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Intergenerational income mobility in Canada: Research highlights from two recent studies



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Release date: December 21, 2023



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Published by authority of the Minister responsible for Statistics Canada

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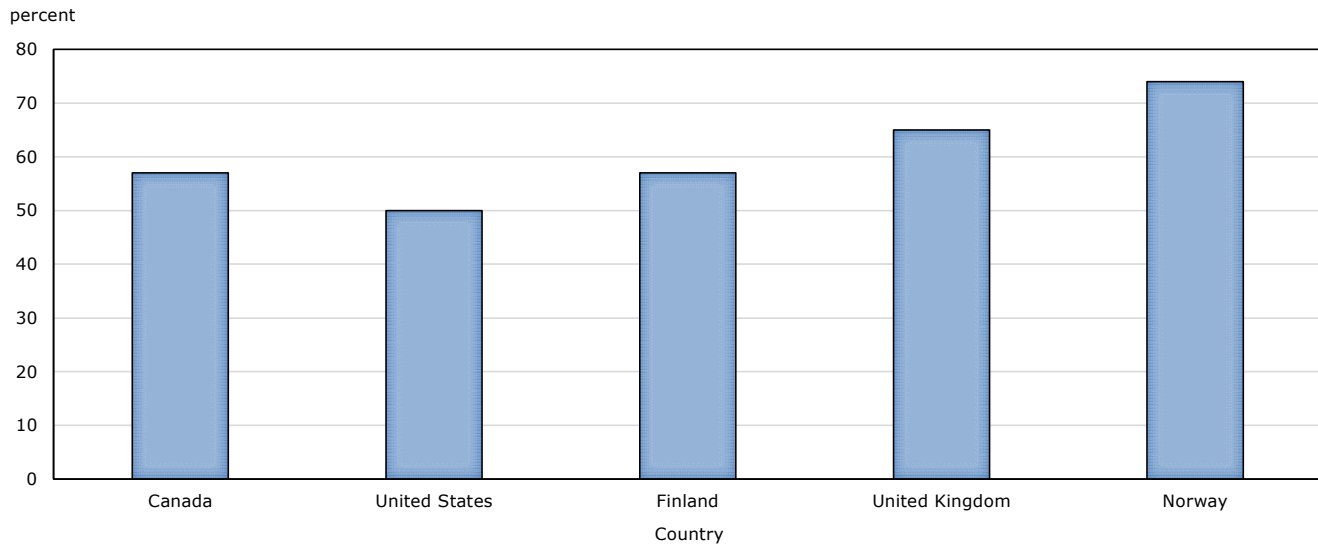
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DOI: <https://doi.org/10.25318/36280001202301200001-eng>

A [study](#) forthcoming in *American Economic Journal: Applied Economics* compares absolute intergenerational income mobility rates in the United States, Canada, the United Kingdom, the Netherlands, Norway, Sweden and Finland. The rate of absolute intergenerational income mobility is defined as the fraction of adult children in the population whose income is higher than that earned by their parents at the same age. Earlier studies showed a dramatic decline in the rate of absolute intergenerational income mobility in the United States: while about 90% of 30-year-old Americans born in the 1940s could be expected to do better than their parents did at the same age, this was true for just over 50% of 30-year-old Americans born in the 1980s. An [analysis that is more limited in scope](#) showed that the rate of absolute intergenerational income mobility in Canada at age 30 had remained relatively stable for those born from 1977 to 1985, and most 30-year-old Canadians born in the 1980s had higher inflation-adjusted family income than their parents did at the same age.

The new study, co-authored by a group of international researchers led by Prof. Robert Manduca (University of Michigan), focused primarily on the methodological aspects of estimating absolute intergenerational income mobility, like the effects of different definitions of income, and discussed advantages and drawbacks of various estimation strategies in the presence of data constraints often encountered by researchers. However, it also revealed interesting differences in the rates of absolute income mobility in the participating countries. For instance, for the cohort of adult children born in 1985, the highest estimated rate of absolute intergenerational income mobility measured at age 30 was in Norway, where about three in four adult children had higher family income than their parents did at age 30 (Chart 1). The lowest estimated mobility rate was observed in the United States, where only about half of adult children born in 1985 could be expected to have higher family income than their parents did at the same age. In Canada, the estimated rate of absolute intergenerational income mobility for the same cohort of adult children was higher than in the United States, lower than in Norway or the United Kingdom, and about the same as in Finland.

Chart 1
Rates of absolute income mobility at age 30, by country



Source: Manduca et al., 2023.

The study offers a detailed examination of the sensitivity of absolute mobility estimates to various methodological choices made by researchers in the literature on intergenerational income mobility. It shows that the results are generally affected by the definition of income, the age at which absolute mobility is estimated and the statistical methods used in the analysis. For example, the rates of absolute intergenerational mobility at age 40 in most countries were quite different from the rates at age 30. In Canada, the rate of absolute intergenerational income mobility increased with the age at which it was measured. The authors also discuss possible sources of differences in the rates of absolute mobility across the participating countries and conclude by noting that “[a]bsolute income mobility remains a highly salient and revealing economic indicator, one that deserves continued attention from social scientists and policymakers.”

The Canadian portion of the study was based on data from the Intergenerational Income Database (IID), maintained by the Social Analysis and Modelling Division of Statistics Canada. The IID, introduced in the mid-1990s and updated several times over the past 25 years, has been the workhorse of Canadian research on intergenerational income mobility for many years. It has been available to Canadian researchers through the [Canadian Research Data Centre \(RDC\) Network](#) for some time now. The database, which links children and their parents using administrative data, can be used to study the transmission of employment and earnings from parents to children, and other intergenerational phenomena. The longitudinal structure of the IID allows researchers to follow children into their mature adulthood and observe their income at different stages of their lives.

The value of the IID as an analytical tool has recently been enhanced further by integrating information from the Census of Population ([IID–census](#)) for the years 1996, 2001, 2006, 2011 (National Household Survey) and 2016. Census data bring in important information usually unavailable in administrative data, such as individuals’ educational attainment, immigrant status and work characteristics. A [pilot study](#) by M. Connolly (Université du Québec à Montréal), C. Haeck (Université du Québec à Montréal) and J.-W. P. Laliberté (University of Calgary) used IID–census data to examine the impact of parental education on the transmission of income between generations. The study focused on relative mobility, which refers to changes in an adult child’s position in the overall income distribution, relative to the position occupied by the adult child’s parents. The study was motivated by earlier research suggesting that overall relative intergenerational income mobility in Canada had been declining. Education is known to be an important

determinant of both lifetime earnings and the earnings of adult children. However, the absence of information about individual educational attainment in the IID hindered previous efforts to measure the degree to which the rate of intergenerational income transmission in Canada depends on parental educational background.

Drawing on the strength of the new IID–census database, the pilot study produced several important findings. The authors emphasized the importance of high school completion rates and suggested that “fostering high school completion may help slow down the trend decline in intergenerational income mobility.” They also noted that increases in maternal education might have had a similar effect on income mobility. Part of the analysis examined changes in income mobility by immigrant status. The availability of immigrant status information is another key element and one of the main strengths of the new IID–census database.

IID–census data can now be accessed by researchers [through RDCs](#) across Canada.

Author

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