

US-RPEM-1 Reducing Poverty, enhancing Mobility: education and family structure

Darryl McLeod & Meshry El Koudous

Fordham University, ECON 3240 Poverty, Spring 2015

Poverty inequality and Mobility in a Global Economy

What is socio-economic mobility?

Typical measures:

- **Absolute mobility:** How far do children of parents at the 25th percentile, in 1980-82 for example, expect to progress up the income ladder by 2010-2012?
- **Intergenerational mobility:** correlation of parents & children's education/income: **low correlation** is high mobility, **high correlation** signals low mobility.
- **Relative mobility:** How far can someone in the bottom 20% for example expect to progress?

Make work pay: raise the minimum wage?

Many states including NYC propose raising the minimum wage to \$10-\$15 per hour, this makes work pay

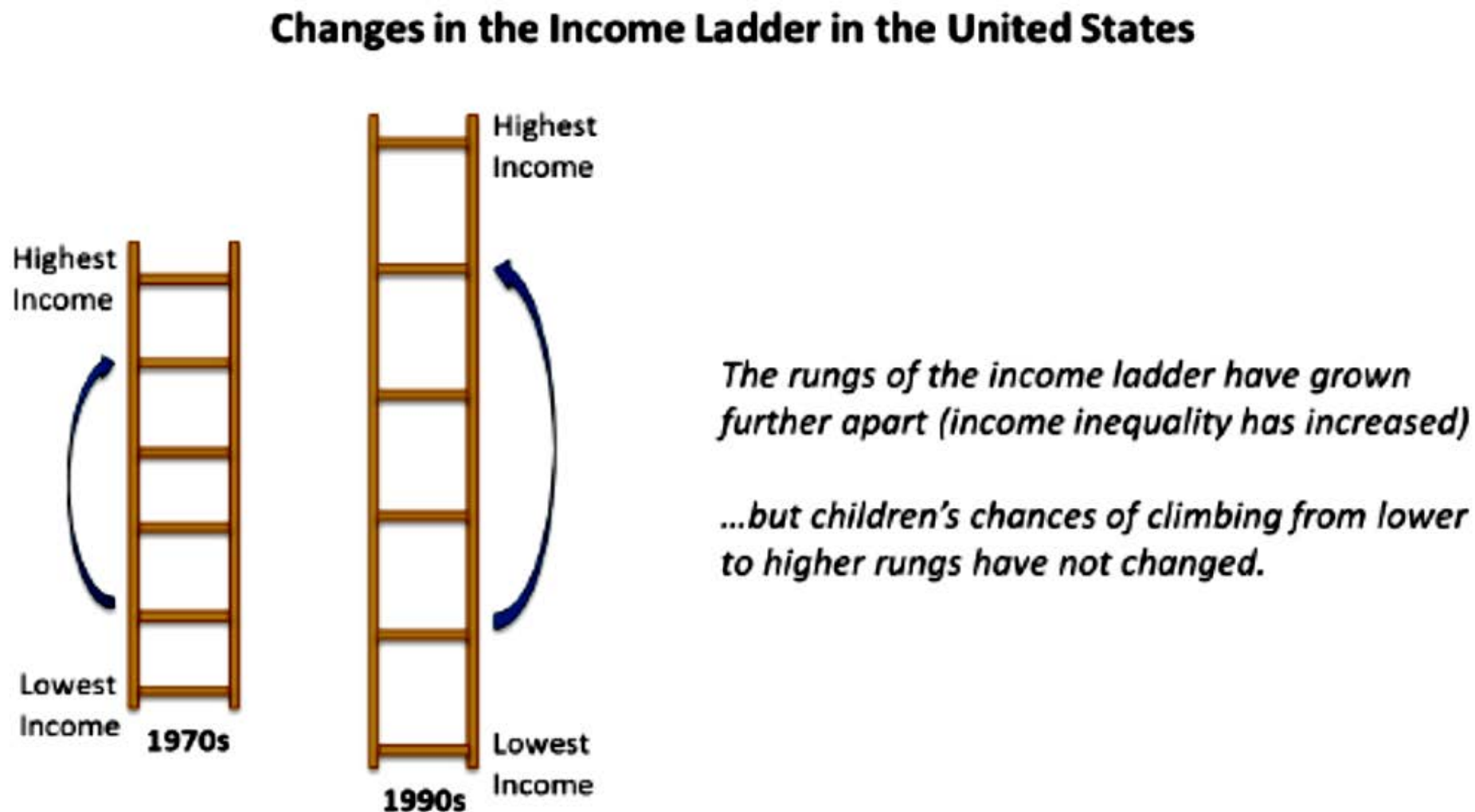
1. Efficiency wage: reduces turnover, reduces job openings for least skilled workers
2. May eliminate jobs, Paris subway, Euro for a shopping cart; automated tellers, scanners, RF tags...
3. Discriminates against least educated workers (immigrants? See Ivan Light.)
4. Raises prices for some services where automation/mechanization is difficult

Make work pay: extend the EITC?

