

A Service of

ZBW

Leibniz-Informationszentrum Wirtschaft Leibniz Information Centre for Economics

Brandén, Gunnar; Nybom, Martin; Vosters, Kelly

# Working Paper Like Mother, like Child? The Rise of Women's Intergenerational Income Persistence in Sweden and the United States

IZA Discussion Papers, No. 16152

Provided in Cooperation with:

IZA – Institute of Labor Economics

*Suggested Citation:* Brandén, Gunnar; Nybom, Martin; Vosters, Kelly (2023) : Like Mother, like Child? The Rise of Women's Intergenerational Income Persistence in Sweden and the United States, IZA Discussion Papers, No. 16152, Institute of Labor Economics (IZA), Bonn

This Version is available at: https://hdl.handle.net/10419/278850

#### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

#### Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



# WWW.ECONSTOR.EU



Initiated by Deutsche Post Foundation

# DISCUSSION PAPER SERIES

IZA DP No. 16152

Like Mother, like Child? The Rise of Women's Intergenerational Income Persistence in Sweden and the United States

Gunnar Brandén Martin Nybom Kelly Vosters

MAY 2023



Initiated by Deutsche Post Foundation

# DISCUSSION PAPER SERIES

IZA DP No. 16152

# Like Mother, like Child? The Rise of Women's Intergenerational Income Persistence in Sweden and the United States

### Gunnar Brandén

Center for Epidemiology and Community Medicine

#### Martin Nybom IFAU, UCLS and IZA

Kelly Vosters University of North Carolina – Charlotte

MAY 2023

Any opinions expressed in this paper are those of the author(s) and not those of IZA. Research published in this series may include views on policy, but IZA takes no institutional policy positions. The IZA research network is committed to the IZA Guiding Principles of Research Integrity.

The IZA Institute of Labor Economics is an independent economic research institute that conducts research in labor economics and offers evidence-based policy advice on labor market issues. Supported by the Deutsche Post Foundation, IZA runs the world's largest network of economists, whose research aims to provide answers to the global labor market challenges of our time. Our key objective is to build bridges between academic research, policymakers and society.

IZA Discussion Papers often represent preliminary work and are circulated to encourage discussion. Citation of such a paper should account for its provisional character. A revised version may be available directly from the author.

ISSN: 2365-9793

IZA – Institute of Labor Economics

Schaumburg-Lippe-Straße 5–9	Phone: +49-228-3894-0	
53113 Bonn, Germany	Email: publications@iza.org	www.iza.org

# ABSTRACT

# Like Mother, like Child? The Rise of Women's Intergenerational Income Persistence in Sweden and the United States<sup>\*</sup>

We show how intergenerational mobility has evolved over time in Sweden and the United States since 1985, focusing on prime-age labor incomes of both men and women. Income persistence involving women (daughters and/or mothers) has risen substantially over recent decades in both Sweden and the US, while the more predominantly studied fatherson measures remained roughly stable. Interestingly, mother-son and mother-daughter persistence levels are very similar as they rise through the sample period, also to nearly the same levels in both countries, contrary to well-established elevated levels of persistence in the US relative to Sweden. We develop a model to quantify the relative roles of parent human capital, employment, and (residual) income, as well as assortative mating. Despite very similar trends and levels for mothers in the US and Sweden, we find substantial differences in the roles of employment and assortative mating over time, consistent with the staggered timing in women's spike in labor force attachment. Parental assortative mating is also an important factor in both countries, though negative sorting on (residual) income in the US negates the upward influence of positive human capital sorting, lending to the similar cross-country levels of mother-child persistence.

JEL Classification:	J62, J12, J16, J24
Keywords:	intergenerational mobility, gender, inequality

### Corresponding author:

Martin Nybom Institute for Evaluation of Labour Market and Education Policy (IFAU) Kyrkogårdsgatan 6 753 12 Uppsala Sweden E-mail: Martin.Nybom@ifau.uu.se

<sup>\*</sup> This paper is an academic extension of a prior report for the Swedish Ministry of Finance (Brandén and Nybom, 2019). We thank seminar participants at the ZEW (Mannheim), University of Cologne, and the University of Nevada, Las Vegas, as well as participants at the Carolina Region Empirical Economics Day workshop for helpful suggestions. The paper has benefited from comments by Gary Solon, Jan Stuhler, Lucie Schmidt, and Melinda Morrill. We are also grateful to Anders Björklund, Robert Erikson, Martin Hällsten, Lena Lindahl, Susan Niknami, Mårten Palme, Per-Olof Robling and Johanna Åström for valuable comments on the Swedish report.

# 1 Introduction

Income inequality has risen substantially over the past 50 years, sparking widespread concern as to whether intergenerational income mobility has declined as a result. In fact, geographic variation in mobility levels—both within and across countries—confirms the theorized negative association between mobility and inequality. The countries we study constitute one case in point, with higher mobility levels in Sweden compared to the US. Despite public perception of eroding equality of opportunity, the actual evidence on variation in mobility over time is less conclusive. US studies reach somewhat conflicting results, with some studies finding no meaningful change in mobility while others suggest a decline. For Sweden, which has also experienced a rise in inequality, but from much lower levels, comprehensive evidence on mobility trends is lacking. One notable feature common to existing studies though, is that they do not consider whether individual income mobility evolved differently for women than men, instead focusing on father-son mobility or measures of family income.

This limitation is particularly important in light of another prominent trend during this period—the dramatic rise in women's labor force participation and relative wages. Such changes could influence aggregate income mobility trends and have important implications for the levels and trends in income mobility for women, something we know very little about. The paucity of evidence for women, especially for mothers' and daughters' individual labor income, stems in part from the fact that women's labor income was historically a poor proxy for her human capital or socioeconomic status.<sup>1</sup> However, the drastic changes in women's involvement in the labor market since the mid-1900s may have changed this in fundamental ways.

In this paper, we first provide a thorough depiction of how intergenerational mobility in labor income evolved in recent decades in Sweden and the US. We begin by estimating trends in rank persistence (IRP) using aggregate parent income measures, similar to prior studies. We then consider individual income measures separately for mothers, fathers, sons and daughters. Our paper thus falls at the intersection of three literatures, contributing to the evidence on income mobility differences across countries, gender, and time.

In general, we find that income persistence involving women (daughters and/or mothers) has

<sup>&</sup>lt;sup>1</sup>Previous studies thus omit women or circumvent the issue by using other aggregate income measures, the income of a male relative, or a different measure of socioeconomic status (e.g., education). Chadwick and Solon (2002) find that mobility in terms of own (individual) and father's income is considerably higher for daughters than for sons in the US, though this gender difference shrinks when using a family income measure for offspring. Jäntti et al. (2006) find similar results in their comparison of Nordic countries with the US and UK.

risen substantially over recent decades in both Sweden and the US, while the more predominantly studied father-son measures remained roughly stable. Father-daughter persistence increased in both countries, though not quite converging to father-son levels. From a cross-country perspective, the father-daughter persistence levels in the most recent years appear to follow the well-established elevated levels of persistence in the US relative to Sweden. Interestingly, mother-son and motherdaughter persistence levels are very similar as they rise through the sample period, also to nearly the same levels in both countries.

While the rising income persistence with respect to mothers is an important contribution given the dearth of studies estimating mother-child mobility in labor income, we ultimately want to understand the key factors driving this upward trend. In the second part of the paper, we develop a model to quantify the relative roles of parent human capital, employment, and other income determinants. We find that human-capital based sorting into employment is initially the dominant driver of mother-child persistence in the US, with minimal contributions of other employment or income channels. For Sweden, employment and human capital channels are more balanced, and residual income is increasingly important over time. The role of (non-sorting) employment rises substantially over time for the US, while in Sweden it was prominent already in the early years and actually declined. This result aligns with the distinctive timing of the rise in women's labor force participation in Sweden and the US—with Swedish female labor force participation plateauing at high levels already in the 1980s—but is silent on a potential role for fathers.

Extending our model to incorporate assortative mating provides a more complete understanding of maternal transmission and reveals some interesting differences between Sweden and the US. In both countries, mother-child income persistence operates largely through the mother's own characteristics. Assortative mating accounts for roughly 25% of mother-child persistence in Sweden, but contributes only a negligible amount in the US. While parental sorting on human capital is strongly positive in both countries, women's employment and income depend also on cross effects from the spouse's income. In the US, but not in Sweden, this cross effect tends to be negative, implying that mothers paired with high-income fathers reduce their labor supply and income, conditional on their own human capital. This fully offsets the effects of positive human-capital sorting, leading to the negligible *aggregate* effect of assortative mating on mother-child persistence in the US.

Consequently, despite the broadly similar patterns regarding the rise in female intergenerational income persistence, we observe country differences in underlying drivers like the timing of the role of female employment and the way in which spousal sorting influences the trends. If we believe that Sweden is a precursor for things to come with respect to women's role in the labor market, further increases in women's income persistence are expected for the US. Similarly, strengthening of assortative mating on human capital—and, conversely, weakening negative associations on orthogonal income components—will also continue the growth in mother-child persistence.

Our paper adds to three different strands of the literature: studies focusing on gender differences, time trends, and country differences in intergenerational income mobility. In particular, our main contribution is to integrate these three perspectives in a joint analysis, by studying gender-specific mobility trends for two countries at opposite ends of the inequality spectrum and addressing the underlying drivers of those trends. The cross-country feature gives us the opportunity to point out important commonalities, thus strengthening the external validity of the main trends, but also to identify interesting differences in timing and underlying drivers. It also serves as a useful way to probe the internal validity of our results, given that many of the specification choices made to accommodate the small samples of the PSID can be directly tested in the Swedish data.

Early US studies of gender differences include Altonji and Dunn (1991) and Altonji and Dunn (2000), who document intergenerational links in family income, earnings, wages and labor supply, with the latter linkage running strongly along gender lines.<sup>2</sup> Chadwick and Solon (2002) document that the association between own (i.e., individual) and father's income is considerably lower for daughters than for sons. Associations are higher, however, and gender differences smaller, when measured in terms of own family income and father's income, which highlights the potentially important role for marital sorting (see also Ermisch, Francesconi and Siedler, 2006). Raaum et al. (2008) document similar results for a set of Nordic countries and the UK. A number of subsequent papers have documented differences between men and women (e.g., Holmlund, 2020; Davis and Mazumder, 2022), but common themes are to focus primarily on women in the child generation and/or family incomes and to not explicitly study mothers. In particular, very few studies document gender-specific time trends.<sup>3</sup>

Existing work on mobility time trends has been concentrated on the US, with somewhat conflicting findings. Earlier work found no evidence of shifts in intergenerational mobility for US

<sup>&</sup>lt;sup>2</sup>Altonji and Dunn (1991) finds earnings IGEs that are stronger along gender lines, while Altonji and Dunn (2000) do not, presumably due to methodological differences. Both papers use the same data (National Longitudinal Surveys) with income exclusions similar to other IGE studies, excluding zero and low incomes.

<sup>&</sup>lt;sup>3</sup>See also Ahrsjö, Karadakic and Rasmussen (2022) which is ongoing work on the Scandinavian countries parallel to ours. US studies have shown trends separately for daughters—but not for mothers—using family income measures (Lee and Solon, 2009; Davis and Mazumder, 2022) or indirect two-sample instrumental variables approaches to gain a historical perspective (Olivetti and Paserman, 2015).

cohorts born 1952-75 (e.g., Hertz, 2007; Lee and Solon, 2009) or later (Chetty et al., 2014), a finding that is surprising given the concurrent increase in income inequality, the theoretical link between inequality and mobility, and the observation that gaps in parental inputs have increased (Blanden, Doepke and Stuhler, 2022). However, Davis and Mazumder (2022) find that mobility declined sharply for cohorts born 1957-64, in comparison with those born 1942-53, and Justman and Stiassnie (2021) find declining mobility when extending the time frame considered by Hertz (2007) and Lee and Solon (2009) to more recent years. Our analysis introduces women into the discourse on mobility trends. We believe the evidence is not only interesting in its own right but also that it can help paint a more complete picture of intergenerational mobility trends and shed light on some of the discrepancies in the prior evidence. The paper also adds knowledge about mobility trends in Sweden in a concrete way, since existing evidence on trends is thin, studying a narrow range of cohorts (Brandén, 2019), indirect measures of mobility (Björklund, Jäntti and Lindquist, 2009) or methodological aspects of trends estimation (Engzell and Mood, 2021; Mello, Nybom and Stuhler, 2022), and has an almost exclusive focus on father-son associations.<sup>4</sup>

Finally, we add to the extensive literature on country differences in intergenerational mobility by highlighting relative differences and similarities across various gender configurations. Studying Sweden and the US jointly has a couple of advantages. First, the two countries are polar opposites on the inequality spectrum, and ever since the prominent study by Björklund and Jäntti (1997) have been treated as "model examples" in the literature.<sup>5</sup> The joint analysis is also interesting in light of the differential timing of the evolution of women's labor market attachment in Sweden and US, with the former often seen as a trailblazer along this dimension. By now it is well-established that US mobility is lower based on traditional father-son measures, and our study complements this view with country comparisons of female mobility. Moreover, the fact that we find largely similar trends across two quite different countries lends credence to the idea that the rise in women's intergenerational persistence is a more widespread feature of recent decades, and not necessarily specific to a particular country. Second, by leveraging Swedish administrative data jointly with the PSID, we can can use the rich Swedish data to validate the robustness of some of the methodological choices necessitated by using the PSID. The fact that many of the gender-specific trends align across countries makes the smaller sample size of the PSID less of a concern.

