Money Marries Money

*Intergenerational Top Income Mobility and Assortative Mating in Denmark*

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Money Marries Money: Intergenerational Top Income Mobility and Assortative Mating in Denmark

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Abstract

This paper investigates how assortative mating impacts intergenerational earnings and income mobility among top-income households in Denmark. Using administrative registers allowed us to look at very small fractions of the populations, i.e. dynasties, and to distinguish between sons and daughters and to observe their spouses’ incomes. We find that, in particular, intergenerational income mobility is lower in the top when including capital income in the income measure, with an astonishing elasticity of 0.879 when restricting to rich fathers and their married sons. We also find that the marriage match strongly mediates the income transfer in the top of the income distribution, where a correlation of 0.763 is found between father and mother’s aggregated income and that of their son and daughter-in-law’s aggregated income.

Keywords: Intergenerational income mobility, top incomes, assortative mating, piecewise regression.

JEL classification: C21; D10; D31; D63; J12; J62.

Acknowledgement:

We thank colleagues, particularly the participants at the SUNSTRAT conference at SOFI, Stockholm University, December 2011, for constructive comments.
I. Introduction

Intergenerational income mobility is key to the understanding of how individual opportunities and social status outcomes vary across social groups. Here, we investigate intergenerational top mobility, that is, the father-son and father-daughter income mobility; the correlation between father and son-in-law and father and daughter-in-law—and the same for mother-child/child-in-law relationships; and the correlation between the two generations’ aggregated household incomes. Hence, assortative mating comes in as an explanation of the appearance of inherited income among top-income households, addressing the question: Do we have a dynasty society where “money marries money” (Mann, 1901)?

We use information for the whole population from administrative registers at Statistics Denmark for the period 1980–2008, which allows us to investigate intergenerational income mobility throughout the income distribution.

The following section gives the background and a short review of the literature and in the third section the empirical framework is discussed. The data are described in the fourth section and section five presents the results of the analyses. Section six concludes.

II. Background

The income literature shows that top-income shares in the Western world have been increasing (Piketty, 2007; Gustafsson & Jansson, 2008; Atkinson et al., 2011; Aaberge & Atkinson, 2010; Jäntti et al., 2010) and that intergenerational father-son income mobility is decreasing within the top incomes, reaching a very low level for the very top. This holds for Canada (Corak & Heitsz, 1999) and also for Sweden, which despite its low income inequality and high intergenerational income mobility, has a top
income elasticity above 0.9 compared with an overall elasticity of 0.26 (Björklund et al., 2012)\(^1\).

Hence, studies of intergenerational income mobility have shown associations across income levels at the top and bottom ends of the distribution that differ from those within the middle range (Harding et al., 2005; Jäntti et al., 2006; Björklund & Jäntti, 2009; Björklund et al., 2012). However, Bratberg et al. (2007b) suggest that this is a case of the Nordic countries’ elasticities being convex (also see Figure 1 for Denmark), whereas in the US and the UK they are more linear across the income distribution.

\(^1\) Jäntti et al. (2006) and Black & Devereux (2011) found average elasticities for father-son at about 0.5–0.6 for the US and 0.3 for the UK.
Until recently, it was common practice to look only at the father-son relationship, leaving father-daughter, mother-son and mother-daughter out of consideration. This was justified by the fact that Western societies hitherto were economically stratified by sex, which has traditionally made mothers’ incomes unreliable measures of their status (Ermisch et al., 2006). Chadwick & Solon (2002) were among the first to include daughters in mobility analyses and found relatively low intergenerational income mobility between father and daughter, albeit somewhat higher than between father and son. Bratberg et al. (2005; 2007a), Raaum et al. (2007), Holmlund et al. (2011) and Hirvonen (2008) came up with similar results about the income mobility between fathers and their offspring.
The mother-daughter intergenerational income mobility has also been investigated, for example, by Österberg (2000), who shows that mother’s earnings influence child’s earnings less than that of the father, and that this difference is lower for daughters than for sons. By looking at different intervals of the income distribution, Hirvonen (2008) finds that intergenerational income mobility is higher in the upper than in the lower end, but that mobility in the top end is smaller (even for daughters) than in the middle range.