Republicans, Brookings, economists and President Obama recommend expanding the EITC

1. Wage subsidy, workers paid a bonus for working
2. But many see as subsidy to corporations who pay low wages, employ mainly immigrants, etc (a conspiracy of the poor to avoid minimum wage laws).
3. Increases mobility, lowers first rung on ladder, makes it easier to get first or quick job (Angelique Melton)
4. Lowers prices for some services where automation/mechanization is difficult

inequality and Mobility (source Chetty et al. 2014)



College is a game changer

COLLEGE GRADUATE

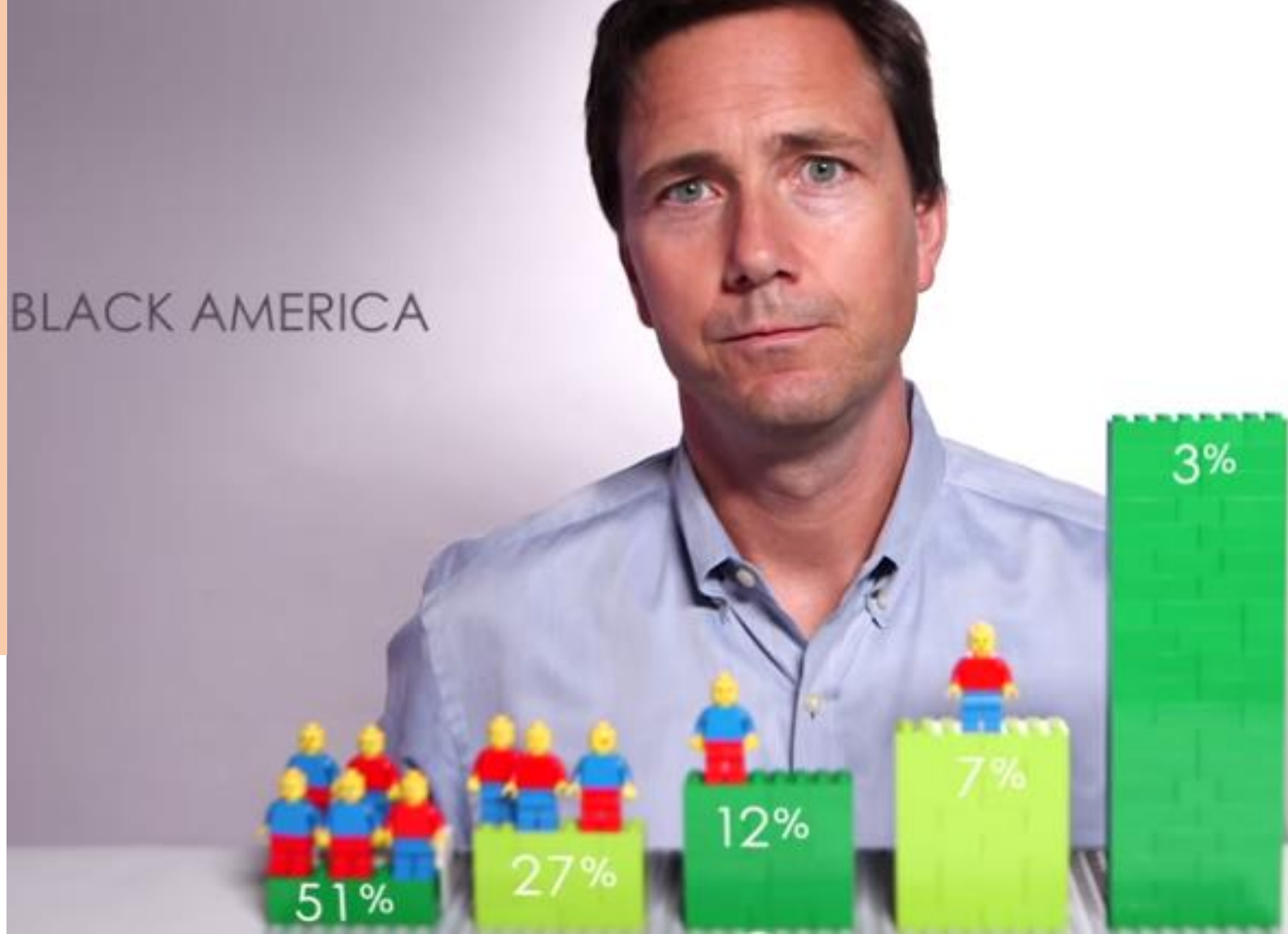
Near equal Opportunity: Someone starting in the bottom 20% has equal probability of ending up in any quintile, Richard Reeves, Brookings, Lego video