<sup>&</sup>lt;sup>4</sup>Largely similar evidence on mobility trends also exists for some of the other Nordic countries. See, for example, Pekkala and Lucas (2007), Pekkarinen, Salvanes and Sarvimäki (2017), and Markussen and Røed (2020).

<sup>&</sup>lt;sup>5</sup>Björklund and Jäntti (1997) first showed that intergenerational income mobility in the US is likely lower than in Sweden, which many at the time saw as a surprise given the widespread view of the US as the "land of opportunity."

# 2 Data and specifications

The guiding principles of our choices of data and econometric specifications are comparability and efficiency. First, we want our samples to be as comparable as possible, both over time and across countries. Fortunately, the PSID and Swedish registers cover the same long time period, both starting in the late 1960s. Second, we choose samples, variable definitions, and econometric specifications not only to maximize comparability but also to make the most efficient use of our data. We thus seek to estimate mobility trends over as long of a time period as possible, while still taking measurement issues into account. But we also specifically prioritize an efficient usage of the relatively small samples in the PSID, while adapting our Swedish data accordingly. For this reason, we follow Lee and Solon (2009) and analyze mobility over calendar years rather than cohorts, since the latter approach throws out much of the earnings information in the PSID. We begin by describing the data and then provide details on the specification.

### 2.1 Data

We use data from the Panel Study of Income Dynamics (PSID) and Swedish administrative registers for the US and Sweden, respectively.

United States: The PSID began in 1968 with a sample of over 18,000 individuals in about 5,000 US families, which has been reinterviewed annually through 1997 and biennially since then. It is the most popular data source for analyses of intergenerational mobility in the US, due to a number of key features. First, it is intergenerational, following family members as they form new households. Second, it is longitudinal and follows the same individuals over long stretches of the life cycle. Third, the data are rich, including detailed information on, for example, incomes, employment, occupation, education, and family structure. The two main disadvantages of the PSID are the relatively small samples and survey attrition. We describe further below how we address these concerns.

Apart from a few modifications, we follow the sampling and variable definitions used by Lee and Solon (2009). As such, we use only the core sample, also known as the Survey Research Center component, which was the nationally representative portion of the sample at the start of the survey. We use data from all PSID survey waves conducted between 1968 and 2019, with labormarket information pertaining to the previous year. Our analysis covers children born 1952-1993. We exclude children born before 1952 to avoid oversampling those who left the family home at late ages. We consider annual earnings observations of adult children from ages 25-48 in the years 1985-2018, which ensures that those observations are informative about long-run labor income.<sup>6</sup>

We use the PSID parent identification file to link children to parents, which in the vast majority of cases corresponds to the child's parents at birth. Our main analysis uses individual pre-tax labor income of children and parents. Included in this income measure are all sources of labor income, such as that from wages, bonuses, overtime, commissions, farming, business, professional practice, and renters.<sup>7</sup> We exclude income observations imputed by "major assignments."

Sweden: We construct our Swedish data set in a way that maximizes the comparability both over time and with our PSID sample. The data are based on administrative registers held by Statistics Sweden and contain the universe of the Swedish population. Using personal identifiers, we merge individual-level data on annual labor income, education levels, and family relationships, among other things. The income data stem from tax records and consist of employer-reported information on annual gross salary, small business income, taxable fringe benefits, and some taxable laborrelated social benefits for the period 1968-2019. The Multigenerational register provides family links between all children born in Sweden, and all residents starting from 1961, and their biological parents.<sup>8</sup> We focus on children born 1952-1994 and their annual incomes from ages 25-48 observed in the years 1985-2019.<sup>9</sup>

*Definitions common for both countries:* For both countries and generations, we adjust all annual incomes for inflation using the national CPI. Because we are using ranks, we retain all non-missing income observations, including zeros, for both parents and children.<sup>10</sup>

We then create individual-level labor income measures for mothers and fathers, defined as averages over the first five (potentially) observed and non-missing income observations starting from child age 12. We use only income observations from when the parent was age 65 or younger

<sup>&</sup>lt;sup>6</sup>Given our age range and year-on-year specification (see below), we observe the 1952-1960 cohorts at ages 25-33 in 1985. Over time, later cohorts enter the sample successively and the age range expands. While we could have observed age-25 income already from 1977, as in Lee and Solon (2009), we discard those years here since the yearly estimates prior to 1985 are very noisy.

<sup>&</sup>lt;sup>7</sup>Starting in the 1994 survey, the total labor income measure in the PSID excluded sources from farm and business income. We add the labor part of business income as well as farm income from separate variables to improve comparability over time.

<sup>&</sup>lt;sup>8</sup>While we do not formally exclude immigrants, they will be somewhat underrepresented due to a lack of parental information; for example, from immigrants arriving to the country without parents or arriving with parents in retirement age. However, this feature of the samples should be roughly similar for both men and women and for both Sweden and the US.

<sup>&</sup>lt;sup>9</sup>We observe labor income for the years 1968, 1970, 1971, 1973, 1975, 1976, 1979, 1980, 1982 and annually for 1985-2019.

<sup>&</sup>lt;sup>10</sup>For the PSID, we drop incomes that are top-coded, which diverges slightly from Lee and Solon's (2009) choice to drop incomes that are higher than USD150000 (in 1967 USD as measured by the CPI-U).

and exclude parents with fewer than two valid annual income observations. This procedure ensures that the parental income averages are based on a similar number of annual observations across child cohorts, which is crucial since longer averages mechanically diminish attenuation bias due to transitory noise.<sup>11</sup> While our estimates may thus suffer from some attenuation bias, the key assumption is that this bias is constant over time.

We rank the income measures by child gender and year of birth separately for mothers and fathers as well as for sons and daughters. We also use a measure of joint household income, for which we average both parents' long-run labor income, and then take ranks of the average.

### 2.2 Empirical specification

In our analyses, we focus on intergenerational rank persistence (IRP) as our primary (inverse) measure of mobility. The IRP, or the "rank-rank slope", is the slope coefficient ( $\beta$ ) from a linear regression of (adult) child income rank on the income rank of his or her parent(s). Using log incomes instead of ranks yields instead the intergenerational elasticity (IGE), which we also provide results on in the Appendix. The closer  $\beta$  is to zero, the faster the regression to the mean and the higher is mobility.

Estimating intergenerational mobility in income ranks has recently gained in popularity (e.g., Chetty et al., 2014). While individuals with zero income are omitted when estimating the IGE, and thus introducing potential sample selection bias, the IRP instead allows for the inclusion of zeros. This feature could be important if the labor-market attachment of sampled individuals varies systematically—such as when comparing men and women or time trends in the mobility of women.<sup>12</sup> Rank-based estimates have also been shown to be less sensitive to the attenuation and lifecycle biases that arise when using short-run income measures as proxies for lifetime income (Mazumder, 2016; Nybom and Stuhler, 2017).<sup>13</sup>

<sup>&</sup>lt;sup>11</sup>For parents of most child cohorts, this setup implies that we use average annual non-missing income over child age 12-16. However, for parents to children born before 1955 (1956 in Sweden) we use incomes from successively older child ages, since we first observe incomes from 1967 (1968 in Sweden). For example, for US parents of those born 1952, we use average annual non-missing income over child age 15-19, and so on. Moreover, since the PSID becomes biennial from 1997, whereas in Sweden we instead have similar gaps prior to 1985, we extend the age range for parents of the youngest (oldest) cohorts in the US (Sweden) such that their income averages are based on the first five potentially observed income observations starting from child age 12.

 $<sup>^{12}</sup>$ To get around the zero income issue, Mitnik and Grusky (2020) suggest that instead of estimating the IGE (i.e., the conditional expected log income of children), one could estimate the log value of children's expected income, conditional on parents' income. However, this measures a different parameter than the IGE, and its usage is not (yet) widespread in the literature.

<sup>&</sup>lt;sup>13</sup>As Atkinson (1980) and Solon (1992) show, short-run measures are affected by transitory income variation, which results in attenuated estimates of  $\beta$ . Moreover, differences in short-run income tend to change systematically over the

Our main econometric specification is similar to the one used by Lee and Solon (2009). Separately for sons and daughters, as well as for the US and Sweden, we use least squares to estimate the regression:

$$y_{ict} = \alpha_t + \beta_t Y_{ic} + f(A_{ic}) + g(t - c - 40) + h(Y_{ic}(t - c - 40)) + u_{ict}, \tag{1}$$

where  $y_{ict}$  is the percentile ranked labor income in year t for child i in birth cohort c. The vector  $\alpha_t$  contains calendar year fixed effects. The explanatory variable of interest is  $Y_{ic}$ , the percentile ranked long-run labor income of the parent(s) of child i, and its associated slope coefficient  $\beta_t$  is the IRP. In separate regressions, we use either the mother's, the father's, or their joint household income as  $Y_{ic}$ . Because our main purpose is to study time trends in intergenerational mobility,  $\beta_t$  varies by year. Standard errors are clustered at the individual (child) level.

The evolving structure of our panels makes it crucial to properly control for age dynamics. Rather than focusing on income at a fixed age, which results in very small samples for the PSID, we instead retain all income data from age 25-48 each year and include detailed age controls similar to Lee and Solon (2009). The regression includes functions that control for a quartic in parental age  $A_{ic}$  at the time parental income is observed, a quartic in child age (t - c - 40), and interactions between a quartic in child age and parental income. The child's age, and thus  $\beta_t$ , is normalized to age 40 in each year t.<sup>14</sup>

The specification in equation (1) assumes that income differences between those with high-vs low-income parents follow a similar age profile over cohorts. The inclusion of year dummies allows the average height of the age-income trajectories to vary across years, but otherwise the coefficients of all variables involving child's age are assumed to be common across years. However, in sensitivity analyses we also provide alternative balanced-panel estimates using a narrower and fixed age range emulating a direct cohort analysis.

To concretely address the statistical significance of *changes* in mobility over time in the US, we estimate a modified version of our main specification in equation (1) where we interact parent income with three time period dummies—for early (1985-1995), middle (1996-2007), and late (2008-

lifecycle, and estimates are therefore sensitive to the age of income measurement (Jenkins, 1987; Haider and Solon, 2006). A common solution is to use multi-year averages of parental income to increase the signal-to-noise ratio and to measure mid-career income to minimize lifecycle bias (Nybom and Stuhler, 2016).

 $<sup>^{14}</sup>$ While the evidence suggests that lifecycle bias from using current income as a proxy for lifetime income is minimized when incomes are measured at around age 40, we cannot fully exclude lifecycle effects for all years due to the changing age composition over time. The normalization merely affects the level of the estimates, not their variation over time.

2018) periods—rather than year dummies. Appendix table C.1 provides persistence estimates and standard errors for the early and late period, as well as the difference in these estimates.

### 2.3 Summary statistics

Table 1 provides descriptive statistics for our samples, separately by gender and time period in both generations and countries. For presentational purposes we aggregate the statistics for two subperiods, an early period (1985-1995) and a late period (2008-2019), although we use the entire time period (1985-2019) in our main trends analysis. The early-period US sample includes just over 2200 children (split roughly equally between sons and daughters) with on average about eight annual income observations. The number of sampled individuals almost doubles for the late period, owing to the larger number of cohorts observed in the 25-48 age range in these years. The samples are obviously much larger in the population-wide Swedish data.

While both countries display sizable gender gaps in labor-market outcomes, the magnitudes of those gaps also differ markedly. Daughters in Sweden in the early period earned labor incomes that on average amounted to about 70 percent of the corresponding average for sons; this income ratio increased to 77 percent in the late period. For the US, the son-daughter income ratio starts much lower, at 49 percent, and increases to about 59 percent in the late period. The gender income gaps are even more substantial when comparing mothers and fathers: in Sweden the mother-father income ratio rose from about 41 to 60 percent, while in the US it rose from about 18 to 32 percent. Note that zeros are included when computing the income ratios.

The table also displays the well-established pattern of higher average years of schooling among women than men in the child generation, in both countries and time periods. Among the parents, however, fathers are slightly more educated than mothers in the early time period. But a qualitative country difference arises in the late period; while Swedish mothers gain an educational advantage over the fathers, we do not see the corresponding change in the US.

Table 1 also displays interesting country and time differences in employment. In Sweden, daughters are employed at a high and stable rate over time (at around 86 percent). This observation aligns with the known fact that female labor force participation reached a very high level in Sweden already in the 1980s and has since remained largely constant. Daughters in the US, on the other hand, increased their employment rates from around 66 to 75 percent between the two periods. Comparing mothers in Sweden and the US, we see increases in employment in both countries,

though the rise is larger but from a much lower level in the US. The relatively larger employment rates of Swedish women is thus a partial explanation to the relatively smaller gender gaps in labor income compared to the US. For sons and fathers, employment rates were clearly higher, at around 90 percent in both countries, with a marginal decline over time.

Taken together, the table highlights several stylized facts that will serve as an important background to the remainder of the paper. First, gender gaps in labor income and employment are pervasive in both countries. Second, the gaps are generally larger in the US, both in the child and parent generations. Third, the gaps have narrowed over time and generations, with the exception of the roughly stable (and small) son-daughter employment gap in Sweden. We next turn to our main results on mobility time trends, to which these cross-country commonalities, as well as the differences, in the gender dynamics are central—they motivate why our two-country approach can be insightful and are key for interpreting the evidence on mobility trends.

# 3 Trends in intergenerational mobility

In this section, we present our results on mobility trends for the US and Sweden. We first show aggregate trends in the IRP for all children (sons and daughters pooled) with respect to the household labor income of their parents. We then compare trends across genders (sons, daughters, mothers and fathers).

