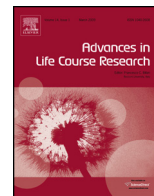




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Income trajectories after graduation: An intergenerational approach

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ABSTRACT

Labor-market outcomes depend on educational attainment, but parental background also plays a role. By applying sociological perspective to income and combining the classical intergenerational approach with a study of intragenerational mobility, we analyze the direct association between parental background and achieved labor-market outcomes. We focus on income trajectories within the same level of achieved education by parental income. Using register-based data covering the whole Finnish population, we analyze those who graduated in 1995–2000 for eight years after graduation by means of repeated-measures linear regression. The results show that following entry into the labor market higher parental income is associated with higher incomes even after adjustment for education, labor market status, and childbearing. The effects of parental income are observed within all education groups except for those with highest education, and for men and women. We further demonstrate that parental income is associated with either higher starting level or faster growth of incomes within most education groups. The implication is that intergenerational associations are complex processes that are shaped across the whole life course.

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1. Introduction

According to the sociological research on status attainment, educational qualifications constitute the key mediator in the intergenerational transmission of social standing: parental background is associated with achieved educational level, which consecutively determines achieved labor-market outcomes such as income. However, parental background also influences employment outcomes directly. Focusing our analysis on this direct association we therefore examine income trajectories within the same level of achieved education by parental income. We examine whether the level of income and the development of income over the course of career differ between parental income groups within the same level of education by concentrating in income percentiles.

This is an innovative approach in two respects. First, we apply the sociological approach to study stratification and

intergenerational associations to income rather than social class. Income is one of the main signals of class-related resources that reflect individual's position in socioeconomic hierarchy, life chances, and well-being. Parent-offspring income association has been mainly studied by economists without scrutinizing the contribution of other confounding or mediating factors and differences between genders. Furthermore, less research has been conducted focusing on the lowest and the highest income levels. We focus on the individual's ranking in income distribution rather than absolute income because it facilitates description of income as a relative societal position. Compared to other measurements of parental background such as occupation-based social class, low and high income may capture the actual affluent and disadvantaged population sub-groups more accurately. Previous longitudinal analyses of labor-market outcomes have focused on occupational status scores (e.g., Barone & Schizzerotto 2011; Bukodi & Goldthorpe 2011a; Härkönen & Bihagen, 2011; Manzoni, Härkönen, & Mayer, 2014; Schulz & Maas, 2012), and few analyze the development of income. The register-based data set used in the present study is ideal in that it yields unbiased information on annual income over several consecutive years without reporting bias and loss to follow-up.

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Second, we combine the classical study of intergenerational mobility with a study of intragenerational mobility. It is likely that family background affects not only the level of the labor-market outcomes but also their developmental trend as the level of job performance and career preferences may differ according to one's origin. Thus, parental background effect is observed across a follow-up of repeated measures over a period of time. Trajectory analysis represents a new approach in the sociological research on status attainment in which longitudinal data enables capturing the variation in the strength of the intergenerational association over the course of career. A large number of repeated income observations in the period after labor-market entry helps to portray temporal development more comprehensively and sensitively than the analysis of transitions between jobs and occupations (Manzoni et al., 2014; Mayer, 2009).

2. Background

2.1. Intergenerational mechanisms

Three main mechanisms have been identified to create disparities in labor-market outcomes between individuals whose achieved educational level is identical but who differ in parental background. First, parental background may be linked to job performance. Regardless of the strong social selection in the educational system that already increases the likelihood that those with an advantageous parental background will achieve a higher educational level (e.g., Breen, Luijkx, Müller, & Pollak, 2009; Breen, Luijkx, Müller, & Pollak, 2010; Triventi, 2013; see also Shavit & Blossfeld, 1993), characteristics related to family of origin may also affect job productivity within educational groups. For example, those with an advantageous background may have stronger self-confidence and enhanced social and cognitive skills that affect their job performance (Bernardi, 2012; Bowles, Gintis, & Osborne, 2001; Goldthorpe, 2007, 2013; Hansen, 2001; Jackson, 2007; Mastekaasa, 2011). A previous study shows that cognitive ability and personality traits contribute particularly strongly to the association between parental and personal income (Mood, Jonsson, & Bihagen, 2012). Thus, job performance may not only be higher among those with more affluent background but it may also develop faster over time.