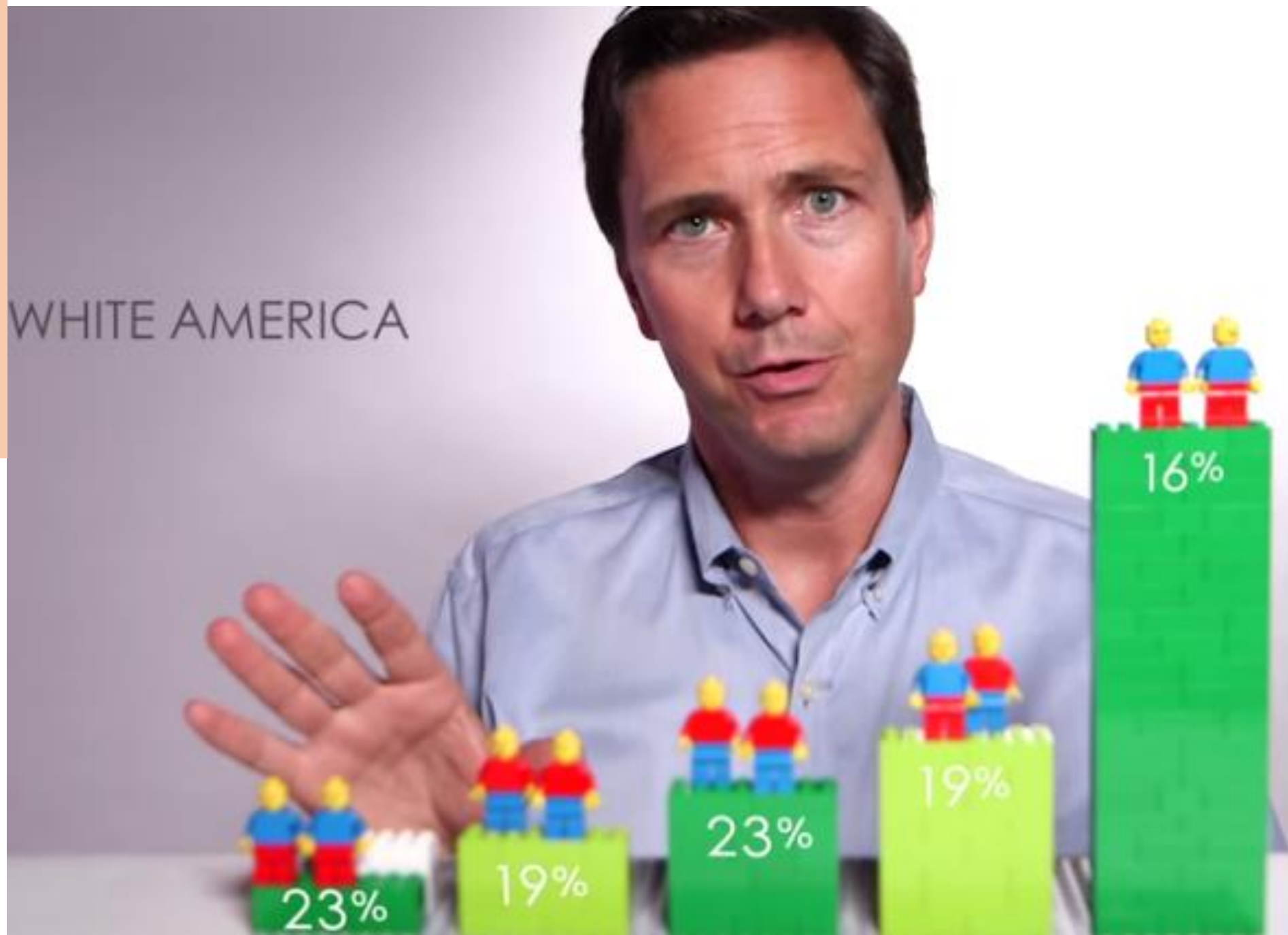
This is the US income distribution in itself is not as interesting as mobility throughout it. It is very important that those born at the bottom quantile are not predestined to stay there eternally.



A black person born at the bottom quantile has a 51% chance of staying in the bottom quantile, and only a 12% chance of moving to the middle quantile.