## 3.1 Aggregate trends for all children

Figure 1 shows estimates of the IRP for Sweden and the US, with each point representing an estimate of  $\beta_t$  from equation (1) for a given year t. We pool all children and relate their (individual) income ranks to the household income ranks of their parents, using (child) gender-by-cohort ranks. Because we pool sons and daughters, estimated persistence levels are slightly lower than prior work focusing on fathers and sons or household incomes in both generations. Using ranked incomes allows for the inclusion of very low/zero incomes and thus avoids the potential sample selection that is induced by the IGE. We can also see that for the US, the statistical uncertainty is smaller and the confidence intervals tighter compared to the IGEs (provided in Appendix Figure C.1).

The trends in terms of rank persistence indicate decreasing mobility for both countries. For Sweden (subfigure 1a), the IRP again rose primarily during the 1990s, but with a subsequent stability during the 2000s. The results thus imply a long-run decrease in intergenerational mobility

		Swe	Sweden US			Sweden US		
	198	5-95	200	8-19	198	5-95	200	8-19
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Daughters								
Income	151522.5	83686.4	270406.7	175734.8	27859.2	30818.6	37216.2	38589.7
Age at income	31.7	4.6	36.6	7.1	31.9	4.6	35.3	6.7
Education	12.4	2.5	13.5	2.4	14.1	2.1	14.8	2
Employment	86.9	33.7	86	34.7	65.9	47.4	74.5	43.6
Birth year	1959	4.7	1977	8	1958.6	4.5	1977.7	7.5
Individuals		1009351		1827075		1158		2035
Observations		7976976		14390321		8511		7803
Sons								
Income	216259.6	129014.5	350678.3	266807.4	57045.4	51616	62731.7	80255.5
Age at income	31.7	4.6	36.5	7.1	32.1	4.5	35.4	6.6
Education	11.9	2.6	12.7	2.4	14	2.1	14.4	2
Employment	88.7	31.7	87.4	33.1	92.3	26.7	87.4	33.2
Birth year	1959	4.7	1977	8	1958.5	4.5	1977.5	7.4
Individuals		1065153		1931679		1081		1864
Observations		8405111		15232259		7734		6916
Mothers								
Income	107225.8	81480.5	164787.7	100865.1	13216.2	16005.4	25553.5	26711.5
Age at income	44.1	6.2	41.9	5.2	41.1	6	40.1	5.5
Education	9.5	2.8	11.4	2.9	12.4	2.5	13.7	2.2
Employment	72.2	36.1	84	30.6	38.6	42.4	61.5	41.5
Birth year	1931.6	8	1949.7	8.9	1931.9	7.6	1952.2	8.7
Individuals		1138607		1883320		1046		2026
Observations		16134822		29264375		15994		13992
Fathers								
Income	261246.7	159496.8	272055.6	181982.9	73486.6	50049.4	77705.6	89790.7
Age at income	47.1	6.6	44.7	5.8	44	6.4	42.5	5.8
Education	9.8	3.1	11.1	3	12.6	3.1	13.9	2.4
Employment	96.2	12.7	90.1	24.7	95.3	17.2	92.2	20.8
Birth year	1928.4	8.4	1946.9	9.3	1929.2	7.9	1949.5	9
Individuals		1079591		1803636		902		1749
Observations		15314676		28191919		13814		11990

Table 1: Descriptive statistics

Notes: The statistics for income, age, birth year, and number of individuals or observations are based on the IRP estimation sample. The portion with non-missing education is used to compute the education and employment statistics; in the PSID we lose only 1 father with missing education.

as measured by the IRP, with the latter increasing from around 0.17 in the late 1980s to around 0.22 in the late 2010s.

For the US (subfigure 1b), the point estimates are consistently about 0.20 or slightly higher up to around 2005, but increase to around 0.30 for the most recent years. Qualitatively, the pattern is very similar to the IGE, though due in part to the higher precision of the IRP estimates, this decline in mobility over time is statistically significant. As shown in Table C.1, the p-value=0.004 for the late minus early period difference.

While we thus find a significant decrease in mobility for the most recent years, this result is not entirely at odds with prior research. Importantly, Lee and Solon (2009) only estimate the IGE up to year 2000, and for this time period our results indicate a similarly stable level of mobility. Chetty et al. (2014) include income data up until 2012, but use a cohort approach with incomes measured at age 30. The mobility decrease for recent years is consistent with the increase in both the IGE and IRP documented by Justman and Stiassnie (2021), who use PSID data up until 2016.<sup>15</sup>

Figure 1: Aggregate trends for all children (IRP)



### 3.2 Trends by child and parent gender

We next move beyond the aggregate trends for all children and parent household income and focus instead on different forms of gender-specific intergenerational persistence.

#### 3.2.1 Sons and daughters

We first compare mobility trends of sons and daughters separately with respect to the household income rank of the parents. Figure 2 shows a general pattern of convergence over time in the levels

<sup>&</sup>lt;sup>15</sup>All of these studies also focus on family incomes, rather than (individual, for children) labor income.

of son-parent and daughter-parent persistence in both the US and Sweden. Son-parent persistence increased slightly in both countries, but the change was small and in the US far from statistically significant.

Daughter-parent persistence increased more steadily in both countries. In Sweden (subfigure 2a), the IRP for daughters increased from about 0.15 in the late 1980s to about 0.20 in the 2010s. In the US (subfigure 2b), the corresponding estimate increased from about 0.13 in the late 1980s to about 0.25 in the 2010s. According to point estimates, rank persistence for daughters thus roughly doubled over time in the US, and this change is statistically significant (p-value=0.001 in Table C.1). However, estimates for individual years remain quite volatile and imprecise due to the small sample sizes, so it is difficult to be exact about the magnitude of this change.<sup>16</sup> But it is noteworthy that the son- vs daughter-parent persistence goes from being almost three times as high and significantly different in the 1980s, to about 25-35 percent higher and insignificantly different in the 2010s.





#### 3.2.2 Mothers and fathers

We next compare mobility trends of children (sons and daughters pooled) with respect to the individual income ranks of mothers and fathers separately. Figure 3 shows a striking pattern of strongly increasing child-mother persistence in both the US and Sweden. Child-father persistence also increased in both countries, but the change was more pronounced in the US than in Sweden.

<sup>&</sup>lt;sup>16</sup>The low parent-daughter estimate in 1993 may be attributable to a particular issue with the 1994 survey. Kim et al. (1999) note that, due to an error, income information was not collected for 519 working wives in the 1994 survey; however, the vast majority of these were imputed by subgroup means and thus excluded from our analysis. Nonetheless, we estimate our main results excluding the 1994 survey and confirm that the trends are nearly identical to those in Figures 1–4 (results available upon request).

Child-father persistence only increased marginally in Sweden (subfigure 3a), with an IRP of 0.18-0.19 in the 2010s. Child-mother persistence, on the other hand, more than doubled from about 0.07 to about 0.15. Thus, the father-child IRP went from being about 250 percent larger than the mother-child IRP to being around 25 percent larger in the most recent years.

In the US (subfigure 3b), the child-father IRP rose more substantially than in Sweden, from about 0.20 to about 0.30. The mother-child IRP rose from less than 0.05 and being insignificantly different from zero in the 1980s and 1990s to almost 0.15 in the 2010s. These increases are statistically significant, for both fathers and mothers (p-values in Table C.1 are 0.004 and 0.0001, respectively). While the gap between the father-child and mother-child IRPs thus did not shrink much in absolute value, it did become much smaller in relative terms.





### 3.2.3 Gender-specific intergenerational persistence

As a final exercise, we consider trends in income persistence while distinguishing between the gender of both the children and the parents. Figure 4 shows trends in the father-son and father-daughter IRP (subfigure 4a for Sweden; subfigure 4b for the US) and in the mother-son and mother-daughter IRP (subfigure 4c for Sweden; subfigure 4d for the US). A number of interesting findings arise from this analysis.

First, the benchmark father-son association was largely stable over time in both countries. While there is a small uptick in the father-son IRP in the US in the last 10-15 years, the long-run change comparing the late 1980s with the 2010s is small and statistically insignificant. For both countries, we also see that the father-son IRP is substantially larger than the father-daughter IRP. However, the father-daughter IRP increased in both countries, such that this gap became smaller over time. In Sweden, the father-daughter IRP increased from around 0.13 to about 0.17. In the US the development was much more pronounced: for the early years, the father-daughter IRP was close to zero, while in the 2010s, the estimates are close to 0.25 and significantly different from the early-year estimates. In fact, the point estimate of the US father-daughter IRP was in the most recent years higher than the Swedish father-son IRP. Moreover, these results suggest that the increases in the father-child IRPs documented in Figure 3 in the previous subsection are primarily driven by the transmission between fathers and daughters as opposed to fathers and sons.<sup>17</sup>

The mother-child associations in subfigures 4c and 4d show a striking and qualitatively similar pattern of secularly increasing persistence in both countries, and with respect to both sons and daughters. In Sweden, both the mother-son and mother-daughter IRP estimates roughly double in size over time, although the mother-daughter IRP diverges from and is slightly higher than the mother-son IRP. In the US, the trend and the levels of the mother-daughter IRP are very similar to those of the mother-son IRP. For both sons and daughters, the IRP estimates grow from about 0-0.05 in the early years (and statistically indistinguishable from zero) to about 0.15 in the 2010s.

Thus, intergenerational income persistence appears to be partly gender specific, though with some differences across countries. For Sweden, income persistence is indeed stronger within gender (i.e., son-father and daughter-mother) than across gender (i.e., son-mother and daughter-father). In the US, fathers are generally more impactful (in a statistical sense) with the father-child IRPs being larger than the mother-child IRPs. In a relative sense, however, the father-son IRPs are substantially larger than the father-daughter IRPs, while the gap between mother-son and motherdaughter persistence is essentially zero.

The general pattern in Figure 4 is that, in both the US and Sweden, all measures of intergenerational income persistence involving women (daughters and/or mothers) have increased over time, while the commonly studied father-son persistence remained roughly stable. The patterns suggest that conventional studies that only look at recent trends in male-to-male transmission can miss some important dynamics pertaining to a large part of the population. We obviously cannot claim that the patterns of intergenerational mobility of women reflect a decrease in equality of opportunity—the increase in persistence involving women might, for example, be primarily due to an increase in the correspondence between their underlying skills and earnings, rather than an increase in the transmission of underlying skill (see next Section). However, the analyses do suggest that

<sup>&</sup>lt;sup>17</sup>One explanation for this is that daughters' income became more informative over this time period. Another possibility is an occupational transmission mechanism, where father-son occupational persistence is unchanged but father-daughter occupational persistence increased (Hellerstein and Morrill, 2011).

a wider perspective, not restricted to fathers and their sons, is important to fully grasp societal changes pertaining to intergenerational mobility.



Figure 4: Trends by parent and child gender

### 3.2.4 Robustness

Appendix A presents a set of tests that demonstrate the robustness of our findings to the inclusion of zero incomes and our decision to focus on yearly rather than cohort trends. We also document that our qualitative findings hold similarly when focusing on different ages of income measurement of the child generation. For many of our robustness checks, we focus on the Swedish data, given its larger samples and higher flexibility for performing certain types of tests.

Figure A.1 compares for Sweden the baseline trend in the IRP from our main analyses with the IRP trend using the IGE sample, which excludes zero and very low incomes. For all subgroups (sons/daughters, fathers/mothers) the IRP increases more over time when including zero incomes. Thus, structural changes on the labor market related to the prevalence of non-employment and individuals with very low incomes are either becoming increasingly important over time, or increasingly associated with parental income. However, the role of zero incomes for mobility trends appear similar across all subgroups. If anything, the IRP for more recent years is the most strongly underestimated when excluding zeros for sons and mothers (see subfigures A.1a and A.1d). For the US, Figure A.2 shows that the strongest sensitivity is in the mother-child trends where the IRP is roughly stable when we restrict to the IGE sample, compared to a fairly steep rise in our main analyses. This finding suggests that changes along the extensive margin of labor supply can explain much of the increase in mother-child persistence in the US.

We next check the sensitivity to a different type of sample selection in the PSID, examining whether including the Survey of Economic Opportunity (SEO) sample changes our results.<sup>18</sup> Using the combined SEO and SRC samples requires using sample weights, so this also sheds light on potential influences of attrition on our results. Reassuringly, the trends shown in Figure A.3 are nearly identical.

Figure A.4 shows trends from our main specification but using a tighter age interval of the included children (age 33-43 rather than age 25-48). When doing so, we focus specifically on prime-age incomes, and the mechanical changes in age composition over time becomes much smaller. The trends are very similar overall, with a somewhat stronger convergence in persistence between sons and daughters. The analysis thus suggests that our main findings are not driven by very young children, below age 33. Moreover, the results are reassuring for the generalizability of our main trends, since the analysis is closer in spirit to a pure cohort approach.

The analysis presented in Figure A.5 goes one step further by holding the age of income measurement of the children fully fixed, at various ages (age 29-31, age 34-36, age 39-41). A couple of observations stand out. First, the levels of the IRP are clearly higher when measuring incomes at age 34-36 or 39-41 compared to at age 29-31, which is in line with prior research on lifecycle effects (Haider and Solon, 2006; Nybom and Stuhler, 2016) and indicates that income mobility is overestimated when incomes are measured too early. The IRP levels in our main analysis are generally close to those at age 34-36 or age 39-41, which is reassuring given that rules-of-thumb in the literature are to measure incomes at about age 35-40 in order to approximate mobility in lifetime or long-run income. Importantly, the estimated *trends* are also similar to those in our main analysis when measuring incomes at a fixed age in mid-life. However, it is noteworthy that the estimated increase (decrease) in the IRP (mobility) becomes considerably smaller when incomes

<sup>&</sup>lt;sup>18</sup>The SEO sample was the other component of the PSID at the start in 1968, which oversampled low income households.

are measured at an early age (at 29-31). This finding suggests that parental-income related heterogeneity in age-income profiles has changed over time, and that early-age income differences are less reflective of lifetime income differences in more recent years. The results further indicate that this change is strongest for women, with trends for mothers and especially daughters being the most sensitive to measuring incomes at a too early age.

