

Family Background and Economic Mobility in the United States and Canada

Research Brief No. 6



Summary

Canadians and Americans have very similar notions of what constitutes the “good life”: largely economic success, stability, health and freedom. They also both believe that the way to achieve that success is through hard work, ambition and personal choices.

However, there is a large gap between the ability of Canadians and Americans to achieve a different economic status than their parents. On average, three times more economic inequality is passed on in the United States than in Canada, and the largest gaps occur at the extremes of the spectrum: the richest segment of the population and the poorest.

This gap comes about despite similar ideas of what constitutes success and how that success should be attained. In particular, there are significant differences in how Canadians and Americans make monetary and non-monetary investments in children.

Key Findings

Looking at samples of American and Canadian populations we found:

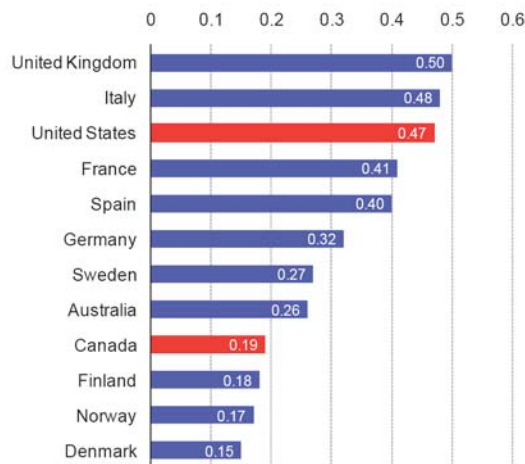
- Canadians are between two and three times more mobile across generations than Americans.
- The gap is most notable at the top and bottom of the income scale. Over a quarter of sons whose fathers were in the top 10% of earners remain in the top 10% in the U.S. compared to under one-fifth of Canadians.
- At the other end, 22% of American sons born to fathers in the bottom 10% of earners remain there, and 18% move up only to the next tenth of the population. In Canada, those numbers are 16% and 14%, respectively.
- Canadians and Americans have very similar opinions on what constitutes “the good life” or “the American dream”, characterized by personal freedoms and economic successes.
- Both also believe that working hard, getting a good education, having ambition and other personal choices are the way to get ahead in life.
- Americans are more likely to see the government’s current actions as hindering rather than helping economic mobility, but also more receptive to government taking measures to counteract those inequalities.
- American children are raised in a more challenging family context. More children are born to young or teenage mothers, parents work more hours, more childcare takes place outside of the home and by people who are not the child’s parents and more children live in low income situations. Those living in low income in the United States are also on average poorer than those living in low income in Canada.
- Children in the United States are also generally less healthy and score lower on standardized testing both at the ages of 4 and 5 and in math and science tests at the ages of 12 and 13. More American children are reported to be performing below the middle or near the bottom in school.



Family Background and Economic Mobility

Economic mobility is measured using a statistic called intergenerational elasticity. Measurements vary depending on the data being used, as economic well-being is a long-term and often shifting statistic to track, but Canada's intergenerational elasticity ranges from 0.16 to 0.21, while the United States is between 0.4 and 0.52. The chart in Figure 1 shows 0.19 for Canada and 0.47 for the United States. These numbers mean that, if a family makes \$10,000 below average in Canada, 19% of that difference will, on average, be passed on to their children, so they will only make \$1,900 below average. This means Canada's mobility is among the best for richer countries of the world, while the United States is among the worst.

Figure 1: Comparable estimates of the intergenerational elasticity of earnings between fathers and sons for selected rich countries



Figures 1, 2, and 3 are from "Economic Mobility, Family Background and the Well-being of Children in the United States and Canada" published March 2010.

The portion of the population where this gap is largest is on the two extremes. As Figures 2 and 3 show, sons whose fathers are in the top 10% of earners, are much more likely to remain in the top 10% of earners in the United States than in Canada. The situation is the same for sons whose fathers were in the bottom 10% of earners: they are much more likely to stay at the bottom.

In fact, a son of a father in the bottom 10% of earners in Canada is more likely to wind up in the top half of all earners than a son whose father was in the bottom 30% of earners in the United States.

Figure 2: Earnings deciles of sons born to top decile fathers: Canada and United States

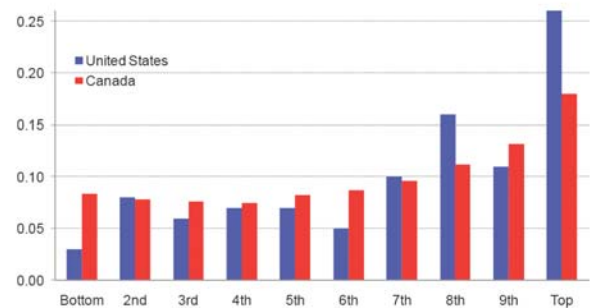
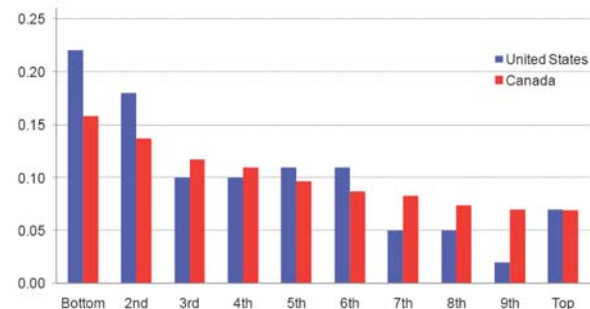