These findings raise the question of the impact of spouses, i.e. assortative mating, on different generations’ access to economic resources. Mare (1991) shows that spouses tend to be similar in terms of educational attainment, occupation, and ethnic background (for an early example, see Glenn, Ross & Tully, 1974). Chiappori et al. (2011) show that not only socioeconomic characteristics but also anthropometric characteristics/physical attractiveness matter for the matching on the marriage market. For Germany and Britain, Ermish et al. (2006) find that 40–50 % of the correlation between parents’ and children’s permanent family income can be attributed to the spouse, due to a high correlation between the spouses’ human capital, and conclude that: “both parents and parents-in-law shape their offspring’s status”. Particularly at the top end of the income distribution, parents have a preference for continuing the family position by having “high quality” children (Kalenkoski & Foster, 2008; Lefgren & McIntyre, 2006). Hence, by extending the relationship between generations to mother/father couple and child/spouse couple, even higher elasticities are likely to be found. Therefore, assortative mating by income seems to be an important factor in explaining intergenerational persistence and reproduction of inequality in most countries (Mare, 2000), which is why this aspect is included in the present paper investigating intergenerational top-income mobility in Denmark.
III. Empirical framework

Following usual practice within mobility studies, the intergenerational determination of children’s incomes can be expressed by the following regression equation:

\[
\log y_{ci} = \alpha_c + \beta_c \log y_{pi} + \epsilon_{ci} ,
\]

where \( \log y_{ci} \) denotes the natural logarithm of income of a child in family \( i \) and \( y_{pi} \) the corresponding measure of the parent. The error term \( \epsilon_{ci} \) depicts the combined effect on the child’s income of factors orthogonal to parental income, and \( \beta_c \) is the intergenerational elasticity of the child’s permanent income given the parents’ income.

If assortative mating in the second generation is present, we will find a high correlation between the child’s and his/her partner’s income, see Hirvonen (2008). This can be expressed as

\[
\gamma = \text{corr} (\log y_{ci}, \log y_{pai}) ,
\]

where \( pa \) indicates the partner. A high level of assortative mating—particularly if this is also the case for the first generation—will diminish intergenerational mobility on a family-to-family level and, conversely, if the matching on the marriage market is random and not conditional on income, it will accentuate mobility. The family-to-family intergenerational income mobility can be depicted as

\[
\log y_{cpai} = \alpha_{cpai} + \beta_{cpai} \log y_{fmi} + \epsilon_{cpai} ,
\]
where $y_{cpa}$ (child and his/her partner) is the second generation’s family income and $y_{fm}$ is the first generation’s family income, where $fm$ indicates father and mother.

Intergenerational income persistence on a family level, $\beta_{cpa}$, will therefore be determined by two different channels: the parent to child channel, $\beta_c$, and the assortative mating determinant, calculated as either the elasticity of parents and children-in-laws’ relationships or simply as the differential between $\beta_{cpa}$ and $\beta_c$. Obviously, this requires that the first generation and second generation are married/cohabiting within their respective generations, while the usual intergenerational mobility analyses also include single families in each generation.

Because social heritage is not equally strong across the whole distribution—revealed as non-linearity (Bratberg et al., 2007b; Grawe, 2004; Hertz, 2005)—intergenerational income mobility is analysed over the full range by using piecewise linear regression estimations (spline regressions). This implies “separate” estimations for parent-child pairs belonging to different parent income percentiles, so-called “knots”—P50, P75, P90, P95, P99, P99.9—which allow the slopes to vary over the earnings and income distributions (Greene, 2012; Björklund et al. 2012). The interpretation of the $\beta$-coefficient in equation (1), therefore, is the percentage differential in the expected earnings or income of the child, given a percentage, marginal differential in earning or income of the parent, for example, within the top P99.9-100 fractile.