# 4 Quantifying drivers of persistence

The role of mothers in the labor market and the household changed dramatically during our study period, and these changes were likely consequential for the relative contributions of different determinants of intergenerational transmission. In addition, changes in terms of assortative mating and joint household decisions may have consequences for not only measured maternal but also paternal persistence. We develop a statistical model to describe the roles of parental characteristics in shaping the observed trends in persistence. Decomposing the IRP into channels due to human capital, employment, and other income-determining traits, we study how these factors changed over time in Sweden and the US. The model is akin to Lefgren, Sims and Lindquist (2012), which is a mechanical adaptation of Becker and Tomes (1979), though both focus on father-son transmission.<sup>19</sup> Given our focus on mothers, we extend the model with an employment channel, a mechanism that likely is important for maternal transmission to children (e.g., Altonji and Dunn 2000), and with assortative mating of parents.

We start with a simple setup in Section 4.1, in which a parent begins with some level of human capital and this subsequently affects employment. Incomes are then influenced by these employment decisions as well as orthogonal employment, human-capital, and other idiosyncratic parent components. To isolate maternal transmission conditional on fathers, Section 4.2 extends the model by allowing for assortative mating. This feature allows for employment responses not only to a parent's own but also their partner's human capital, and separate parent-child channels for characteristics of mothers and fathers. In both models, income transmission occurs through the child's human capital, consistent with the aforementioned studies. We derive the IRP in terms of model parameters and decompose it into the various channels. The decompositions enable us to describe how the role of mothers and fathers in intergenerational transmission has changed over time and illustrate differences between Sweden and the US.

<sup>&</sup>lt;sup>19</sup>Miller and McIntyre (2020) is another related example, again focused on father-son persistence.

## 4.1 Model of transmission from individual parent to child

In our model, child income (rank) is determined in a sequential fashion according to four equations:

$$E_p = \phi_0 + \phi_1 H_p + \eta_{ep} \tag{2a}$$

$$Y_p = \gamma + \theta_0 E_p + \theta_1 H_p + \eta_p \tag{2b}$$

$$h_c = \pi_0 + \pi_1 Y_p + \pi_2 H_p + \varphi_c \tag{2c}$$

$$y_c = h_c + u_c, \tag{2d}$$

In equation (2a), a parent starts with human capital  $H_p$ , which influences their employment,  $E_p$ , with  $\phi_1$  capturing the responsiveness of extensive-margin labor supply to own human capital. In particular for mothers, there could be multiple reasons for such a channel. Incentives to work are stronger for those with more human capital, both since they tend to earn higher wages and higher returns to experience (Blundell et al., 2016). Preferences or societal norms towards mothers working, as well as impacts of public policies, might also differ by human capital. This step is likely less pertinent to fathers, as their employment rates have historically been high and less responsive to human capital. The residual term  $\eta_{ep}$  captures parent traits, preferences, and other idiosyncratic determinants of employment that are orthogonal to human capital.

In the next step, parent income (rank) is determined by employment, human capital, and an idiosyncratic term.<sup>20</sup> Substituting equation (2a) into (2b) yields that human capital affects income both directly ( $\theta_1$ ) and indirectly through sorting into employment (via  $\theta_0\phi_1$ ). This employment sorting channel is of primary interest in our study of mothers, and reflects both sorting into and the wage returns to employment. The parent influences child human capital through financial investment from own income ( $\pi_1$ ) and from the (direct) transmission of human capital conditional on income ( $\pi_2$ ) in equation (2c). Parental employment—conditional on income and human capital—does not directly affect the child. Like prior studies, child income is then a simple function of their human capital (equation (2d)).<sup>21</sup>

After a sequence of substitutions, we get a final equation for how parent inputs influence child

<sup>&</sup>lt;sup>20</sup>Because our aim is to decompose the IRP, we use as  $y_c$  and  $Y_p$  our measures of child and parent income ranks from above also in this section. Doing so avoids the level-to-rank transformation problem and simplifies the exposition considerably.

<sup>&</sup>lt;sup>21</sup>Modeling parent influence on children's income through the channel of child's human capital was adopted in the original theory by Becker and Tomes (1979) and in subsequent studies, including those most closely related to ours that consider decompositions (Lefgren, Sims and Lindquist, 2012) or trends over time and place (Solon, 2004).

income:

$$y_c = \pi'_0 + [\pi_1(\theta_0\phi_1 + \theta_1) + \pi_2]H_p + \pi_1\theta_0\eta_{ep} + \pi_1\eta_p + \varphi_c + u_c$$
(3)

where  $\pi'_0 = \pi_0 + \pi_1 \gamma + \pi_1 \theta_0 \phi_0$  and the composite error elements  $\varphi_c$  and  $u_c$  are uncorrelated with parent characteristics. The gross influence of parental human capital on child's income is a function of both the productivity of financial investment ( $\pi_1$ ) and the (independent) transmission of human capital ( $\pi_2$ ). The former is scaled by the income returns to human capital ( $\theta_1$ ) and the product of the parameters governing the return to and sorting into employment ( $\theta_0 \phi_1$ ). The influence of parents' residual employment and income components,  $\eta_{ep}$  and  $\eta_p$ , is determined by  $\pi_1$ , with the former also being scaled by  $\theta_0$ .

Given this framework, we can decompose the IRP into parts due to parental human capital, an employment-human capital sorting channel, an orthogonal employment channel, and residual income:

$$\underbrace{\theta_{1}(\pi_{1}\theta_{1}+\pi_{2})\frac{Var(H_{p})}{Var(Y_{p})}}_{\text{Human capital}} + \underbrace{(\theta_{0}\phi_{1})\left[\pi_{1}(\theta_{0}\phi_{1}+2\theta_{1})+\pi_{2}\right]\frac{Var(H_{p})}{Var(Y_{p})}}_{\text{Employment sorting}} + \underbrace{\pi_{1}\theta_{0}^{2}\frac{Var(\eta_{ep})}{Var(Y_{p})}}_{\text{Employment (\eta_{ep})}} + \underbrace{\pi_{1}\frac{Var(\eta_{p})}{Var(Y_{p})}}_{\text{Resid inc (\eta_{p})}}$$

$$\underbrace{(4)$$

#### 4.1.1 Results for individual parent model

We estimate the model separately for mothers and fathers, for two time periods: an early period with child incomes observed 1985-1995 and a late period covering 2008-2019. For consistency with the main analyses, we first net out age and time effects from the measures of income, human capital, and employment.<sup>22</sup> We measure human capital using years of education, and  $E_p$  is an income-based measure of average employment status over multiple years.<sup>23</sup> We estimate a series of linear regressions to obtain the parameter estimates necessary for the decomposition. Appendix B.1 provides details on model estimation and results.

Figure 5 provides a breakdown of the IRP into the four channels in equation (4), for both

 $<sup>^{22}</sup>$ In the residualization step, we use our main sample covering years 1985-2019 and regress each measure on a quartic in centered (at age 40) child age, a quartic in the respective parent's age, and year fixed effects. To estimate the IRP and model parameters, we use all income observations in each time period, clustering by the parent.

<sup>&</sup>lt;sup>23</sup>An individual is considered employed if their annual income is above 20 percent of the annual median for primeage men (age 25-55) in that year; the parent employment measure is the average of these status indicators during the five potential years in which income is measured.

mothers and fathers. Consistent with our main results, the mother-child IRP (subfigure 5a) for the early period is similarly low in Sweden and the US and rises substantially by the late period; the IRP doubles in Sweden and triples in the US. Underlying the rising trends though, are country differences in the relative importance of mothers' characteristics and how these evolve over time.



Figure 5: IRP decompositions for separate mother and father models

Notes: The height of each bar is the IRP. The underlying channels are the calculated elements of the decomposition equation (4). Appendix Table B.1 provides the numeric values and sample sizes.

Initially there are starkly different drivers of maternal transmission in Sweden and the US. The employment sorting channel dominates transmission in the US, accounting for over 70% of the (small) IRP. In Sweden, the contribution is balanced with the human capital channel, each at about 20% of the IRP. The (residual) employment channel (orthogonal to human capital) is substantial in Sweden (40%), but minimal in the US (7%). The idiosyncratic part of income plays a small role for mothers in Sweden, and an even smaller role in the US.

The disparity in the employment sorting channel is due to larger estimates of both the sorting parameter  $\phi_1$  and the (direct) transmission of maternal human capital  $\pi_2$ , in the US compared to Sweden. The growth in the residual employment and income channels are linked to the estimated financial-resources parameter,  $\pi_1$ , which rises in both countries. However, both  $\hat{\pi}_1$  and  $\hat{\pi}_2$  are likely influenced by how  $H_p$  and  $Y_p$  correlate with income and human capital of the spouse (see Figure 6 below); our extended model provides further evidence on this in the next subsection.

In general, these contrasting pictures of mother's employment and income channels likely reflect country differences in women's labor market attachment. For this early period, the majority of mothers' incomes are observed during the 1970s, when Sweden experienced a steep rise in female labor force participation, a phenomenon that occurred slightly later in the US. Over time, the roles of maternal human capital, employment, and residual income in the US adjust to look more like the early period for Swedish mothers, consistent with the delayed rise in women's labor force participation.

For Swedish mothers, on the other hand, growth in the income and human capital channels leads to convergence in the decomposition to that of (Swedish) fathers (subfigure 5b). The dominance of the income and human capital channels for fathers in both countries is driven by higher investment transmission ( $\pi_1$ ) as well as higher human capital returns ( $\theta_2$ ), despite a smaller human capital transmission parameter ( $\pi_2$ ) compared to mothers. Employment plays a small role for fathers in both countries, and the employment sorting channel even less—both expected results given traditionally high employment rates for men—though both also rise modestly over time.

The decompositions in Figure 5 demonstrate important differences in transmission along both gender and country lines. Employment is a key channel for mothers in both countries—though employment sorting becomes relatively less important once labor force participation has spiked. The employment channels instead become more important for fathers as male employment declines slightly. In absolute terms, for fathers in both countries the contributions of the employment and residual income channels increased, while that for human capital declined. For mothers, on the other hand, all channels increased and contributed to rising mother-child persistence.

### 4.2 Assortative mating

Focusing on individual parents is a natural starting point given the extensive literature studying father-son income mobility. However, the parental characteristics we consider are inherently linked through assortative mating and household labor supply decisions. We thus extend our model to incorporate both elements. While several studies of mobility trends examine the implications of assortative mating in the child generation (Ermisch, Francesconi and Siedler, 2006; Davis and Mazumder, 2022; Holmlund, 2020), few have considered *parental* matching.<sup>24</sup> This extension enables us to demonstrate the roles of a parent's characteristics *conditional on* those of the other parent.

Assortative mating on human capital is linear and stable over time, in both the US and Sweden, as shown in Figures 6a and 6b. This association highlights the importance of accounting for

 $<sup>^{24}</sup>$ Bratsberg et al. (2022) study the role of parental assortative mating for various child outcomes in Norway, but not in the context of intergenerational mobility trends.

parental assortative mating. Perhaps more intriguing though, is that despite very similar human capital matching, the mother-father associations in *income* differ substantially across countries (see Figures 6c and 6d). The relationship for Sweden is roughly linear and becomes more positive over time but for the US the association is highly non-linear and the slope of a fitted linear regression line changes from negative to marginally positive. We return to this in our discussion of the results.



Figure 6: Parental assortative mating in Sweden and the US

We incorporate assortative mating in an initial stage of our model, and then extend the employment (2a) and child human capital (2c) equations to also reflect influences of both parents:

$$H_{sp} = \delta_0 + \delta_1 H_p + \eta_{sp} \tag{5a}$$

$$E_p = \phi_0 + \phi_1 H_p + \phi_2 H_{sp} + \eta_{ep} \tag{5b}$$

$$h_c = \pi_0 + \pi_1 Y_p + \pi_2 H_p + \pi_{1s} Y_{sp} + \pi_{2s} H_{sp} + \varphi_c.$$
(5c)

An individual chooses a spouse with some consideration of the person's human capital (equation (5a)).  $\delta_1$  measures assortative mating on human capital and  $\eta_{sp}$  is the idiosyncratic part of the spouse's human capital.<sup>25</sup> To reflect the joint nature of (mother's) labor supply decisions, employment is now a function of the human capital of both the parent and the spouse according to the parameters  $\phi_1$  and  $\phi_2$  in equation (5b).  $\eta_{ep}$  is the idiosyncratic part of employment, now conditional on own and the spouse's human capital. Finally, child human capital depends on the income (ranks) and human capital of both parents, meaning  $\pi_1$  and  $\pi_2$  now reflect transmission conditional on the spouse's characteristics (equation (5c)).

