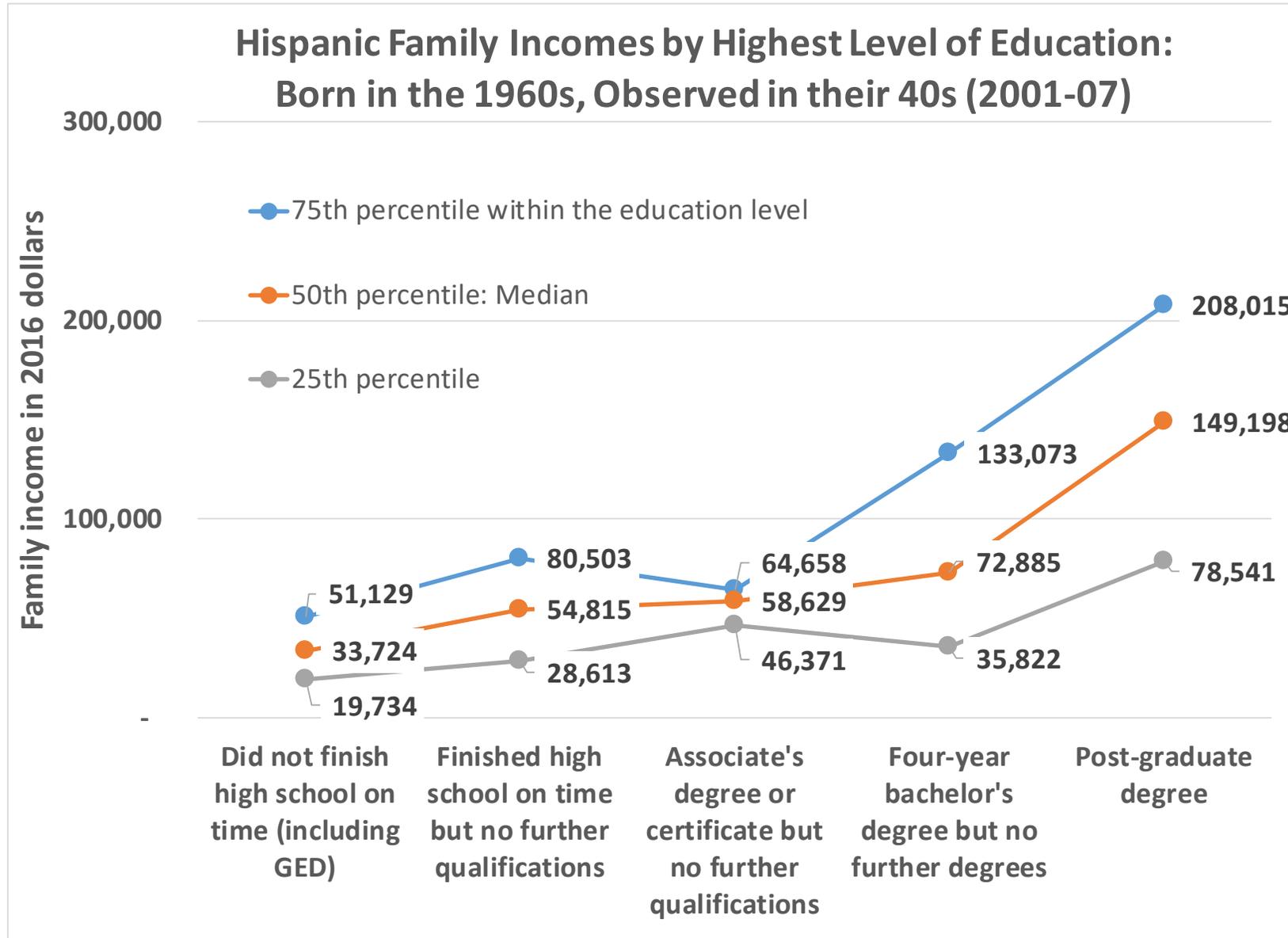
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Hispanic 1950s-Born Family Incomes by Education Level