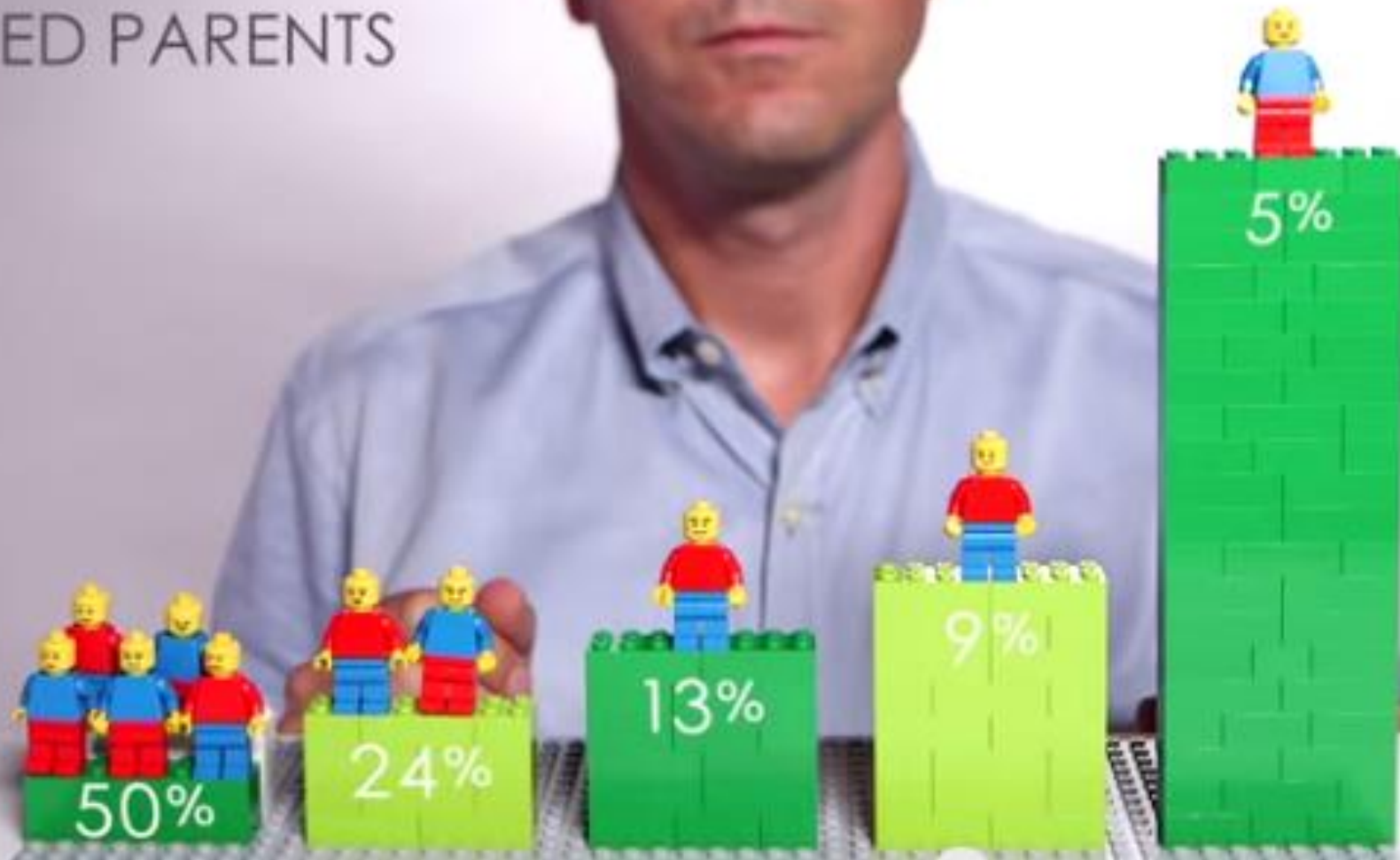


A white person born into the bottom quantile has roughly equal chances of moving up the income ladder or remaining at the bottom.



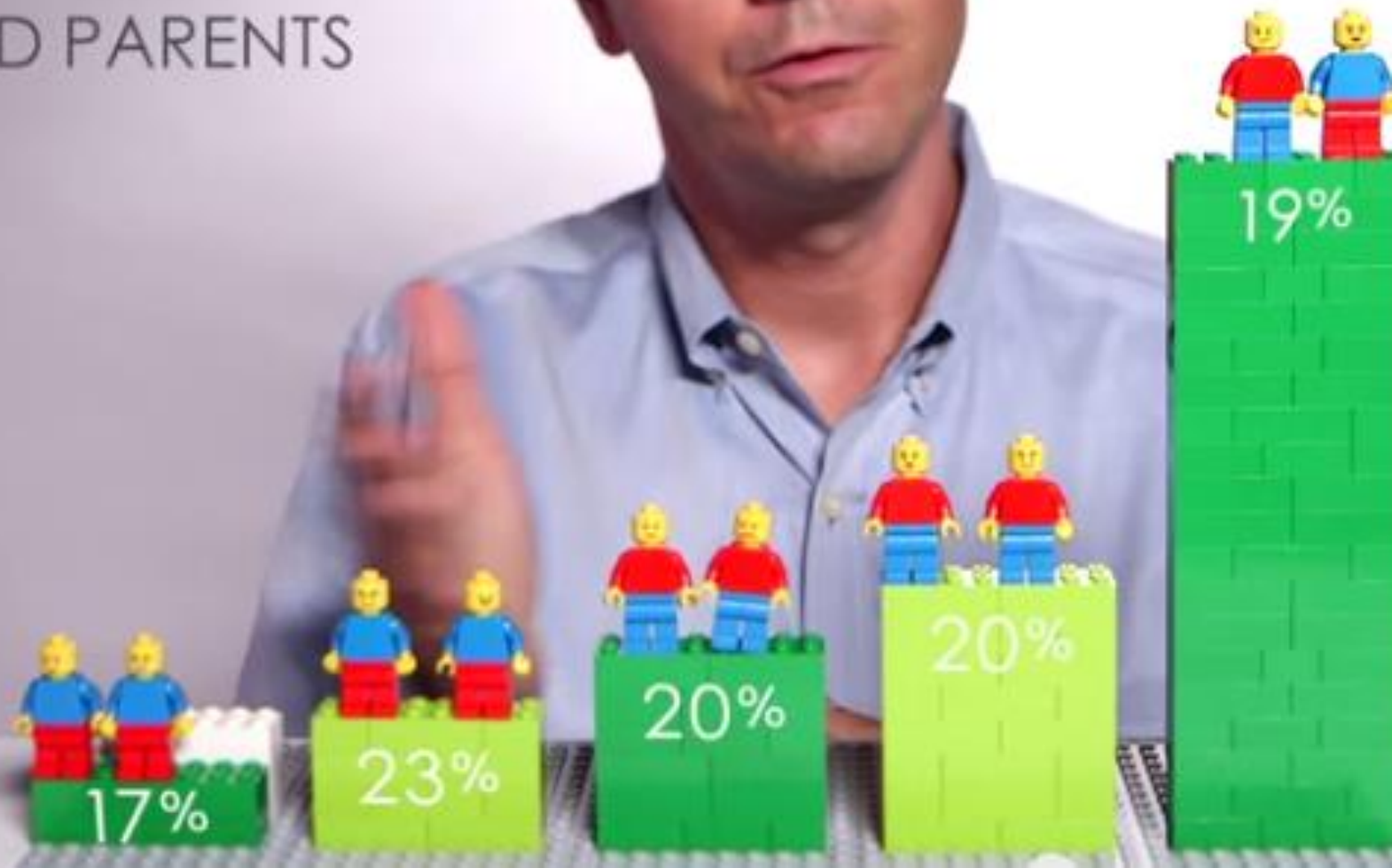
A person born into the bottom quantile with a single parent has a 50% chance of staying at the bottom and only 13% chance of moving to the middle quantile.

UNMARRIED PARENTS



A person with married parents has roughly equal chances of moving up the income ladder and staying at the bottom.