Following a sequence of substitutions similar to the simpler model, we obtain expressions for  $y_c$ and  $Y_p$  in terms of model parameters and derive the probability limit of the OLS estimator of  $\beta$ :

$$plim\left(\hat{\beta}\right) = \underbrace{\left\{\theta_{0}(\phi_{1}+\phi_{2}\delta_{1})\left[\pi_{1}\theta_{0}(\phi_{1}+\phi_{2}\delta_{1})+\pi_{2}\right]+2\pi_{1}\theta_{1}\theta_{0}(\phi_{1}+\phi_{2}\delta_{1})\right\}\frac{Var(H_{p})}{Var(Y_{p})}}_{\text{Employment sorting}} + \underbrace{\theta_{1}(\pi_{1}\theta_{1}+\pi_{2})\frac{Var(H_{p})}{Var(Y_{p})}}_{\text{Human capital}} + \underbrace{\pi_{1}\theta_{0}^{2}\frac{Var(\eta_{ep})}{Var(Y_{p})}}_{\text{Employment (\eta_{ep})}} + \underbrace{\pi_{1}\frac{Var(\eta_{p})}{Var(Y_{p})}}_{\text{Resid Inc (\eta_{p})}} + \underbrace{\left(\pi_{1s}\tilde{\theta}_{s}+\pi_{2s}\right)\tilde{\theta}_{p}\delta_{1}\frac{Var(H_{p})}{Var(Y_{p})}}_{\text{AM on Human Capital}} + \pi_{1s}\frac{Cov(\eta_{py},\eta_{spy})}{Var(Y_{p})} + \pi_{1s}\tilde{\theta}_{p}\frac{Cov(H_{p},\eta_{spy})}{Var(Y_{p})} + (\pi_{1s}\tilde{\theta}_{s}+\pi_{2s})\frac{Cov(H_{sp},\eta_{py})}{Var(Y_{p})} + \pi_{1}\theta_{0}^{2}\phi_{2}^{2}\frac{Var(\eta_{sp})}{Var(Y_{p})}$$

$$(6)$$

Other assortative mating/spouse related elements

To simplify notation, the human capital parameters are aggregated in  $\tilde{\theta}_p = \theta_0(\phi_1 + \phi_2 \delta_1) + \theta_1$  and the combined non-human capital income is denoted  $\eta_{py} = \theta_0 \phi_2 \eta_{sp} + \theta_0 \eta_{ep} + \eta_p$ . For spouses,  $\tilde{\theta}_{sp}$  and  $\eta_{spy}$  are the analogous elements based on their respective equations for sorting, employment, and income. See Appendix B.2 for details. The decomposition in (6) consists of six components. Apart from the four components of the individual parent model from above, it also includes assortative mating on human capital and a component capturing other spousal cross-correlations between residual income determinants and human capital.

#### 4.2.1 Results for model with parental assortative mating

Intergenerational transmission now explicitly depends on the income and human capital of both the mother and the father, yet  $\hat{\pi}_1$  (financial investment) remains roughly similar in magnitude as in the

<sup>&</sup>lt;sup>25</sup>Eika, Mogstad and Zafar (2019) point out that, in this regression, a change in variance would misleadingly be interpreted as a change in educational assortative mating if the correlation remains unchanged. We are not interested in  $\delta_1$  itself, rather in the part of our IRP decomposition that is due to assortative matching on human capital,  $\left(\pi_{1s}\tilde{\theta}_s + \pi_{2s}\right)\tilde{\theta}_p\delta_1 \frac{Var(H_p)}{Var(Y_p)}$ , which is unaffected by changes in  $Var(H_p)$ .

simple model. But over time,  $\hat{\pi}_1$  exhibits some increases for mothers and fathers in both models, suggesting that financial investment may be an increasingly important transmission mechanism. In contrast, conditioning on the spouse substantially reduces  $\hat{\pi}_2$  (parental human capital) for mothers in both countries, with more modest declines for fathers. The over-time changes differ by parent, rising for mothers but declining for fathers.



Figure 7: IRP decompositions for model with assortative mating

Notes: The height of each bar is the IRP. The underlying channels are the calculated elements of the decomposition equation (6): Human capital (HC), Employment sorting, Employment, Residual income, Assortative mating (AM) on HC, and Other AM related elements. Appendix Table B.3 provides the calculated values and sample sizes.

The relative roles of mother's characteristics change dramatically when fathers are incorporated, reflecting in part the aforementioned declines in  $\pi_2$ . Figure 7 shows the decompositions of the IRP from equation (6) (subfigure 7a for mothers, subfigure 7b for fathers). Mother's human capital and, to a greater extent, employment *sorting*, account for far less in both countries in both time periods. This shift seems to largely play out in the form of an increased role for employment accompanied by a rise in the role of residual income, with both changes more extreme for the US. In fact, the changes in each relative contribution compared to the simpler model are minimal for Swedish mothers in the late period. The US decomposition in the later period still approaches that of the early period for Sweden, again consistent with the timing of women's increases in labor force participation.

In terms of father-child persistence, there is little change in the relative roles of different components compared to the individual parent model or considering changes over time. There is a slight decline in the role of human capital accompanied by a minor rise in residual income, neither of which constitute a substantial change in our understanding of intergenerational transmission. We next turn to the role of assortative mating, as captured by the last two components of equation (6). Only in Sweden do we find the expected result that aggregate assortative mating accounts for more of the IRP for mothers (approximately 25%) than for fathers (7% to 17%). In fact, the role of aggregate assortative mating is negligible for mothers in the US, accounting for only 2% to 8% in the early and late periods, respectively. Visually though, Figure 7 shows that assortative mating *is* important for US mothers, but in a distinct manner.

Explicitly considering the two dimensions of marital sorting—spousal human capital matching and other spousal correlations—reveals important heterogeneity in the nature of assortative mating, consistent with the country differences shown in Figure 6. The contribution of assortative mating on human capital is actually much larger in the US than in Sweden. Conversely, the other spousal correlations ("Other AM")—capturing spousal income correlations conditional on the human-capital matching—is *negative* in the US and of the same magnitude as the human capital matching. In our accounting exercise, this cancels out the positive contribution of human capital matching.<sup>26</sup>

Our extended model thus not only gives a more nuanced picture of the roles of mother's characteristics but also provides important insights on the role of parental assortative mating. Assortative mating is typically thought to boost mother-child persistence estimates, which is what we observe in Sweden even with a simple mediating-factor type analysis where we add father's income in our main trends analyses (see Appendix Figure C.2a). For the US, however, there is no such aggregate effect, despite strong underlying marital sorting (Appendix Figure C.2b). Our decomposition, on the other hand, exposes both the negative and positive contributions to the mother-child IRP of marital sorting. Nonetheless, similar to our results for the individual parent model, the results in Table B.3 for the extended model also show that the absolute contribution of each characteristic of mothers rises over time in both countries, jointly driving the growth in mother-child persistence.

### 4.2.2 Persistence with respect to parent household income

We also decompose the IRP with respect to the joint household income of the parents, as such measures are often used in studies of mobility trends.<sup>27</sup> Our primary interest is in the aggregate

<sup>&</sup>lt;sup>26</sup>Note that this negative sorting influences the father-child IRP differently, since the multiplicative parameters on the (similar) covariances differ. The multiplicative parameter for mothers  $\pi_{1s}$  (the financial investment transmission for fathers) is much larger than  $\pi_1$ , the corresponding one relevant for fathers. Thus, the negative "sorting" related to unobservable income determinants plays a much larger role in (reducing) the mother-child IRP than the father-child IRP.

<sup>&</sup>lt;sup>27</sup>In our main analyses of trends, we used the ranks of the average of mother and father income to avoid changes in the variance of the average measure from driving trends over time. Here, we instead use the average of mother

contribution of mothers relative to that of fathers, as well as the two assortative mating dimensions.<sup>28</sup>



Figure 8: Decomposition of IRP for parent household income

Notes: The height of each bar is the IRP. The channels shown include Mother's characteristics, Father's characteristics, assortative mating on human capital (AM on HC), and other assortative mating related elements (Other AM).

Figure 8 shows that the IRP with respect to parental household income is higher than the IRPs for the individual incomes of mothers, and roughly similar to those of fathers, consistent with prior studies. Similar to the trends in Section 3, the IRP rises over time. Meanwhile, fathers account for large, but declining, shares of the IRP. The aggregate role of mother's characteristics is initially very small in the US, but rises to roughly 30% in both Sweden and the US. Finally, the cross-country differences in assortative mating are again evident. The share of the IRP accounted for by assortative mating on human capital declines in both countries, and is more important in the US.<sup>29</sup>

### 4.3 A rising impact of mothers?

Our decomposition showed that underlying the rising IRPs in Section 3 are dramatic changes in the relative contributions of mother's employment, human capital, and income. The variation in these channels across time, country, and gender are all consistent with women's changes in labor supply being a key factor driving rising maternal persistence. These results are interesting, yet

and father income ranks, as this greatly simplifies the algebraic derivations for the decomposition. Thus, the levels of estimates differ slightly from the main results.

<sup>&</sup>lt;sup>28</sup>The relative importance of each underlying characteristic of a parent is unchanged, which can be seen in the detailed decomposition equation and results in Appendix B.2.

<sup>&</sup>lt;sup>29</sup>In Sweden, there is a substantial rise in other spousal correlations, contrasting the (downward) influence of negative spousal correlations on mobility in the US.

leave one question unanswered: to what extent is the rising persistence due to a rising causal impact of mother's income versus declining noise in how mother's income reflects her underlying permanent status? We next provide suggestive evidence on these competing explanations using a measurement-error framework.

It is well recognized that using short-run (parent) incomes as proxies for lifetime income attenuates estimates of intergenerational persistence. Under classical errors, short-run income in t is the sum of lifetime income and a transitory error,  $Y_{it} = Y_i + e_{it}$ , and the attenuation bias increases with the importance of the transitory income variance,  $Var(e_{it})$ .<sup>30</sup> Hence, the rising persistence of mothers might be due to a concurrent decrease in  $Var(e_{it})$ . But for mothers there may be an additional layer of error, if even long-term incomes inaccurately capture underlying socio-economic status. In other words,  $Y_i$  itself might be a noisy proxy for true status,  $Y^*$ , according to  $Y_i = Y_i^* + u_i$ (Vosters and Nybom, 2017; Braun and Stuhler, 2018). Thus, changes in  $Var(u_i)$  might also affect trend estimates. After substituting for  $Y_i$ , we have

$$Y_{it} = Y_i^* + u_i + e_{it},\tag{7}$$

where we assume that the additive errors are classical and uncorrelated with each other.

With this model, there are two sources of error to consider: the "status error"  $u_i$  and the "income error"  $e_{it}$ .<sup>31</sup> We use two instrumental variables (IV) approaches to address each error in turn. In addition, correlations between  $Y^*$  and spousal characteristics (e.g., income) may change over time, and thus affect estimated IRPs of (individual) parents (as shown in our decomposition). In our IV approaches, such correlations could violate the instrument exclusion restrictions (and to differing extents over time) so we also estimate specifications conditional on the spouse's income and human capital. Each approach/specification thus mitigates bias from  $e_{it}$ ,  $u_i$ , and/or parental sorting to varying degrees, and with various limitations.

The first approach addresses the "income error"  $e_{it}$ . One can use another (noisy) short-run income observation  $Y_{it+s}$  as an instrument for the mis-measured one  $Y_{it}$ , which eliminates the bias if  $e_{it}$  and  $e_{it+s}$  are uncorrelated (Nybom and Stuhler, 2017; Altonji and Dunn, 1991).<sup>32</sup> We use parent incomes about 4-5 years apart with the "endogenous" income measured when the child is

 $<sup>^{30}</sup>$ Lifecycle effects are also well established sources of bias, which we ignore here as we focus on parental incomes measured at prime stages of their careers.

<sup>&</sup>lt;sup>31</sup>The attenuation factor in the OLS estimate of the IRP is  $Var(Y^*)/[Var(Y^*) + Var(u) + Var(e)]$ .

<sup>&</sup>lt;sup>32</sup>We abstract from the fact that if the errors are serially correlated, the bias diminishing effects of both averaging and the IV approach will be smaller.

age 16 and with annual incomes at age 12 and 21 as possible instruments. If changes in transitory variation are driving the rising IRPs for mothers, the error-corrected estimates in the early and late periods should be similar. However, this is not what we find. Table 2 shows consistently large over-time changes in all specifications; in many cases, the error-corrected estimates actually rise more than the baseline IRP.

			Sweden			US	
Instrument(s)	Spec.	1985-1995	2008-2019	Change	1985-1995	2008-2018	Change
OLS (baseline)	1	.052	.114	.062	.024	.122	.098
Income, child age 12	1	.052	.131	.079	.014	.125	.111
Income, child age 21	1	.081	.177	.096	.077	.18	.103
Income, child age 12	$\frac{2}{2}$	.033	.108	.075	021	.07	.091
Income, child age 21		.06	.156	.096	.011	.115	.104
Income, child age 12	3	.034	.081	.047	.004	.115	.111
Income, child age 21	3	.052	.121	.069	.026	.132	.106
Educ, employ	$\begin{array}{c} 1 \\ 4 \end{array}$	.062	.116	.054	.116	.14	.024
Educ, employ		.044	.079	.035	.047	.108	.061

Table 2: Exploring changes in Mother's IRP

Notes: All specifications use the pooled child sample (sons and daughters) and relate their annual income rank within the assigned time period to the income rank of their mother. All included variables have been residualized with respect to age and year using the full-period main sample, as described in Section 4. Row 1 shows the baseline IRP using OLS. Rows 2-7 show IV estimates using parent income at age 12 or 21 as IV for income at age 16. Rows 8-9 use potential income based on education, employment status and their interaction, with the returns to those characteristics estimated using the sample of fathers. Specification 1 (see col. 2) uses no controls; 2 adds mother's education as control; 3 adds mother's education and father's income and education as controls; 4 controls for father's income and education in the second stage.