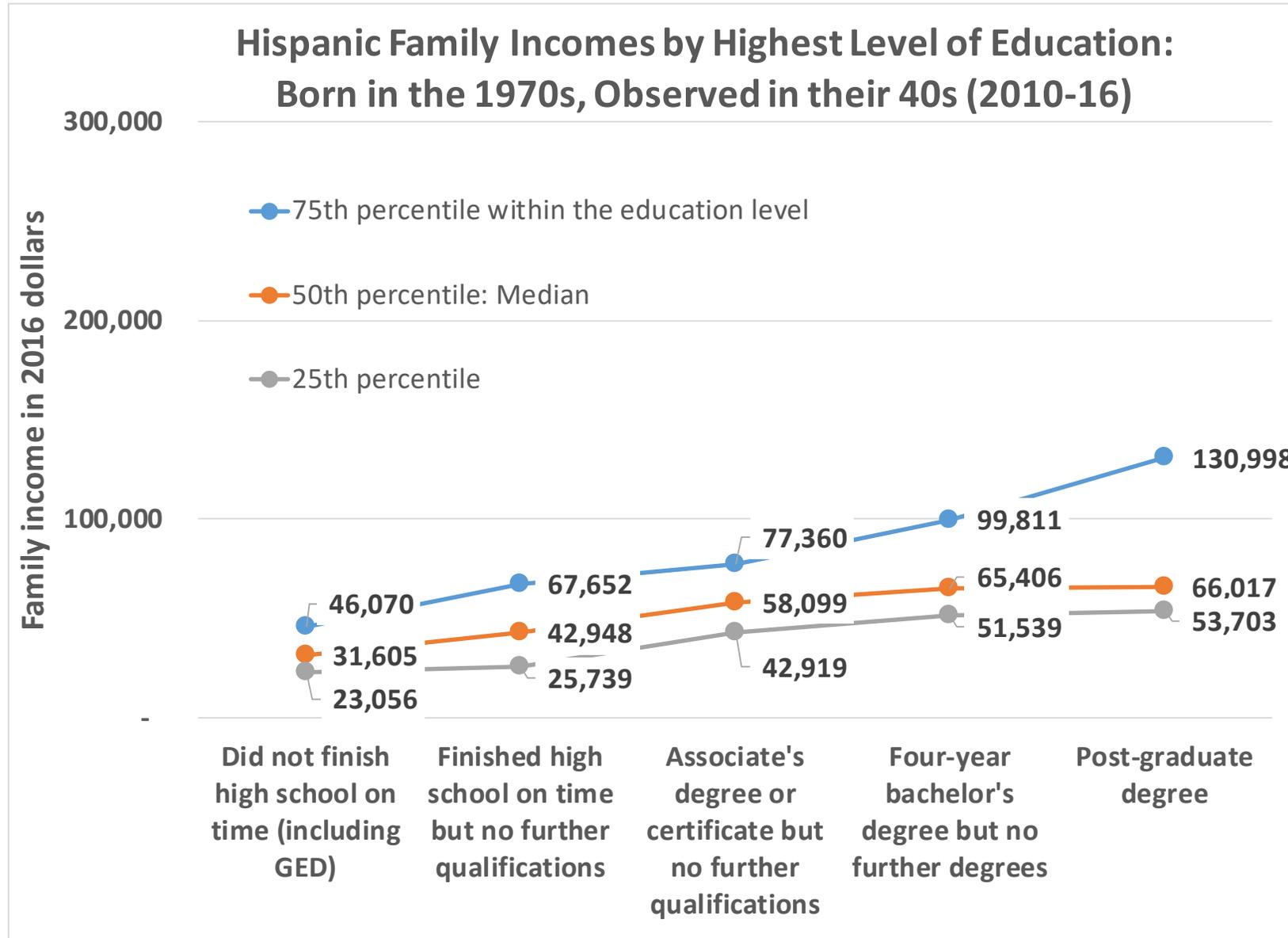
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Hispanic 1960s-Born Family Incomes by Education Level