Figure 3: Earnings deciles of sons born to bottom decile fathers: Canada and United States



According to 2009 surveys in both countries, Canadians and Americans both have similar notions as to what constitutes success or "the good life"—and similar ideas about how to achieve it—but there is a big gap in how they viewed the government's role. In Canada, 46% felt the government did more help than harm for people trying to move up the economic ladder, while only 36% of Americans felt the same. On the other hand, 46% of Americans felt the government did more to hinder than help, compared to 39% of Canadians.



Despite this, Americans were significantly more likely than Canadians to agree that the government can take steps to improve economic mobility. These two findings indicate that people are unsatisfied with the manner in which American public policy affects the ability to improve economic status.

The study also showed that Canadian families are able to invest more both monetarily and non-monetarily in childhood development, stemming from reasons of family, the labour market and public policy.

Canadian children are less likely to live in a lone-parent home, and more likely to be raised by both their biological parents. Four times as many American children are born to young mothers, who generally have a lower level of education and economic standing.

Additionally, Canadian parents tend to work less often and fewer hours due to stronger benefits in Canada for parents, specifically regarding parental leave, as well as a higher prevalence of part-time work. This means more Canadian mothers are involved in the labour force, than American mothers (just over 75% compared to just over 70% as of 2010), but they tend to work fewer hours: 40% of American mothers work 40 hours per week, compared to only 25% of Canadian mothers.

These work patterns mean that more childcare can be done by parents in Canada than in the United States, where more children are cared for by daycare programs, relatives or babysitters. In Canada as of 2010, 56% of children under two are cared for by parents in Canada compared to 40.7% in the United States, and 64% of Canadian children are read to daily compared to 46% of American children.

Also, while the average American child, based on data from 1998 and 1999, has 31% more financial resources available to it than the average Canadian child, this discrepancy exists mainly at the top-end of the economic ladder. American children are more likely (26.7% compared to 17.1%) to live in low-income situations, and the average child in low income is 41.7% below the threshold in the U.S., compared to 26.5% below for low-income children in Canada.

Canadian children are less likely to be in low-income households because families receive more transfer payments, in the form of tax benefits and other government subsidies. Virtually every Canadian family of low income with children receives some sort of transfer payment, and those payments are higher than the ones received by American families in the same circumstances.

Additionally, we see that Canadian children begin showing signs in early childhood that they may be more prepared to be economically mobile, such as physical and mental health, cognitive outcomes and test scores, and early educational success. American children are twice as often reported as being in poor health (4% compared to 1.6% based on data from the 2000s), and fewer go to the doctor yearly. They also go to the doctor on average fewer times per year, but go to the dentist the same amount as Canadian children, indicating the difference is due to Canadian health care.

Canadian children also score higher on tests, both as they enter grade school and when they prepare to go to middle school or high school. Canadian four-year-olds score 10.3% higher than their American counterparts on the Peabody Picture Vocabulary Test, and five-year-olds in Canada score 6.2% higher. These gaps continue with 12- and 13-year-olds, who score higher on math and science standardized tests than their American counterparts.



Conclusion

Canadian children have three times more ability to have a different economic status compared to their parents than is the case for American children, especially at the extreme ends of the spectrum, or, put the other way, Americans pass along three times as many disadvantages across generations.

This occurs despite both countries having similar views of success and how to achieve it. However, because Americans are more likely to believe the government is hindering economic mobility and because they also believe more interventions would improve that mobility, there may be an unmet need in American public policy addressing economic mobility.

This is reinforced by the ways in which American families with disadvantages have more challenges in raising their children than Canadian families. American families have to spend more time working and less time with their children due to the labour market. As well, more American children live in lone-parent homes, more are born to younger mothers, and more are cared for outside of the home.

Additionally, Canadian policies on parental leave and child tax benefits make resources more evenly distributed to families on the low end of the economic ladder, bringing them closer to the threshold than is the case for American families.

Canadians have drawn a different balance than Americans between family and labour markets and, for this reason, the tie between family background and the adult outcomes of children remains looser in Canada than in the United States.

About the policy brief

This research brief is based on “Economic mobility, family background, and the well-being of children in the United States and Canada” by Miles Corak of the University of Ottawa, Lori Curtis of the University of Waterloo and Shelley Phipps of Dalhousie University. The study appears in *Persistence, Privilege and Parenting: The Comparative Study of Intergenerational Mobility* (<https://www.russellsage.org/publications/persistence-privilege-and-parenting>). Part of the study has also been published by PEW Charitable Trusts and is available at: http://www.pewtrusts.org/news_room_detail.aspx?id=56877. A full version of the paper is available at http://www.iza.org/en/webcontent/publications/papers/viewAbstract?dp_id=4814.

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