Turning now to test for the importance of the "status error"  $u_i$ , we use a different IV approach. Under certain conditions, instrumenting for income using education or other non-transitory income determinants can eliminate attenuation biases (Zimmerman, 1992). But there are a few caveats. First, any (positive) direct effect of maternal education on child income leads to upward bias. Second, within-variation in income (e.g., within education groups) is fully abstracted from. To get at the "status error" for mothers, the effectiveness of this approach is also limited by, for example, all women having generally lower returns to education due to  $u_i$ . Therefore, we construct *potential* incomes of mothers using their observed characteristics combined with estimated earnings returns of fathers, so essentially a two-sample IV (TSIV) using fathers in the first stage. We use as instruments years of education, employment, and their interaction, and then use our measures of potential income to estimate the IRP.<sup>33</sup>

For both countries, the IRPs (row 8, spec. 1) are larger using our measure of potential income, consistent with some role for the "status error" (i.e.,  $Var(u_i) > 0$ ). But for Sweden the levels are only slightly higher than the baseline IRP, and the over-time increase is only marginally smaller in magnitude. For the US, estimates increase more using the IV, and especially so for the early time period, resulting in a much smaller over-time increase. This is consistent with incomes increasingly reflecting underlying status explaining much of the trend for the US: with the estimates taken at face value, this form of measurement error explains roughly 75 percent of the increased persistence. The higher estimates can also reflect an additional causal effect that maternal education has on child adult incomes, which might then be larger in the US. The estimates become lower when conditioning on father's characteristics in the second stage (see bottom row), and the change over time is slightly smaller for Sweden but larger for the US.<sup>34</sup> Regardless, the estimates are in line with our decomposition analysis.<sup>35</sup> In that model, the association between a mother's human capital and her income is approximated by  $\tilde{\theta}_p = \theta_0(\phi_1 + \phi_2 \delta_1) + \theta_1$ , which rises substantially for US but remains roughly steady for Swedish mothers.

We draw three suggestive conclusions from this exercise. First, it appears that the "status error"  $u_i$  is very important for US mothers, and much of the increase in the IRP may be attributable to a growing link between mothers' income and underlying human capital or status. Second, parental sorting can potentially explain some of the increase in the IRP of Swedish but not US mothers, echoing the results from the model decomposition. Lastly, none of our tests wipe out all of the increase in persistence, indicating that at least some of the baseline trend might be due to an increasing causal impact of mothers.

 $<sup>^{33}</sup>$ Holmlund (2020) uses a similar approach to compute potential incomes of women. Note that our predicted income ranks will have a different variance than actual ranks, so we standardize the predicted measure to have the same variance as income ranks, thus avoiding mechanical differences in the IRP.

 $<sup>^{34}</sup>$ Adjusting for this type of spousal sorting has a somewhat different influence in the US because it captures sorting on underlying characteristics (e.g., education), which is stronger than with respect to income in the US.

<sup>&</sup>lt;sup>35</sup>We can also consider the corresponding TSIV estimates for fathers (see Table C.2), which are generally similar to or lower than the baseline IRPs, and considerably lower for the later time period. A possible explanation is that within-group variation—income differences conditional on education and employment—which the TSIV abstracts from, plays an increasingly important role for father-child transmission. Moreover, the IV estimates for fathers are not consistent with the instruments having an independent positive effect (i.e., failed exclusion restriction), perhaps lending credence to the interpretation that the larger IV estimates for mothers are due to a decreased "status error".

# 5 Conclusions

We show that intergenerational income mobility in both Sweden and the US has evolved in a markedly different way for men and women since the mid-1980s. Persistence involving women (mothers and/or daughters) increased dramatically over time while father-son associations remain largely stable in both countries. Somewhat surprisingly, mother-child persistence is rising at similar rates and levels in Sweden and the US, in contrast to the well-established cross-country differences in mobility levels for fathers and sons. These trends alone illustrate how a narrow focus on traditional measures can fail to capture important social-mobility dynamics in a society.

While there is some emerging evidence on differences in income mobility between sons and daughters, very little research exists on the role of mothers. Our study fills this gap in the literature. Examining the drivers of rising mother-child persistence divulges substantial cross-country differences in the relative contributions of human capital, employment and (parental) spousal sorting, as well as in their evolution over time. The more pronounced and growing role of employment in Sweden coincide with an earlier spike in labor force participation of women. With US women following suit, the allocation across mothers' characteristics in the late period mirrors that of Swedish mothers in the early period. In this regard, Sweden in the later period may provide a picture of what is to come for US mothers.

Our decomposition also reveals cross-country divergence in the nature and role of assortative mating, which can explain the perhaps unexpected cross-country similarity in levels of mother-child persistence. Despite similar (positive) assortative mating on human capital augmenting persistence in both the US and Sweden, cross-parent correlations in income and employment diverge. In Sweden, the mother-father income association is positive—and rising over time—further raising the mother-child persistence estimates. In the US, however, higher income and human capital of fathers tend to depress maternal employment, resulting in a negative parental income association, and thus counteracting the rise in persistence driven by parental human capital matching. If this aspect of sorting instead followed that observed in Sweden, mother-child persistence in the US would be substantially higher and consistent with the relatively lower mobility levels observed in the US compared to Sweden for men.

In general, it is essential that we begin to understand how important mothers' income or human capital is for their children, even descriptively, rather than relying solely on men as our metric. First, women's identities are evolving to put more weight on labor market outcomes. Second, economic independence is increasingly important for women, and not just for single mothers. Higher divorce rates, delayed partnership formation, and a rising prevalence of partnership formation without complete pooling of resources mean women's individual financial viability has become far more salient than for earlier cohorts of women.

As we show, father-son associations do not necessarily depict persistence that is informative for women. We not only provide a picture of persistence for mothers (and daughters), but our decomposition further exposes cross-country differences in what women's intergenerational transmission looks like in terms of a mother's key channels for transmission to her child as well as distinct roles of assortative mating. A negative income effect on mother's labor supply of a high-earning father is plausibly similar in both Sweden and the US. Yet the nonlinearity in mother-father income associations shows that there is still pressure for US women married to high income men to reduce labor supply, whether due to cultural norms or structural components of labor market or child care policy. Disentangling these factors is not trivial but is an important direction for future research.

We would be remiss to continue ignoring women (mothers) in studies of intergenerational income persistence. After all, "Women's increased involvement in the economy was the most significant change in labor markets during the past century" (Goldin, 2006).

# References

- Ahrsjö, Ulrika, René Karadakic and Joachim Kahr Rasmussen. 2022. Intergenerational Mobility Trends and the Changing Role of Female Labor. Technical report Unpublished working paper.
- Altonji, Joseph G and Thomas A Dunn. 1991. "Relationships among the family incomes and labor market outcomes of relatives." *NBER Working Paper* w3724.
- Altonji, Joseph G and Thomas A Dunn. 2000. "An intergenerational model of wages, hours, and earnings." Journal of Human Resources pp. 221–258.
- Atkinson, A.B. 1980. "On Intergenerational Income Mobility in Britain." Journal of Post Keynesian Economics 3(2):194–218.
- Becker, Gary S and Nigel Tomes. 1979. "An equilibrium theory of the distribution of income and intergenerational mobility." *Journal of Political Economy* 87(6):1153–1189.
- Björklund, Anders and Markus Jäntti. 1997. "Intergenerational income mobility in Sweden compared to the United States." *The American Economic Review* 87(5):1009–1018.
- Björklund, Anders, Markus Jäntti and Matthew J Lindquist. 2009. "Family background and income during the rise of the welfare state: brother correlations in income for Swedish men born 1932– 1968." Journal of Public Economics 93(5-6):671–680.
- Blanden, Jo, Matthias Doepke and Jan Stuhler. 2022. "Educational Inequality." arXiv preprint arXiv:2204.04701.
- Blundell, Richard, Monica Costa Dias, Costas Meghir and Jonathan Shaw. 2016. "Female labor supply, human capital, and welfare reform." *Econometrica* 84(5):1705–1753.
- Brandén, Gunnar. 2019. Does inequality reduce mobility? The Great Gatsby Curve and its mechanisms. Technical report IFAU Working Paper 2019:20.
- Brandén, Gunnar and Martin Nybom. 2019. "Utvecklingen av intergenerationell rörlighet i Sverige." Bilaga 5 till Långtidsutredningen 2019 SOU 2019:55.
- Bratsberg, Bernt, Simen Markussen, Oddbjørn Raaum, Knut Røed and Ole Røgeberg. 2022. "Trends in Assortative Mating and Offspring Outcomes." *The Economic Journal*.

- Braun, Sebastian Till and Jan Stuhler. 2018. "The transmission of inequality across multiple generations: testing recent theories with evidence from Germany." *The Economic Journal* 128(609):576– 611.
- Chadwick, Laura and Gary Solon. 2002. "Intergenerational income mobility among daughters." American Economic Review 92(1):335–344.
- Chetty, Raj, Nathaniel Hendren, Patrick Kline and Emmanuel Saez. 2014. "Where is the land of opportunity? The geography of intergenerational mobility in the United States." *The Quarterly Journal of Economics* 129(4):1553–1623.
- Davis, Jonathan and Bhashkar Mazumder. 2022. "The decline in intergenerational mobility after 1980.".
- Eika, Lasse, Magne Mogstad and Basit Zafar. 2019. "Educational assortative mating and household income inequality." *Journal of Political Economy* 127(6):2795–2835.
- Engzell, Per and Carina Mood. 2021. "How Robust are Estimates of Intergenerational Income Mobility?" *Working paper*.
- Ermisch, John, Marco Francesconi and Thomas Siedler. 2006. "Intergenerational mobility and marital sorting." The Economic Journal 116(513):659–679.
- Goldin, Claudia. 2006. "The quiet revolution that transformed women's employment, education, and family." *American Economic Review* 96(2):1–21.
- Haider, Steven and Gary Solon. 2006. "Life-cycle variation in the association between current and lifetime earnings." *American Economic Review* 96(4):1308–1320.
- Hellerstein, Judith K and Melinda Sandler Morrill. 2011. "Dads and daughters the changing impact of fathers on women's occupational choices." *Journal of Human Resources* 46(2):333–372.
- Hertz, Tom. 2007. "Trends in the intergenerational elasticity of family income in the United States." Industrial Relations: A Journal of Economy and Society 46(1):22–50.
- Holmlund, Helena. 2020. "How much does marital sorting contribute to intergenerational socioeconomic persistence?" Journal of Human Resources pp. 0519–10227R1.

- Jäntti, Markus, Bernt Bratsberg, Knut Røed, Oddbjørn Raaum, Robin Naylor, Eva Osterbacka, Anders Björklund and Tor Eriksson. 2006. "American exceptionalism in a new light: a comparison of intergenerational earnings mobility in the Nordic countries, the United Kingdom and the United States." *IZA discussion paper* 1938.
- Jenkins, Stephen. 1987. "Snapshots versus movies: 'Lifecycle biases' and the estimation of intergenerational earnings inheritance." *European Economic Review* 31(5):1149–1158.
- Justman, Moshe and Hadas Stiassnie. 2021. "Intergenerational mobility in lifetime income." *Review* of Income and Wealth.
- Kim, Young-Seong, Tecla Loup, Joseph Lupton and Frank P. Stafford. 1999. Notes on the 'Income Plus' Files 1994-1997: Family Income and Components Files. Technical report Technical Series Paper 99-01.
- Lee, Chul-In and Gary Solon. 2009. "Trends in intergenerational income mobility." *The Review of Economics and Statistics* 91(4):766–772.
- Lefgren, Lars, David Sims and Matthew J Lindquist. 2012. "Rich dad, smart dad: Decomposing the intergenerational transmission of income." *Journal of Political Economy* 120(2):268–303.
- Markussen, Simen and Knut Røed. 2020. "Economic mobility under pressure." Journal of the European Economic Association 18(4):1844–1885.
- Mazumder, Bhashkar. 2016. Estimating the intergenerational elasticity and rank association in the United States: Overcoming the current limitations of tax data. In *Inequality: Causes and consequences.* Vol. 43 Emerald Group Publishing Limited pp. 83–129.
- Mello, Ursula, Martin Nybom and Jan Stuhler. 2022. "A Lifecycle Estimator of Intergenerational Income Mobility." *Working paper*.
- Miller, Michelle M and Frank McIntyre. 2020. "Does money matter for intergenerational income transmission?" *Southern Economic Journal* 86(3):941–970.
- Mitnik, Pablo A and David B Grusky. 2020. "The intergenerational elasticity of what? The case for redefining the workhorse measure of economic mobility." *Sociological Methodology* 50(1):47–95.
- Nybom, Martin and Jan Stuhler. 2016. "Heterogeneous income profiles and lifecycle bias in intergenerational mobility estimation." *Journal of Human Resources* 51(1):239–268.

- Nybom, Martin and Jan Stuhler. 2017. "Biases in standard measures of intergenerational income dependence." *Journal of Human Resources* 52(3):800–825.
- Olivetti, Claudia and M Daniele Paserman. 2015. "In the name of the son (and the daughter): Intergenerational mobility in the United States, 1850–1940." American Economic Review 105(8):2695– 2724.
- Pekkala, Sari and Robert EB Lucas. 2007. "Differences across cohorts in Finnish intergenerational income mobility." *Industrial Relations: A Journal of Economy and Society* 46(1):81–111.
- Pekkarinen, Tuomas, Kjell G Salvanes and Matti Sarvimäki. 2017. "The evolution of social mobility: Norway during the twentieth century." *The Scandinavian Journal of Economics* 119(1):5–33.
- Raaum, Oddbjørn, Bernt Bratsberg, Knut Røed, Eva Österbacka, Tor Eriksson, Markus Jäntti and Robin A Naylor. 2008. "Marital sorting, household labor supply, and intergenerational earnings mobility across countries." The BE Journal of Economic Analysis & Policy 7(2).
- Solon, Gary. 1992. "Intergenerational income mobility in the United States." The American Economic Review pp. 393–408.
- Solon, Gary. 2004. "A model of intergenerational mobility variation over time and place." *Generational income mobility in North America and Europe* 2:38–47.
- Vosters, Kelly and Martin Nybom. 2017. "Intergenerational persistence in latent socioeconomic status: evidence from Sweden and the United States." *Journal of Labor Economics* 35(3):869– 901.
- Zimmerman, David J. 1992. "Regression toward mediocrity in economic stature." The American Economic Review pp. 409–429.