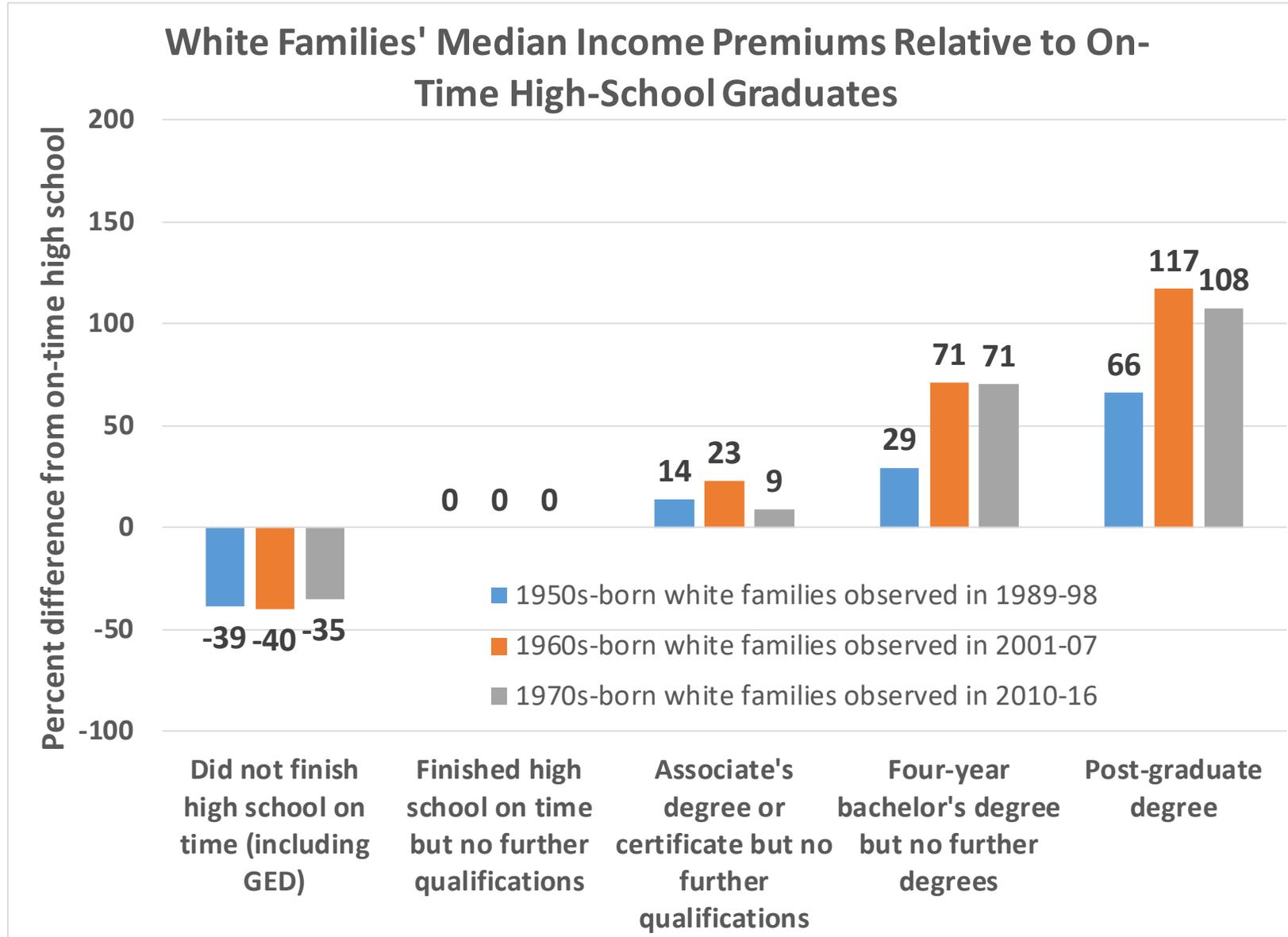
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Hispanic 1970s-Born Family Incomes by Education Level