MARRIED PARENTS



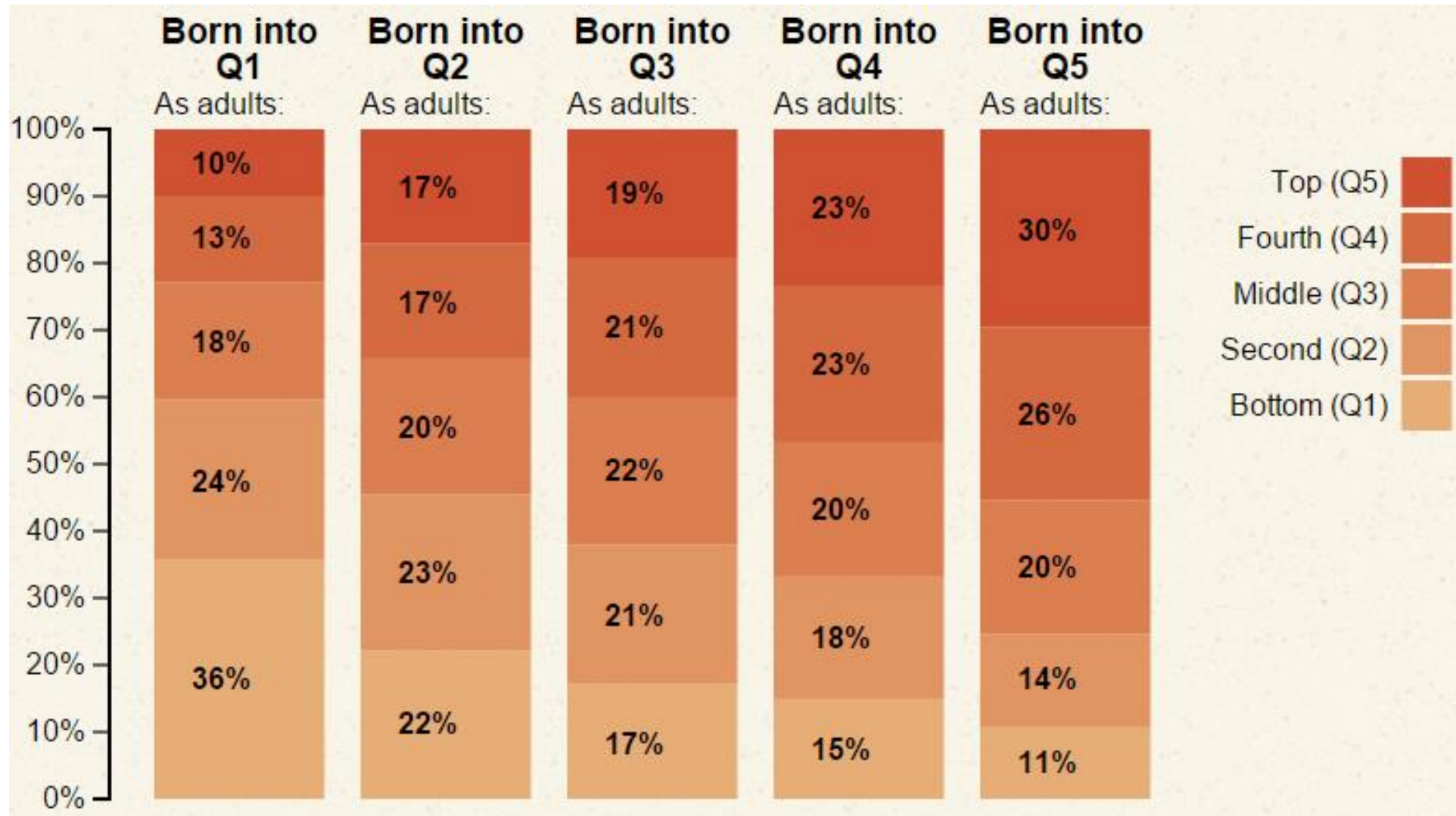
Is America Dreaming?