# Appendix

A	Robustness tests	1
	A.1 Sample selection and the influence of zero incomes	1
	A.2 Sample selection and the combined PSID sample	2
	A.3 Main specification for prime-aged children age 33-43	3
	A.4 Different child ages	4
в	Decomposition models	4
	B.1 Individual parent model	4
	B.2 Model with assortative mating	7
С	Additional trends results	12

# A Robustness tests

## A.1 Sample selection and the influence of zero incomes



Figure A.1: Sample selection analysis: sensitivity to zeros (Sweden)



### Figure A.2: Sample selection analysis: sensitivity to zeros (US)

(a) Sons w.r.t. combined parental income (b) Daughters w.r.t. combined parental income

## A.2 Sample selection and the combined PSID sample

Figure A.3: Sample selection analysis: US results for combined SRC and SEO sample



# A.3 Main specification for prime-aged children age 33-43

Figure A.4: Child-generation aged 33-43 (Sweden)

(a) Sons and daughters on combined parental(b) Sons and daughters pooled on father's and income mother's income



# A.4 Different child ages

Figure A.5: Trends for different child ages at income measurement (Sweden)

(a) Sons on combined parental income (b) Daughters on combined parental income



(c) Sons and daughters pooled on father's in-(d) Sons and daughters pooled on mother's come income



Note: Child-generation aged 29-31 (years 1985-2019); 34-36 (1986-2019); 39-41 (1991-2019) and no child age controls in the regressions.

# **B** Decomposition models

## B.1 Individual parent model

### B.1.1 Model estimation

Throughout estimation, we use the residualized measures described in the main text (with age and year effects partialled out). We first estimate the employment equation (2a), saving both the coefficient estimate for  $\phi_1$  and the residuals (as an estimate of  $\hat{\eta}_{ep}$ ). Next, using these residuals,  $\hat{\eta}_{ep}$ , as a regressor, we estimate

$$Y_p = \gamma' + (\theta_0 \phi_1 + \theta_1) H_p + \theta_0 \eta_{ep} + \eta_p, \tag{B.1}$$

obtained by substituting (2a) into (2b) and rearranging. From this regression, we save the residuals as an estimate of  $\hat{\eta}_p$  and obtain the coefficient on  $\eta_{ep}$  as an estimate of  $\hat{\theta}_0$ . With this, we can use the coefficient on  $H_p$ , which is an estimate of  $(\theta_0 \phi_1 + \theta_1)$  to then compute  $\hat{\theta}_1 = (\theta_0 \phi_1 + \theta_1) - \hat{\theta}_0 \hat{\phi}_1$ .

To obtain estimates of the intergenerational transmission parameters,  $\pi_1$  and  $\pi_2$ , we estimate a version of equation (3), rearranged here for the sake of clarity in describing our approach:

$$y_c = \pi'_0 + [\pi_1(\theta_0\phi_1 + \theta_1) + \pi_2] H_p + \pi_1 [\theta_0\eta_{ep} + \eta_p] + \varphi_c + u_c.$$
(B.2)

For estimation, we first create a new variable equal to  $[\hat{\theta}_0 \hat{\eta}_{ep} + \hat{\eta}_p]$ , in order to restrict the coefficients on  $\hat{\theta}_0 \hat{\eta}_{ep}$  and  $\hat{\eta}_p$  to be the same  $(\hat{\pi}_1)$ . We then save the coefficient on this new variable as  $\hat{\pi}_1$ . With our estimate of  $\hat{\pi}_1$ , we then compute  $\hat{\pi}_2 = [\pi_1(\theta_0 \phi_1 + \theta_1) + \pi_2] - \hat{\pi}_1(\hat{\theta}_0 \phi_1 + \hat{\theta}_1)$ .

The variances used in the decomposition are straightforward to compute using the measures or constructed variables (e.g., calculating the variance of  $\hat{\eta}_p$ ). The decomposition elements in equation (4) are then calculated using the estimated parameters and variances.

## B.1.2 Decomposition results

	Swe	eden	U	J.S.
	1985-95	2008-19	1985-95	2008-18
Mothers: IRP	.056	.119	.046	.145
(1) Human capital channel	.022	.034	.042	.066
(2) Employment channel	.022	.038	.003	.06
(3) Residual income channel	.012	.047	.001	.02
(1a) Human capital only	.011	.019	.008	.031
(1b) Employment-human capital	.011	.015	.034	.035
Mothers $\#$	997223	1858455	1046	2026
Children #	1852582	3677112	2192	3720
Obs #	14126335	29109601	15994	13992
Fathers: IRP	.128	.161	.215	.296
(1) Human capital channel	.038	.036	.127	.111
(2) Employment channel	.018	.042	.009	.039
(3) Residual income channel	.072	.082	.079	.145
(1a) Human capital only	.035	.029	.112	.083
(1b) Employment-human capital	.003	.007	.015	.028
Fathers $\#$	845415	1741880	901	1749
Children #	1589552	3487889	1875	3155
Obs #	24609845	27842712	13803	11990

Table B.1: IRP decompositions: Separate mother and father models

Notes: The quantities (1a), (1b), (2), and (3) are the calculated elements of the decomposition equation (4), and thus sum to the IRP. Parts (1a) and (1b) sum to the quantity in (1).

### **B.1.3** Parameter estimates

	Swe	eden	US		
	1985-95	2008-19	1985-95	2008-18	
Mothers: IRP	.056	.119	.046	.145	
$\phi_1$	.026	.022	.032	.038	
$ heta_0$	62.673	59.095	60.313	59.583	
$ heta_1$	1.842	2.399	.466	2.269	
$ ilde{ heta}_p$	3.459	3.72	2.401	4.541	
$\pi_1$	.038	.098	.005	.089	
$\pi_2$	.576	.596	2.39	2.454	
$Var(H_p)$	7.259	7.616	5.89	4.25	
$Var(\eta_{ep})$	.122	.091	.17	.159	
$Var(\eta_p)$	251.432	383.192	161.031	186.971	
$Var(Y_p)$	815.595	804.851	815.097	838.802	
Fathers: IRP	.128	.161	.215	.296	
$\phi_1$	.003	.008	.01	.018	
$\theta_0$	85.96	62.523	48.488	56.971	
$\theta_1$	4.083	3.349	4.634	5.123	
$\tilde{\theta}_p$	4.318	3.84	5.122	6.175	
$\pi_1$	.117	.149	.125	.247	
$\pi_2$	.206	.283	1.529	1.182	
$Var(H_p)$	9.565	8.887	8.974	5.394	
$Var(\eta_{ep})$	.016	.058	.024	.04	
$Var(\eta_p)$	474.681	443.71	494.933	475.596	
$Var(Y_p)$	773.191	800.135	786.197	810.731	

Table B.2: Parameters: Separate mother and father models

## B.2 Model with assortative mating

### B.2.1 Further details on model

A parent starts with some human capital and then chooses a spouse with some human capital  $H_{sp}$  according to equation (5a) in the main text. Subsequently, employment status,  $E_p$ , is influenced by the human capital of both parents as in equation (5b). Substituting for  $H_{sp}$  in the employment equation and rearranging, we get:

$$E_p = (\phi_0 + \phi_2 \delta_0) + (\phi_1 + \phi_2 \delta_1) H_p + \phi_2 \eta_{sp} + \eta_{ep}$$
(B.3)

Parental income still follows (2b), so substituting equation (B.3) in for  $E_p$  and defining  $\gamma' = \gamma + \theta_0(\phi_0 + \phi_2 \delta_0)$  gives us:

$$Y_{p} = \gamma' + [\theta_{0}(\phi_{1} + \phi_{2}\delta_{1}) + \theta_{1}]H_{p} + \theta_{0}\phi_{2}\eta_{sp} + \theta_{0}\eta_{ep} + \eta_{p}$$
(B.4)

To simplify notation in what follows, we aggregate the human capital effects by defining  $\tilde{\theta}_p = \theta_0(\phi_1 + \phi_2 \delta_1) + \theta_1$ 

and combine the part of parental income orthogonal to human capital by denoting  $\eta_{py} = \theta_0 \phi_2 \eta_{sp} + \theta_0 \eta_{ep} + \eta_p$ .

Similar to parents, analogous equations for spouses are also defined for sorting  $(H_p = \delta_{0s} + \delta_{1s}H_{sp} + \eta_{ss})$ , employment  $(E_{sp} = \phi_{0s} + \phi_{1s}H_{sp} + \phi_{2s}H_p + \eta_{es})$  and income  $(Y_{sp} = \gamma'_s + \tilde{\theta}_s H_{sp} + \eta_{spy})$ .

Child human capital depends on the human capital and income of both parents, as shown in equation (5c). The income of the child still follows (2d), so plugging (5c) into this and substituting for parent and spouse incomes, we can write

$$y_{c} = \pi_{0}' + \left(\pi_{1}\tilde{\theta}_{p} + \pi_{2}\right)H_{p} + \pi_{1}\eta_{py} + \left(\pi_{1s}\tilde{\theta}_{s} + \pi_{2s}\right)H_{sp} + \pi_{1s}\eta_{spy} + v$$
(B.5)

where the error term  $v = \varphi_c + u_c$  is uncorrelated with parental characteristics and  $\pi'_0 = \pi_0 + \pi_1 \gamma' + \pi_{1s} \gamma'_s$ .

With this last expression for  $y_c$  and the parent income equation in (B.4) we derive the probability limit of the OLS estimator of  $\beta$  shown in equation (6).

#### B.2.2 Additional decompositions

Because combined parent income measures are used frequently, we also derive the probability limit of regression parameter relating child income rank to average parent income (specifically, the average of mother and father ranks):

$$plim \ \hat{\beta}_{avg} = \underbrace{0.5 \left\{ \left( \pi_1 \tilde{\theta}_p + \pi_2 \right) \tilde{\theta}_p \frac{Var(H_p)}{Var(\bar{Y}_p)} + \pi_1 \theta_0^2 \frac{Var(\eta_{ep})}{Var(\bar{Y}_p)} + \pi_1 \frac{Var(\eta_p)}{Var(\bar{Y}_p)} \right\}}{Parent characteristics} \\ \underbrace{0.5 \left\{ \left( \pi_{1s} \tilde{\theta}_s + \pi_{2s} \right) \tilde{\theta}_s \frac{Var(H_{sp})}{Var(\bar{Y}_p)} + \pi_{1s} \theta_{0s}^2 \frac{Var(\eta_{sp})}{Var(\bar{Y}_p)} + \pi_{1s} \frac{Var(\eta_s)}{Var(\bar{Y}_p)} \right\}}{Spouse characteristics} \\ + \underbrace{0.5 \left\{ \left( \pi_{1s} \tilde{\theta}_s + \pi_{2s} \right) \tilde{\theta}_p \delta_1 \frac{Var(H_p)}{Var(\bar{Y}_p)} + \left( \pi_1 \tilde{\theta}_p + \pi_2 \right) \tilde{\theta}_s \delta_{1s} \frac{Var(H_{sp})}{Var(\bar{Y}_p)} \right\}}{Nar(\bar{Y}_p)} \right\}} \\ AM on Human Capital \\ + \underbrace{\pi_1 \frac{Cov(\eta_{py}, \eta_{spy})}{Var(\bar{Y}_p)} + (\pi_1 \tilde{\theta}_p + \pi_2) \frac{Cov(H_p, \eta_{spy})}{Var(\bar{Y}_p)} + \pi_1 \tilde{\theta}_s \frac{Cov(H_{sp}, \eta_{py})}{Var(\bar{Y}_p)} + \pi_{1s} \theta_{0s}^2 \phi_{2s}^2 \frac{Var(\eta_{ss})}{Var(\bar{Y}_p)}}{Var(\bar{Y}_p)} \\ + \underbrace{\pi_{1s} \frac{Cov(\eta_{py}, \eta_{spy})}{Var(Y_p)} + \pi_{1s} \tilde{\theta}_p \frac{Cov(H_p, \eta_{spy})}{Var(Y_p)} + (\pi_{1s} \tilde{\theta}_s + \pi_{2s}) \frac{Cov(H_{sp}, \eta_{py})}{Var(Y_p)} + \pi_1 \theta_0^2 \phi_2^2 \frac{Var(\eta_{sp})}{Var(Y_p)}} \right\}}{Other assortative mating/spouse related elements}$$

#### **B.2.3** Model estimation

Estimation of the extended model in 4.2 is very similar to that for the individual model in Section 4.1. Since outcomes for both parents are included in several of the equations, the initial regressions to residualize each parental outcome measure include the same set of controls, which now include quartics in both mothers' age and fathers' age along with the child age controls and year effects. The residualized measures are used to estimate a sequence of regressions. We begin by estimating the assortative mating equation in (5a), saving both the estimate of the mating coefficient  $\delta_1$  and the residuals,  $\eta_{sp}$ . The residuals then serve as a regressor in estimation of the employment equation in (B.3), with the associated coefficient estimate providing an estimate of  $\phi_2$ . The coefficient estimate on  $H_p$  gives an estimate of  $(\phi_1 + \phi_2 \delta_1)$ , so we can now calculate  $\hat{\phi}_1 = (\hat{\phi}_1 + \hat{\phi}_2 \delta_1) - \hat{\phi}_2 \hat{\delta}_1$ . The residuals from this regression serve as an estimate of  $\eta_{ep}$ . Next we estimate the parent income equation in (B.4), rearranged here to illustrate that creating a new variable equal to  $\hat{\phi}_2 \hat{\eta}_{sp} + \hat{\eta}_{ep}$ ,

$$Y_p = \gamma' + [\theta_0(\phi_1 + \phi_2 \delta_1) + \theta_1] H_p + \theta_0 [\phi_2 \eta_{sp} + \eta_{ep}] + \eta_p$$
(B.7)

facilitates the corresponding coefficient serving as an estimate of  $\theta_0$ . Using the coefficient estimate on  $H_p$  as an estimate of the quantity  $[\theta_0(\phi_1 + \phi_2\delta_1) + \theta_1]$  and our estimates  $\hat{\delta}_1$ ,  $\hat{\phi}_1$ ,  $\hat{\phi}_2$ , and  $\hat{\theta}_0$ , we can calculate the remaining unknown,  $\theta_1$ .

