



Entering the highest and the lowest incomes: Intergenerational determinants and early-adulthood transitions



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ABSTRACT

Early-adulthood transitions contribute to socioeconomic attainment, and these early-adulthood life courses are partly influenced by family background. Less is known about how parental background and early-adulthood transitions jointly determine chances of entering the most and the least affluent positions in society. Using a longitudinal, register-based data set, this study examines the intergenerational and life-course mechanisms related to entry into income quintiles in Finland among those born between 1972 and 1975, with follow-up until their mid-30s. The specific focus is to test whether a more affluent origin compensates for less favorable transitions in early adulthood.

Parental income predicts entry to the lowest and the highest incomes in adulthood. Those with high-income parents are less likely to enter the middle income than those with low parental income, especially among men. The effects of lower educational achievement are compensated for by higher parental income among men, whereas women with higher education are more likely to benefit from their higher origin. High-income parents also protect from the harmful effects of long-term unemployment on adult income, although this compensatory effect disappears when long-term unemployment spells are very frequent. The positive parental income effect does not vary according to the age of having the first child, however, and does not apply to women with a more highly educated partner.

These results indicate that the effects of early-adulthood transitions on income attainment differ across parental background groups, implying that those with higher origin have more beneficial resources. The mechanisms also vary by gender, possibly reflecting the strongly segregated labor markets in Finland.

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1. Introduction

Offspring originating from families with fewer socioeconomic resources are at greater risk of entering lower social positions. Life events in early adulthood, such as educational transitions, labor market success, transition to parenthood and union formation also contribute to socioeconomic attainment. It is likely that different life events and parental background resources have interdependent impacts, for example, on the possibility of attaining higher social position compared to family of origin. However, the conventional research on intergenerational social mobility seldom incorporates information on events over the life course.

Our aim is to analyze the joint effects of intergenerational determinants and early-adulthood transitions on reaching the

lowest and highest incomes in adulthood. This is a novel approach, as the modifying effect of life course determinants on the intergenerational transmission of income have scarcely been studied before. As a Nordic welfare state, Finland provides a research setting with comparatively strong social policies aimed at reducing income inequality and securing its citizens adequate economic resources through universal and de-commodified social benefits. However, despite these policies, previous studies suggest that income level is strongly related to parental social characteristics (Aaberge et al., 2002; Björklund, Eriksson, Jäntti, Österbacka, & Raaum, 2002; Österbacka, 2004; Sirniö, Martikainen, & Kauppinen, 2013); accordingly, we expect to observe large differentials in the chances of entering high and low income based on parental social characteristics. We will also provide new insight into the research on socioeconomic attainment by focusing on gender disparities, a topic still insufficiently studied due to the lack of proper data and low female labor force participation rates in many countries and in older cohorts.

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Reaching high income is most typical among those with higher education and occupational status, and having a low income is most likely for those with low education and prolonged unemployment (e.g., Hansen, 2001; Mastekaasa, 2011; Sirniö et al., 2013). Less is known about the interaction between characteristics of family origin, events and achievements during early adulthood, and the income level achieved in adulthood. In order to address these issues, we study the joint effect of parental background and specific life-course transitions on adult outcomes. The data in use are particularly fitting to the analysis of life courses, as they include annually updated information on the young adults' education, labor market, and family transitions. In socioeconomic attainment research, educational pathways and labor market outcomes during the first years after the school-to-work transition are considered the key factors that lead to inequalities in adulthood. As an indicator of a person's position in adulthood, we use income level: we focus on ranking in income distribution rather than on absolute income because the former facilitates analyses of income as a relative societal position. Income is one of the main signals of class-related resources that reflect an individual's life chances and well-being. Compared to occupation-based social class, income levels capture the actual affluent and underprivileged population sub-groups more accurately.

2. Background

Pathways to adulthood have been widely de-standardized and individualized in industrialized countries since the 1970s: the patterns and timing of educational attainments, integration into the labor market, and family formation have diversified notably (for an overview, see Shanahan, 2000). Differentiations not only among countries but also within a country in young adults' life courses have been found to suggest that educational expansion, cultural and value changes, and the uncertainty of youth employment, for example, have increased the variety of pathways to adulthood (for an overview, see Buchmann & Kriesi, 2011). Thus, instead of one "typical" or "traditional" pathway, several heterogeneous passages can be found, even though these all may lead to the same outcome in adulthood.

In sociological life course research, three types of transitions are typically identified to describe pathways from adolescence to adulthood in contemporary societies: educational transitions, school-to-work transitions, and family formation patterns. All these types of transitions are influenced by parental background, and all affect adult income.