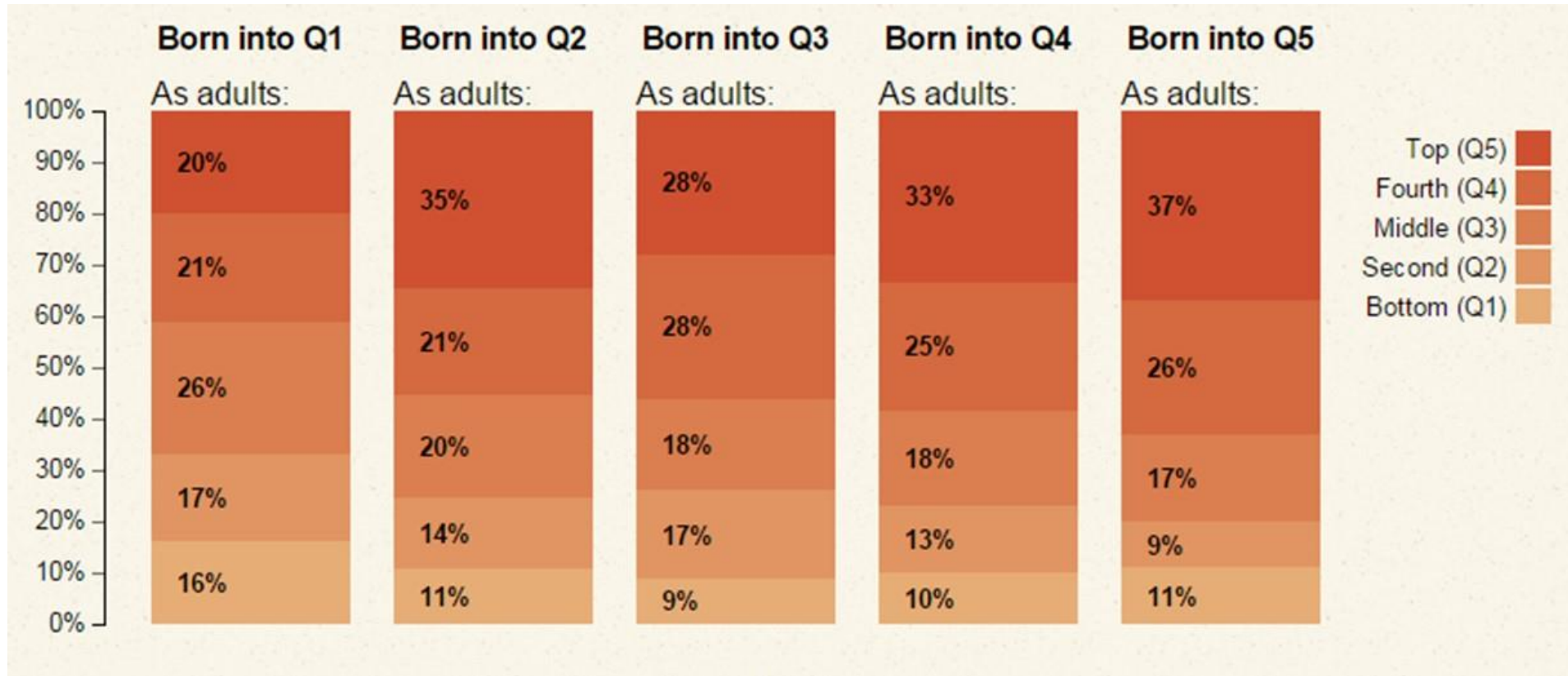
Lets get married



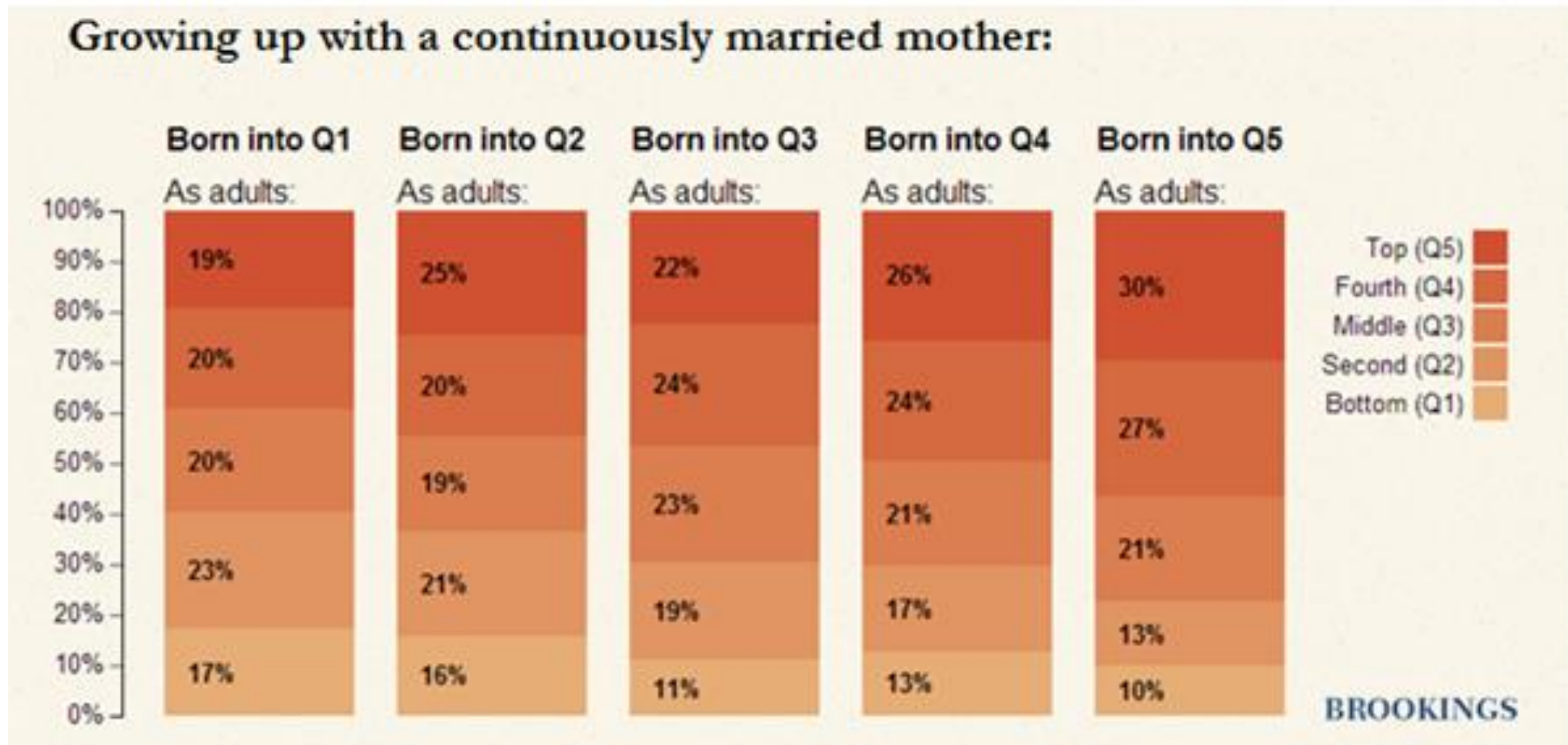
the likelihood that a child born into a particular income quintile will occupy each quintile as an adult (at 40 years of age).