Because we will also be using parameters and residuals from the corresponding equations for a parent's spouse, we repeat all of the steps up to this point from the perspective of the spouse to obtain the respective parameters and residuals.

After obtaining estimates of the parameters and residuals in the parent and spouse income, employment and mating equations, we turn to estimating the intergenerational transmission parameters,  $\pi_1$ ,  $\pi_2$ ,  $\pi_{1s}$ , and  $\pi_{2s}$ . We create new variables  $\hat{\eta}_{py} = \hat{\theta}_0 \hat{\phi}_2 \hat{\eta}_{sp} + \hat{\theta}_0 \hat{\eta}_{ep} + \hat{\eta}_p$  and  $\hat{\eta}_{spy} = \hat{\theta}_{0s} \hat{\phi}_{2s} \hat{\eta}_{ss} + \hat{\theta}_0 \hat{\eta}_{es} + \hat{\eta}_s$ . With these constructed variables in a rearranged version of the child income equation in B.5,

$$y_c = \pi'_0 + \left(\pi_1 \tilde{\theta}_p + \pi_2\right) H_p + \pi_1 \eta_{py} + \left(\pi_{1s} \tilde{\theta}_s + \pi_{2s}\right) H_{ps} + \pi_{1s} \eta_{spy} + v \tag{B.8}$$

we can now estimate the remaining parameters. The estimates,  $\hat{\pi}_1$  and  $\hat{\pi}_{1s}$ , are obtained from the coefficients on the constructed variables,  $\hat{\eta}_{py}$  and  $\hat{\eta}_{spy}$ , respectively. An estimate of  $\tilde{\theta}_p = \theta_0(\phi_1 + \phi_2\delta_1) + \theta_1$  is easily calculated using the estimates of the underlying parameters, and similarly for  $\tilde{\theta}_{sp}$ . Then we can obtain  $\hat{\pi}_2 = \pi_1 \hat{\theta}_p + \pi_2 - \hat{\pi}_1 \hat{\theta}_p$ , and similarly for  $\hat{\pi}_{2s}$ .

For the decomposition in equations (6), we use the parameter estimates along with estimates of the variances.

## B.2.4 Decomposition results

	Swe	eden	U	JS
	1985-95	2008-19	1985-95	2008-18
Mothers: IRP	.054	.114	.025	.122
<b>Own</b> Characteristics	.04	.083	.025	.112
(1) Human capital channel	.009	.02	.009	.024
(2) Employment channel	.019	.028	.012	.066
(3) Residual income channel	.011	.035	.003	.022
(1a) Human capital only	.004	.011	.002	.011
(1b) Employment-human capital	.005	.009	.008	.013
AM / Spouse Characteristics	.014	.031	.001	.01
(4) AM on Human capital	.009	.009	.022	.028
(5) Other AM, spouse char.	.004	.022	021	018
Fathers: IRP	.124	.154	.21	.292
Own Characteristics	.115	.129	.19	.272
(1) Human capital channel	.029	.022	.106	.087
(2) Employment channel	.017	.035	.009	.038
(3) Residual income channel	.069	.072	.075	.146
(1a) Human capital only	.026	.017	.092	.065
(1b) Employment-human capital	.003	.004	.014	.023
AM / Spouse Characteristics	.009	.026	.02	.02
(4) AM on Human capital	.007	.01	.017	.022
(5) Other AM, spouse char.	.002	.015	.003	002
Mothers $\#$	822118	1729375	872	1652
Fathers $\#$	811557	1713515	871	1646
Children #	1525143	3425551	1828	2976
Obs $\#$	11103783	27406842	13552	11263

Table B.3: IRP decompositions: Model with assortative mating

Notes: The quantities (1a), (1b), (2), and (3) are the calculated elements of the decomposition equation (6), and thus sum to the IRP. Parts (1a) and (1b) sum to the quantity in (1).

	Swe	eden	U	JS
	1985-95	2008-19	1985-95	2008-18
IRP	.158	.216	.246	.401
Mother's characteristics (%)	23.5	31.4	10.7	28
Father's characteristics $(\%)$	63.6	47.4	80.5	64.7
Assortative mating (AM) (%)	13	21.2	8.8	7.4
AM on human capital $(\%)$	9.1	7.2	16.8	12.3
Other AM, spouse char. $(\%)$	3.9	14	-8	-4.9

Table B.4: Decomposition of IRP for average parent income measure

Notes: The numbers shown are the percent of the IRP attributable to a particular channel.

### **B.2.5** Parameter estimates

		Swe	eden		US			
	Fat	hers	Mot	hers	Fat	hers	Mot	hers
	1985-95	2008-19	1985-95	2008-18	1985-95	2008-19	1985-95	2008-18
IRP	.124	.154	.054	.114	.21	.292	.025	.122
$\pi_1$	.111	.127	.034	.073	.118	.245	.016	.097
$\pi_2$	.085	.057	.177	.305	1.247	.655	.598	.73
$\pi_{1s}$	.034	.073	.111	.127	.016	.097	.118	.245
$\pi_{2s}$	.177	.305	.085	.057	.598	.73	1.247	.655
$Var(Y_p)$	752.809	771.353	800.773	791.657	772.522	790.603	788.739	829.397
$Var(H_p)$	9.402	8.656	7.456	7.542	8.756	5.25	5.279	4.051
$Var(\eta_{ep})$	.016	.055	.117	.086	.023	.038	.164	.157
$Var(\eta_p)$	470.144	439.829	264.19	383.555	492.006	470.093	164.067	189.104
$Var(\eta_{sp})$	5.729	5.917	7.224	6.791	3.264	2.856	5.415	3.701
$Var(\eta_{py})$	586.953	654.325	716.225	688.568	548.214	594.095	762.889	755.205
$Var(H_{sp})$	7.456	7.542	9.402	8.656	5.279	4.051	8.756	5.25
$Var(\eta_{ss})$	7.224	6.791	5.729	5.917	5.415	3.701	3.264	2.856
$Var(\eta_{es})$	.117	.086	.016	.055	.164	.157	.023	.038
$Var(\eta_s)$	264.19	383.555	470.144	439.829	164.067	189.104	492.006	470.093
$Var(\eta_{spy})$	716.225	688.568	586.953	654.325	762.889	755.205	548.214	594.095
$Cov(H_p, \eta_{spy})$	451	3.582	4.49	5.981	-5.044	-4.959	5.713	4.103
$Cov(H_{sp}, \eta_{py})$	4.49	5.981	451	3.582	5.713	4.103	-5.044	-4.959
$Cov(\eta_{py}, \eta_{spy})$	17.746	100.974	17.746	100.974	-75.586	-35.854	-75.586	-35.854
$ heta_0$	85.67	62.162	62.107	59.526	48.781	57.038	60.341	59.685
$ heta_1$	3.978	3.266	1.857	2.442	4.56	5.121	.422	2.278
$ ilde{ heta}_p$	4.2	3.677	3.367	3.697	5.061	6.118	2.213	4.28
$\phi_1$	.003	.004	.026	.021	.007	.016	.04	.047
$\phi_2$	0	.006	004	0	.007	.002	013	022
$\phi_{1s}$	.026	.021	.003	.004	.04	.047	.007	.016
$\phi_{2s}$	004	0	0	.006	013	022	.007	.002
$\delta_1$	.429	.433	.54	.497	.48	.477	.796	.618
$\delta_{1s}$	.54	.497	.429	.433	.796	.618	.48	.477
$ heta_{0s}$	62.107	59.526	85.67	62.162	60.341	59.685	48.781	57.038
$ heta_{1s}$	1.857	2.442	3.978	3.266	.422	2.278	4.56	5.121
$ ilde{ heta}_s$	3.367	3.697	4.2	3.677	2.213	4.28	5.061	6.118

Table B.5: Parameters: Model with assortative mating

# C Additional trends results

We also provide aggregate trends in the IGE for comparison to prior studies, shown in Figure C.1. For our measure of log earnings, we exclude outlier observations for which annual earnings are lower than USD100 (in 1967 prices). Similar to our aggregate measure for the IRP, here we take the log of the average (of parents) or annual (of children) earnings. We pool all children and relate their (individual) log earnings to the log combined earnings of their parents. Because we pool sons and daughters, estimated persistence levels are

slightly lower than prior work focusing on fathers and sons or household incomes. Each point in the graph represents an estimate of  $\beta_t$  from equation (1) for a given year t.



Figure C.1: Aggregate trends for all children (IGE)

For Sweden (subfigure C.1a), the IGE rose during the 1990s, when a deep recession hit the country and earnings inequality rose rapidly. However, the IGE fell and mobility increased during the 2000s, and was by the end of the period at a similar level as in the late 1980s. While we thus see variation over time, there is not much evidence of a long-run change in intergenerational mobility as measured by the IGE.

For the US (subfigure C.1b), we see signs of an increasing IGE but with substantial statistical uncertainty. The point estimates are consistently between 0.20-0.25 for much of the time period, but then settle in closer to 0.30 after 2010. Overall, the US results are thus consistent both with studies that fail to find a significant change in mobility (Lee and Solon, 2009; Chetty et al., 2014) and those that indeed find an increase (decrease) in the IGE (mobility) (e.g., Justman and Stiassnie, 2021).

Because the IGE and IRP estimates based on the PSID are relatively imprecise, we also obtain estimates from a modified version of our main specification where we interact parent income with three time period dummies—for early (1985-1995), middle (1996-2007), and late (2008-2018) periods—rather than year dummies. Table C.1 provides the estimates, the late minus early change in the estimates, and the p-value for the statistical significance of these changes.

Persistence measure	Time period	Estimate	Std. Err.	Difference	Std. Err.	p-value
IGE (parent-child)	1985 - 95	.228	.035	.055	.034	.1072
(- , ,	2008-19	.283	.025			
IRP (parent-child)	1985 - 95	.218	.027	.075	.026	.0044
	2008-19	.293	.019			
IRP (parent-daughter)	1985 - 95	.128	.037	.121	.037	.0009
	2008-19	.249	.026			
IRP (parent-son)	1985 - 95	.313	.04	.027	.037	.4727
	2008-19	.34	.027			
IRP (father-child)	1985 - 95	.196	.03	.084	.029	.0038
	2008-19	.28	.021			
IRP (mother-child)	1985 - 95	.029	.029	.11	.028	.0001
	2008-19	.139	.02			
IRP (father-daughter)	1985 - 95	.067	.042	.146	.041	.0004
	2008-19	.213	.03			
IRP (father-son)	1985 - 95	.328	.042	.019	.04	.6343
	2008-19	.347	.03			
IRP (mother-daughter)	1985 - 95	.033	.041	.109	.039	.0059
	2008-19	.141	.028			
IRP (mother-son)	1985 - 95	.02	.041	.117	.039	.0029
	2008-19	.137	.028			

Table C.1: Statistical significance of changes in US persistence from early to late period

Notes: Estimates by period are from estimating our main specification modified to estimate  $\beta_t$  for three time periods t = 1985 - 95, 1996 - 2007, 2008 - 2019 rather than each year. The difference is the late minus early period estimate, and the last two columns contain the standard error of this difference and the p-value for whether the difference is statistically significant.



Figure C.2: Trends in mother-child IRP, unconditional and conditional on fathers' income or schooling

			Sweden			US	
Instrument(s)	Spec.	1985-1995	2008-2019	Change	1985-1995	2008-2018	Change
OLS (baseline)	1	.125	.157	.032	.217	.295	.078
Income, child age 12 Income, child age 21	1 1	.145 .154	.188 .201	.043 .047	.236 .241	.335 .347	.099 .106
Income, child age 12 Income, child age 21	$2 \\ 2$	.137 .148	.178 .195	.041 .047	.138 .154	.284 .305	$.146 \\ .151$
Income, child age 12 Income, child age 21	3 3	.13 .143	.155 .167	.025 .024	.128 .149	.294 .303	.166 .154
Educ, employ Educ, employ	$\frac{3}{4}$	.086 .072	.112 .08	.026 .008	.22 .17	.235 .19	.015

Table C.2: Exploring changes in Father's IRP

Notes: All specifications use the pooled child sample (sons and daughters) and relate their annual income rank within the assigned time period to the income of their father. All included variables have been residualized with respect to age and year using the full-period main sample, as described in Section 4. Row 1 shows the baseline IRP using OLS. Rows 2-7 show IV estimates using parent income at age 12 or 21 as IV for income at age 16. Rows 8-9 use predicted income based on education, employment status and their interaction. Specification 1 (see col. 2) uses no controls; 2 adds father's education as control; 3 adds father's education and mother's income and education as controls; 4 controls for mother's income and education in the second stage.