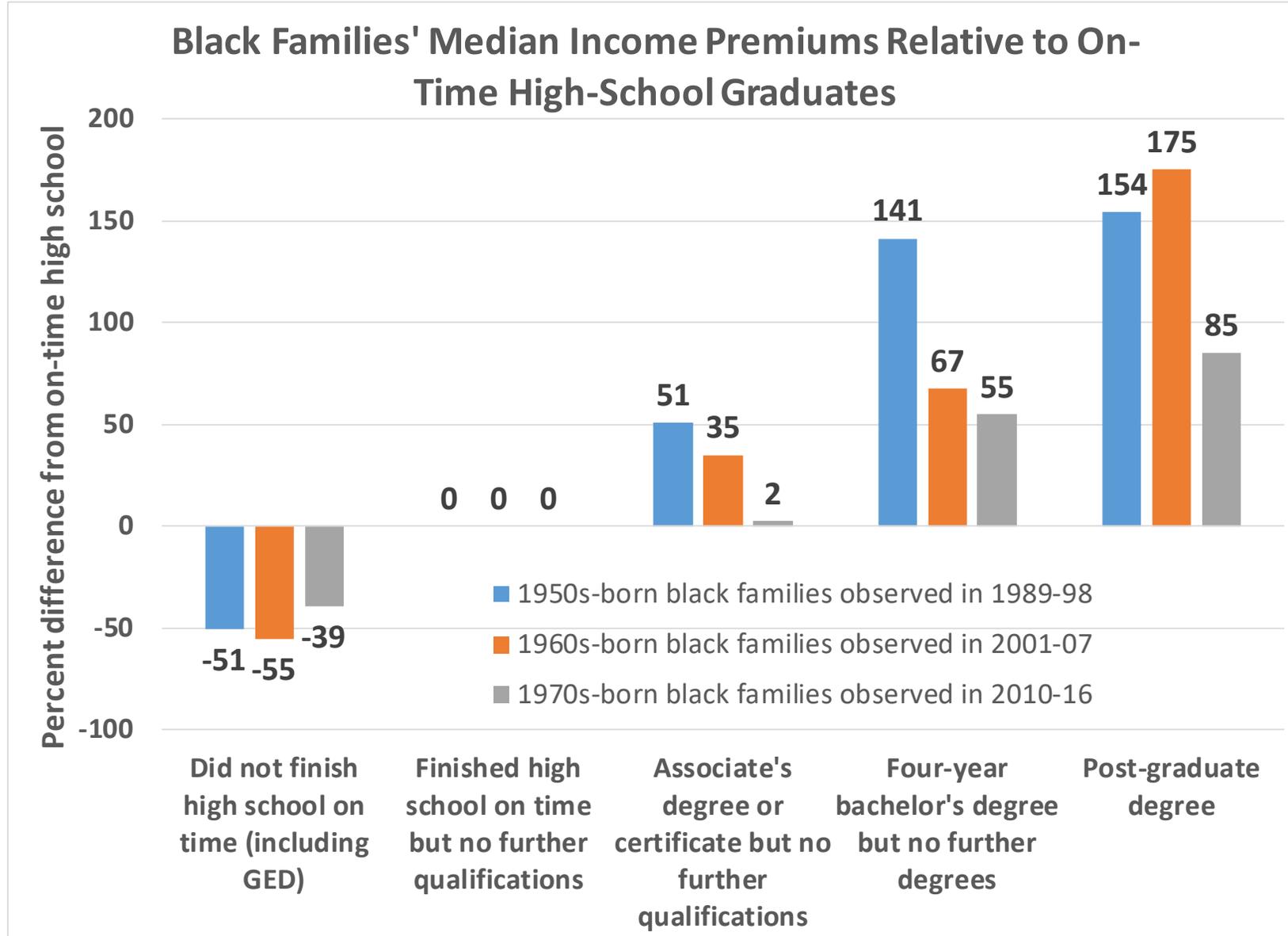
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Whites' Median-Income Premiums by Education Level