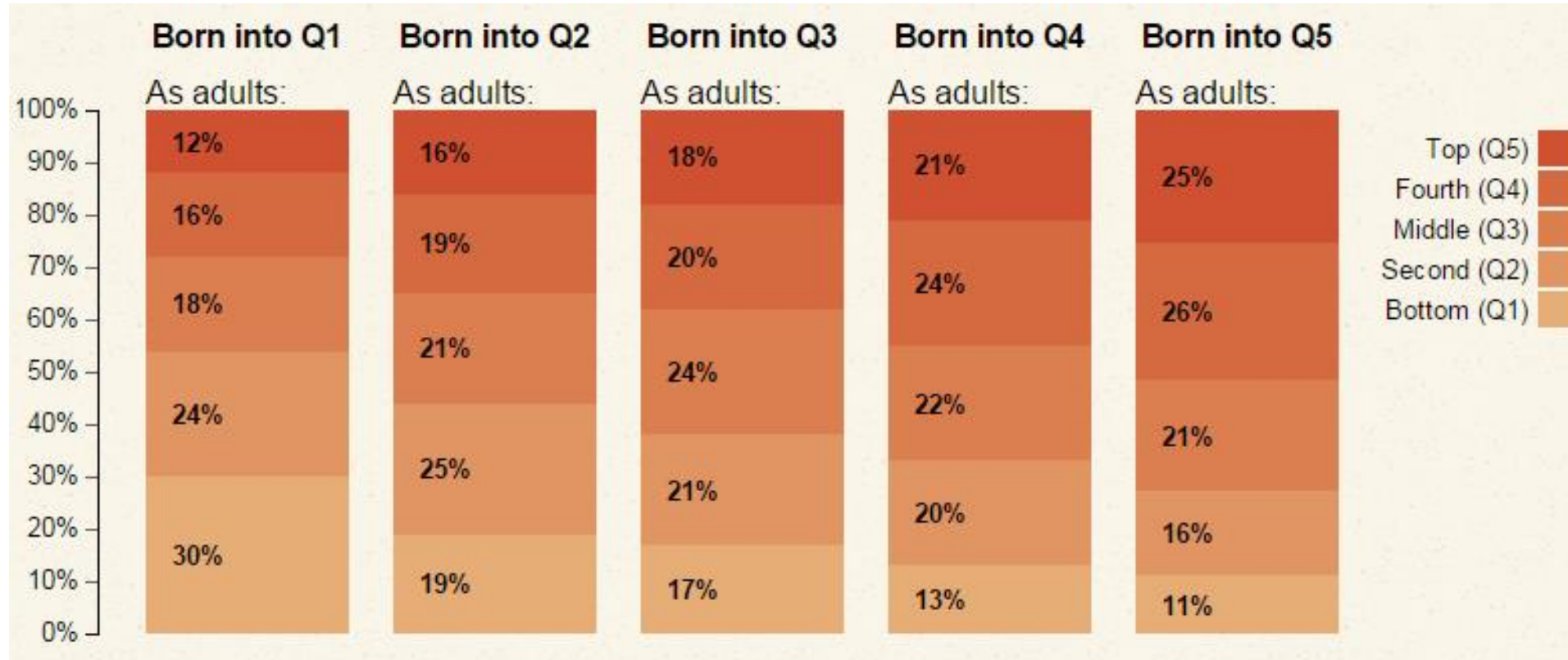
Going to college is a game changer for low income families



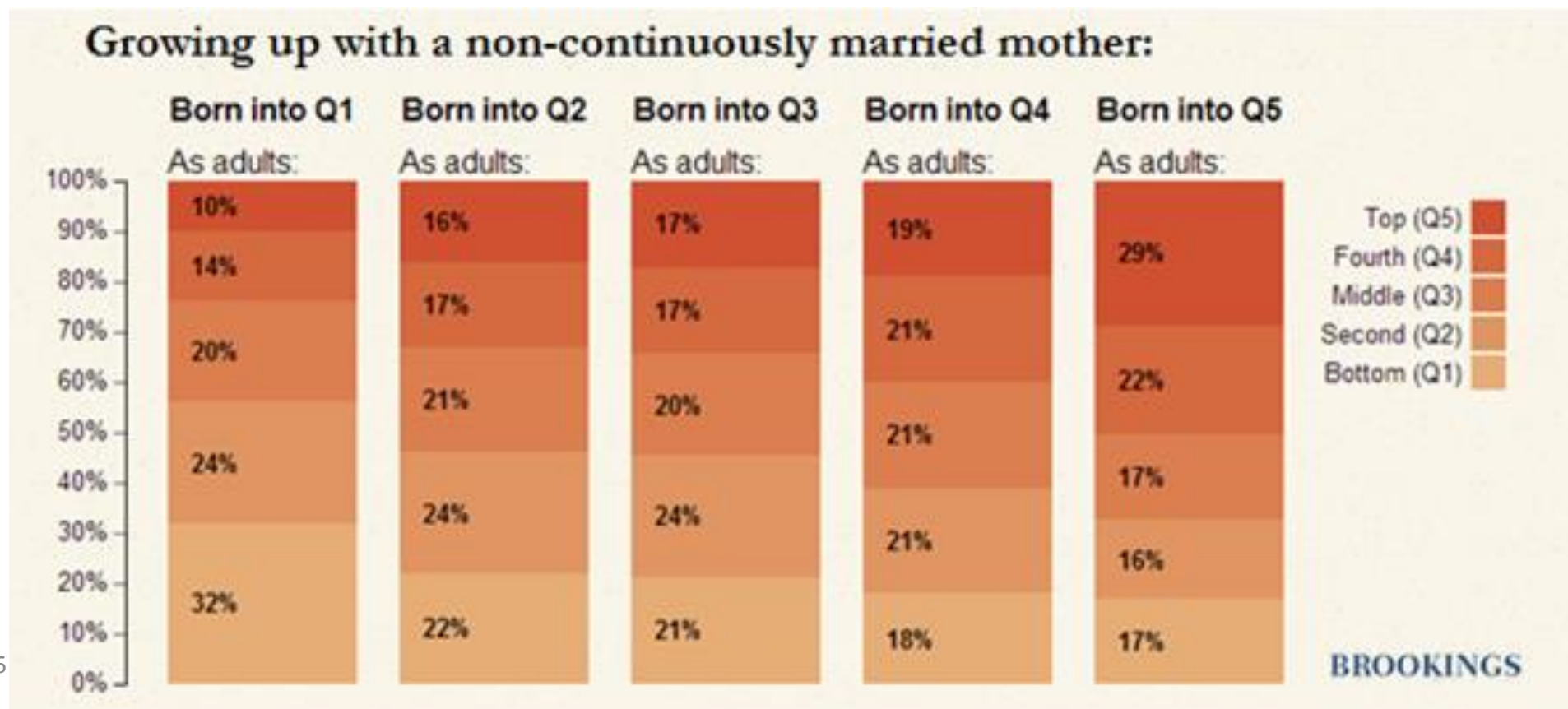
the likelihood that a child raised with a married mother occupy each quintile as an adult (at 40 years of age).



