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The Effects of Family Background on Young Adult Children's Success

Melanie Guldi, Marianne E. Page, and Ann Huff Stevens

Is the widening gap between rich and poor making it harder for young adults from disadvantaged families to get ahead? Or, is it harder for most young adults to get ahead today, even for youth from fairly well off families? These are some of the questions that Melanie Guldi, Marianne E. Page, and Ann Huff Stevens explore in their chapter in *The Price of Independence*.¹

Specifically they ask whether parents' income and education matter as much today as they did 30 years ago in predicting their children's success in life. Comparing two groups of young adults who came to maturity in the 1970s and 1990s, they find children of more affluent parents remain more likely to complete college and report higher earnings than their lower income peers, despite significant increases in government programs designed to help low-income children escape their parents' economic legacy. The link between parents' and children's education is growing larger; young adults today are even more likely to follow in their parents' educational footsteps than in the past. However, although the relationship between parents' and children's educational attainment has become stronger, the association between parental education and children's income has not changed over time.

Wealthier Parents Pass on Greater Education and Income Advantages

Guldi, Page, and Stevens assessed the changing relationship between parents' education and income and their children's success in later life, as measured by income level, educational attainment, marriage, and parenthood. Family background could affect adult children's success in both direct and indirect ways. Wealthier parents may be more able to provide tangible assistance in the form of high-quality education as well as strategic assistance by helping with a down payment, for example, or by supporting their adult children through unforeseen mishaps, such as the loss of a job. Less tangible contributions could include parenting skills, role modeling, parents' familiarity with educational opportunities, and business and social networks that can position their children advantageously.

Parental background is clearly associated with children's outcomes. The authors find that young adults from families with incomes in the top 25% of earners report nearly twice the income and are 4 to 7 times as likely to have completed college as young adults from families in the bottom income quartile. These relationships have changed little between the 1970s and 1990s, with the exception that children of higher-income parents are more likely to marry before age 30 while delaying childbearing.

¹ Sheldon Danziger and Cecilia Rouse, editors, *The Price of Independence: The Economics of Early Adulthood* (New York: Russell Sage Foundation, under review). Danziger and Rouse are members of the MacArthur Research Network on Transitions to Adulthood. For additional Network books on the transition to adulthood, see www.transad.pop.upenn.edu.

More Educated Parents Pass on Greater Education and Income Advantages

The relationship between parental education and children's education and economic outcomes follows a similar pattern. Children of parents who completed college have nearly twice the income and are about 5 times as likely to complete college themselves as children of high-school dropouts. However, while the link between parents' and children's education has become stronger over the years, there has been no corresponding change in the association between parental education and children's income. Here again, children of educated parents are more likely to have married by age 30 but less likely to be parents than their less-advantaged peers.

The authors point out that although they find no apparent change in the importance of family background on children's income in their 20s, long-term outcomes may tell a different story. In early adulthood, earnings differences between individuals with different levels of education are relatively small, but over time, these differences are likely to grow, and effects may become more evident. Likewise, there may be changes in the relationships between family background and the next generation's marital stability or completed family size—outcomes that cannot be measured accurately before age 30.

Implications for Young Adults

Parents have always offered a leg up to their children when they can. But parents with lower incomes and education often find it more difficult to invest in their children than parents who are better off. As Robert Schoeni and Karen Ross documented in the Network's book, *On the Frontier of Adulthood*, parents contribute, on average, \$2,200 annually to their young adult children between the ages of 18 and 34, and this support has increased substantially in the last decades. Spending, however, differs greatly by parental income. Children in the top one-fourth of income categories receive at least 70% more in material assistance than do children in the bottom one-fourth. This occurs even though higher-income youth are only 10–15% more likely to attend college than low-income youth.² In another chapter in that same book, Mary Corcoran and Jordan Matsudaira find that children of high-income parents were more likely to remain wealthy than were poor children to escape poverty. These findings, coupled with those by Guldi, Page, and Stevens reported here, suggest that it remains harder to get ahead for lower-income youth.

In addition, marriage and fertility changes may be adding to the difficulties faced by young adults from less advantaged backgrounds. This may lead to challenges for the next generation as well. Today, young adults overall are postponing marriage, but only those with more education and income are also delaying childbearing. An increasing fraction of American children are being born to single mothers and are growing up in economically disadvantaged, single-parent families. The importance of intangible family background characteristics may be increasing over time, even as the importance of family income stays the same.

Based on Melanie Guldi, Marianne E. Page, and Ann Huff Stevens, "Family Background and Children's Transition to Adulthood over Time," in The Price of Independence: The Economics of Early Adulthood, edited by Sheldon Danziger and Cecilia Rouse (New York: Russell Sage Foundation, under review).

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² Richard Settersten, Frank Furstenberg, and Ruben Rumbaut, editors, *On the Frontier of Adulthood: Theory, Research, and Public Policy* (Chicago: University of Chicago Press, 2005).