Studies on educational transitions understand schooling as a chain of transitions between different levels of education (e.g., Boudon, 1974; Mare, 1980). Previously, mainly descriptive studies have shown that schooling choices are highly associated with both opportunities and constraints linked to parental background (e.g., Breen & Goldthorpe, 1997; Breen & Jonsson, 2000; Jackson, Erikson, Goldthorpe, & Yaish, 2007; Lucas, 2001; Shavit & Blossfeld, 1993). With limited academic, social, and economic resources, children with less advantaged parental backgrounds tend to pursue less education. In Finland, no tuition fees are collected at any level of education, and a monthly student benefit is available to students in secondary or tertiary education who are not living with their parents. Stratification in the educational system¹ (regarding tracking

¹ Finland's nine-year compulsory education continues until age 16 and is uniform for the whole age group without any tracking. Upper secondary education is divided into general and vocational education lasting 2–4 years, and the completed qualifications give eligibility for any tertiary education, whether vocational or academic. Completion of a lower tertiary degree is designed to last 3–4 years and a higher tertiary degree 5–6 years, depending on the program of study.

and institutional stratification) is weaker than in most other Western countries. Despite these characteristics of the Finnish education system, parental background has been shown to be associated with offspring's educational achievements (Kivinen, Hedman, & Kaipainen, 2007; Kivinen, Hedman, & Kaipainen, 2012; Pekkarinen, Uusitalo, & Kerr, 2009; Pekkarinen, 2008).

In addition, young adults' labor market integration during the first years after graduation crucially predicts long-term career success; early disadvantages in the labor market, such as less career progress and a first job less relevant to one's education, have a lasting effect on later labor market outcomes (e.g., Barone & Schizzerotto, 2011; Breen & Jonsson, 2005; Bukodi & Dex, 2010; Bukodi & Goldthorpe, 2011a; Härkönen & Bihagen, 2011; Wolbers, 2007). The labor market outcomes in question, including income, are in turn dependent on parental background, irrespective of the education level achieved (e.g., Bukodi & Goldthorpe, 2011b; Hansen, 2001; Härkönen & Bihagen, 2011; Mastekaasa, 2011; Ortiz & Wolbers, 2013; Vallet, 2004). The causal nature of this association is less studied, however: those with advantageous parental resources may have enhanced job performance as a result of stronger self-confidence and superior skills, and they may have more beneficial career opportunities available, owing to, for example, social connections (Bowles, Gintis, & Osborne, 2001; Hansen, 2001; Jackson et al., 2007; Mastekaasa, 2011). In addition, labor market outcomes during the early career are highly gendered: the Finnish labor market is one of the most gender-segregated in Europe (Bettio & Verashchagina, 2009). Men and women occupy different positions in the labor market, both hierarchically and by sector; men are not only more often placed in managerial positions but also tend to choose fields that provide higher economic rewards.

In spite of the Finnish family policies supporting gender equality, childbearing still hampers women's labor market attainment compared to men. Family formation patterns continue to differ between men and women (Nisén, Martikainen, Kaprio, & Silventoinen, 2013): women become mothers at a younger age, and childlessness is most common among lowly educated men and highly educated women. Generally, patterns of becoming a parent are differentiated according to parental background, as those with a more favorable origin tend to delay their union formation and childbearing (e.g., Axinn & Thornton, 1992; Blossfeld & Huinink, 1991; Gierveld, Liefbroer, & Beekink, 1991; Mulder, Clark, & Wagner, 2006; Murphy & Wang, 2001; Nisén, Myrskylä, Silventoinen, & Martikainen, 2014; Rijken & Liefbroer, 2009; South, 2001). Previous studies on the possible causal explanation for this association suggest parents higher on the socioeconomic scale are better able to influence their children's family formation plans (e.g., Axinn & Thornton, 1992; Barber, 2001; Billari & Liefbroer, 2007), possibly via more actively participating in the long-term planning of children's futures and being more informed on risks related to choices made during early adulthood (Farkas, 2003; Wiik, 2009).

In addition to the timing of transition to parenthood, partner selection also drives labor market participation. Choosing a partner with similar socioeconomic characteristics to one's own is common in Western societies (e.g., Blossfeld, 2009; Domański & Przybysz, 2007; Henz & Sundström, 2001; Jepsen & Jepsen, 2002; Mäenpää, 2015; Verbakel, Luijkx, & de Graaf, 2008). Among couples in which the partners differ in terms of achieved education, partners' joint labor market decisions may amplify the breadwinner role to the partner with higher earnings potential (e.g., Blossfeld & Drobnic, 2001). This may reduce the financial incentives of the other partner to aim at high labor market returns. The most known causal explanation for this association stems from household production theory which presumes that partners specialize based on their comparative advantages (Becker, 1991). Consequently, if supporting the family financially is mainly left to the partner, the need to utilize

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