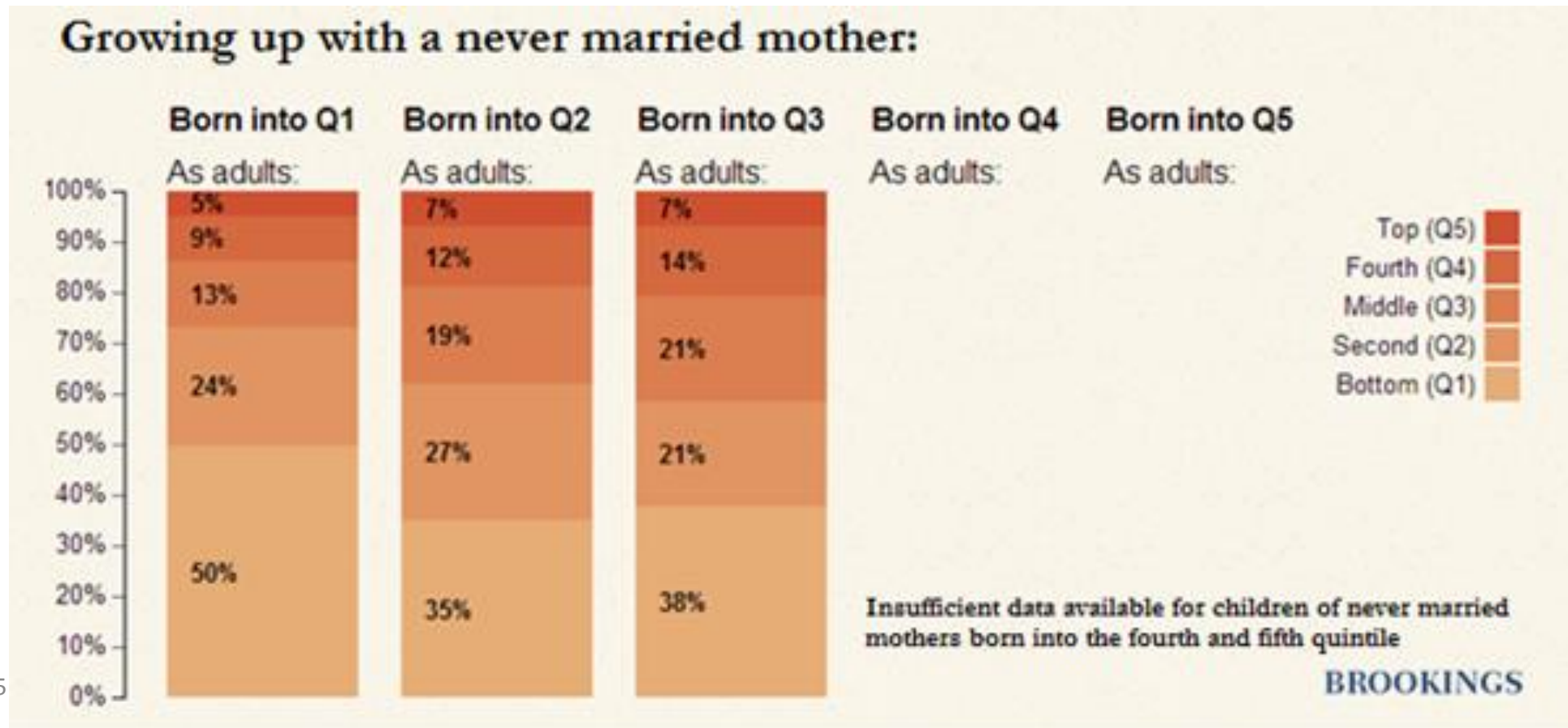
But high school education is not enough



the likelihood that a child raised with a non-continuously married mother occupy each quintile as an adult (at 40 years of age).



the likelihood that a child raised with a never married mother occupy each quintile as an adult (at 40 yrs).



Chutes and ladders: How house holds fall off or clime the income distribution