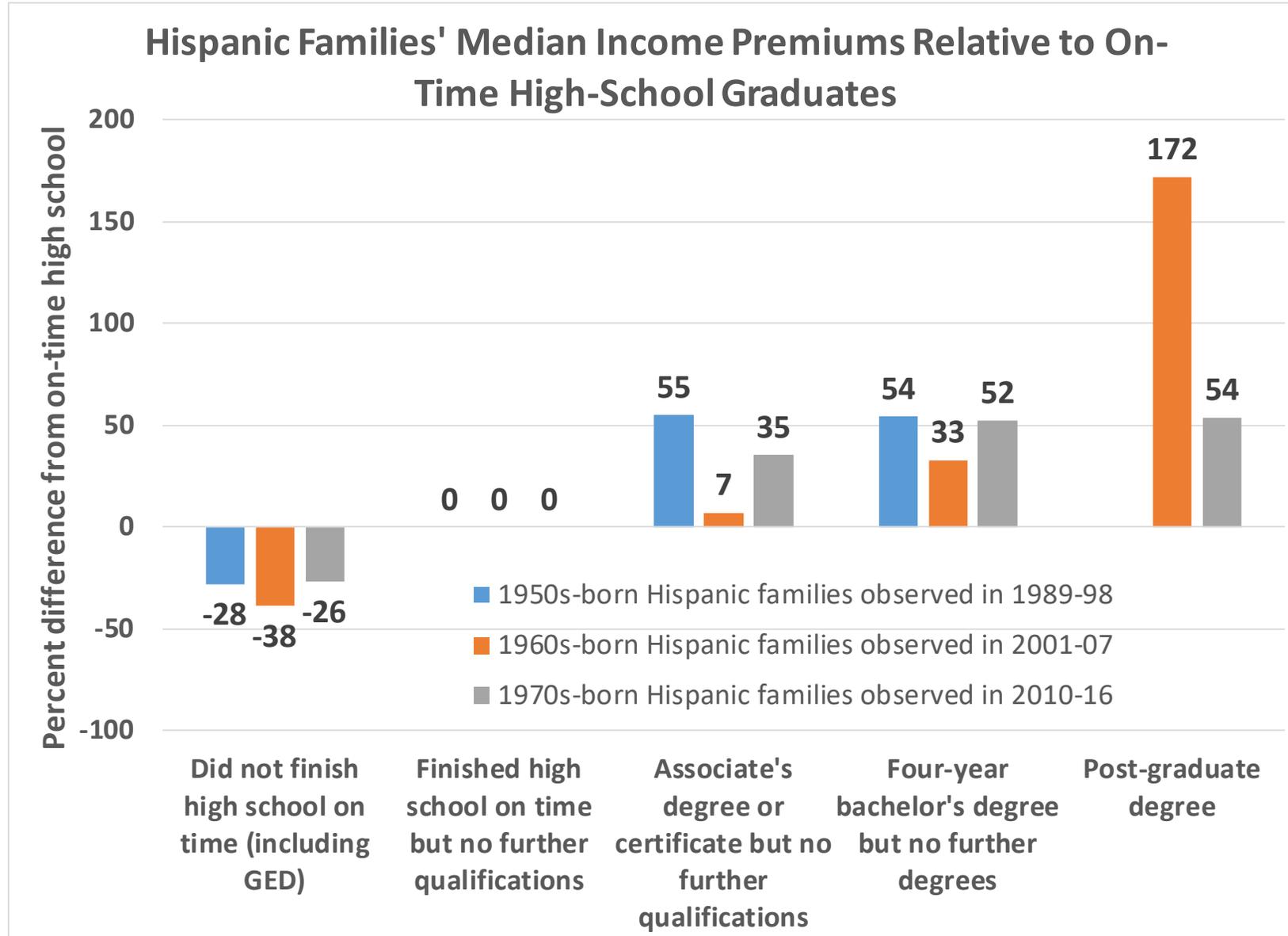
Source: Federal Reserve *Survey of Consumer Finances* and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Blacks' Median-Income Premiums by Education Level



Source: Federal Reserve Survey of Consumer Finances and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Hispanics' Median-Income Premiums by Education Level



Source: Federal Reserve Survey of Consumer Finances and my calculations. Figures shown are multi-year averages of individual survey-year statistics.

Important Limitations of These Data: Interpretation and Application

- People are not randomly assigned to education outcomes; rather, individuals choose their education and achieve income levels for many reasons, such as family background and native ability.
- Thus, we cannot disentangle “treatment” from “selection” effects.
 - Treatment: What does a diploma or degree add to the person?
 - Selection: Which people achieve a certain education level?
- Therefore, we cannot simply apply the estimates of income premiums people have received in the past to someone who might attempt a higher level of education; the “fit” must be right.

In Sum: Family Income Trends by Race, Ethnicity and Education Level

- In percentage terms, the median-family-income boosts associated with each step up the educational ladder are about:
 - 50-100% for on-time high-school completion (HS) over GED/no HS
 - 15-30% for associate's degree (AD) or certificate over HS
 - 50-90% for terminal four-year bachelor's degree (4Y) over HS
 - 25-60% for post-graduate degree (PG) over 4Y (PG)
- AD boost has declined a lot; 4Y and PG boosts declined a little.
- Correlation is not causation; but educat'n likely increases income.

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