Second, the career opportunities open to individuals from different parental backgrounds vary independently of their job performance (e.g., Bourdieu, 1984; Hansen, 2001; Mastekaasa, 2011). Those with a more advantageous background may have more social connections they can exploit when looking for a job (see Lin, 1999 for an overview), and cultural and socio-emotional traits employers prefer. According to research conducted in Britain, during the recruitment process, employers take into account applicants' characteristics that relate to their parental background, such as cultural interests, schooling and even their name (Jackson, 2009). Previous studies also emphasize the importance of labor-market entry: the first job is recognized as a key predictor of career progress (Barone & Schizzerotto, 2011; Blau & Duncan, 1967): an advantageous parental background may be particularly beneficial at the point of entry.

Third, disparities in occupational preferences have been found among individuals with differing parental backgrounds leading to varying career choices (Bernardi, 2012; Hällsten, 2010; Hansen, 2001; Mastekaasa, 2011). Even within the same educational level, parental background may affect aspirations to find higher-income jobs, for example. Work orientation is also linked to parental background: those with higher parental origin emphasize self-direction and flexibility whereas their lower-origin counterparts stress orderliness and respect for authority (Bowles, Gintis, & Osborne, 2001; Kohn, Naoi, Schoenbach, Schooler, & Slomczynski,

1990; see also Goldthorpe, 2013). If people's main aim is at least maintaining their social standing, as posited in the theory of relative risk aversion (Breen & Goldthorpe, 1997), achieving a higher income may be more important among those with a more affluent parental background.

In addition to the proposed mechanisms described above, some researches highlight the role of the educational field: they have suggested that on the same educational level, those with higher parental background tend to prefer fields of study that are more likely to lead to higher monetary rewards (Erikson & Jonsson, 1998; Werfhorst, 2002; Werfhorst & Luijkx, 2010). This is in line with effectively maintained inequality theory (Lucas, 2001) which posits that individuals from advantaged backgrounds pursue not only quantitatively but also qualitatively better education by choosing educational institutions and fields of study which facilitate securing better position. Furthermore, characteristics related to parental background such as cultural resources and social skills may be valued more highly in fields that offer better prospects (Hansen 2001), and those with a higher parental background may choose such fields in order to utilize these abilities. Moreover, we can also assume that parents with higher societal position utilize their monetary resources to support offspring's labor market entry. This may include, for example, financing unpaid internships, updating training, or supporting voluntary work which increases labor market competence of recent graduates.

However, less is known about the mechanisms behind the effects of parental background on the trajectories of labor-market success over the life course. Variations in job performance, career opportunities, and occupational preferences, all of which relate to parental background to some extent, may influence career progress not only at labor-market entry but also later over the life course. According to signaling theory (see Goldthorpe, 2013 for an overview), the effect of education on labor-market success is strongest at entry, whereas ascribed characteristics play a bigger role afterwards. Thus, the direct effect of parental background on labor-market trajectories would strengthen with age. On the other hand, as work experience increases employment opportunities, we can argue that seeking the first job after graduation may be more reliant on parental characteristics such as social networks, whereas later career is more subject to personal characteristics such as work experience and own career-related contacts (Barone & Schizzerotto, 2011; Blau & Duncan, 1967).

2.2. Theoretical perspectives and prior evidence

Advantageous parental background may provide better access to financial and other benefits that are not solely linked with achieved educational level and can be utilized to improve labor-market outcomes. According to modernization thesis, the effect should be weakest among those with higher-level education as their labor market is more meritocratic (e.g., Blau & Duncan, 1967; Breen & Luijkx, 2004; Hout, 1988; Treiman, 1970). This arises from educational expansion that has been assumed to increase meritocratic selection when employees are recruited according to their achieved qualifications and skills rather than ascribed characteristics. Meritocratic selection is assumed to have brought about more equally distributed labor-market outcomes such as income, occupational attainment, and experience of unemployment according to one's family of origin (e.g., Blau & Duncan, 1967; Breen & Luijkx, 2004; Hout, 1988; Treiman, 1970). The theory of increased meritocratic selection relies on the assumption that educational expansion enhanced overall equality in educational opportunities (Breen, 2010). This historical tendency from ascription to achievement is argued to be stronger in the labor market for the highly educated, in

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