Applying this empirical framework and assuming different intergenerational behaviour among rich people relatively to other people, the research hypotheses here are that in the top of the income distribution:

1) intergenerational income mobility is lower for sons than for daughters,

2) assortative mating, in particular for the second generation, is relatively high, and

3) income persistence among rich families/dynasties is higher than among other families.
IV. Data

The data stem from administrative registers at Statistics Denmark including information on earnings, capital income, taxes, benefit payments, education, labour market attachment, etc. for the period 1980–2008. A unique personal ID number allows linkage of the information of every individual in the registers with information of his/her spouse, children and parents. Using register information implies that there are no coverage and attrition problems because the information for the whole population is included.

The data window covers the last 25–30 years and the best proxy of a permanent income is the income earned when being in the 30s; therefore, the second generation in this study is aged 35–42 years in 2008 or, equivalently, 7–14 years in 1980 (7–18 years when their parents’ incomes are included for 1980–84). This is considered to be a relatively broad age bracket, which is important for minimizing the problem of non-homogeneity in the residuals, see Lee & Solon (2009), who stress that the assumption of unbiased measurement error does not hold for intergenerational income mobility because ‘individuals with high lifetime income tend to have steeper income growth trajectories’ (p. 768).

Furthermore, it is important to note that even permanent income estimates based on five-year periods may underestimate the intergenerational persistence. Hendricks (2007) shows that measures of persistence based on lifetime earnings increase 30% compared with measures using only 5-year periods, and Hussain et al. (2009) find that the income measurements partly determine the results in intergenerational mobility studies (see also Mazumder, 2005). In our study, fathers are between 25 and 88 years in 1984.

We use the father-son and father-daughter—and mother-son and mother-daughter—correlations as well as the correlations between father’s income and son-in-law’s and daughter-in-law’s earnings and
income. Because children-in-law are married/cohabitating, the same is necessarily also the case for sons and daughters, and this holds also for the parents. However, excluding singles from the regressions does not significantly change the coefficients (results are available on request).

The income concepts applied include individual earnings from work and/or business, capital income and total income, see Björklund et al. (2012) for application of similar definitions, and only individuals with positive total income in each of the five years (the 2004–2008 period for the child and the 1980–1984 period for the parent) are included. All incomes are inflated to 2008 using the CPI from Statistics Denmark. We apply the average of natural log of each year’s income.

We exclude an observation if the absolute DFbeta diagnostic is above $2/n^{\frac{1}{2}}$ and the absolute standardised residual is above 3. These outliers count to around 1½ pct. of the observations, but the exclusion has no major impact on the estimated coefficients’ structure, i.e. the correlation coefficients for the estimates with and without the outliers are all above .96.

The income sample includes up to 172,800 pairs of married fathers and married daughters and sons and the earnings sample 135,785 pairs. The number of married father and son-in-laws and daughter-in-laws with (positive) income and earnings information is 69,997; 58,890; 113,245 and 86,600. Hence, we have around 600 and 1,700 in the top-income percentile and, thereby, around 60–170 in the 0.1 top-income percentile.
<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>St.dev.</th>
<th>Min.</th>
<th>P10</th>
<th>P50</th>
<th>P90</th>
<th>P95</th>
<th>P99</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Father-married child/child-in-law</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Earnings:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father</td>
<td>358.4</td>
<td>217.82</td>
<td>0.6</td>
<td>192</td>
<td>313</td>
<td>407</td>
<td>552</td>
<td>696</td>
<td>8,799</td>
</tr>
<tr>
<td>Son</td>
<td>471.6</td>
<td>346.12</td>
<td>0.1</td>
<td>272</td>
<td>396</td>
<td>523</td>
<td>722</td>
<td>917</td>
<td>38,416</td>
</tr>
<tr>
<td>Income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father</td>
<td>365.7</td>
<td>263.16</td>
<td>0.2</td>
<td>181</td>
<td>314</td>
<td>412</td>
<td>564</td>
<td>724</td>
<td>12,821</td>
</tr>
<tr>
<td>Son</td>
<td>512.3</td>
<td>427.62</td>
<td>0.0</td>
<td>285</td>
<td>425</td>
<td>563</td>
<td>785</td>
<td>1,008</td>
<td>41,869</td>
</tr>
<tr>
<td><strong>Father-couple – child-couple</strong></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father</td>
<td>352.4</td>
<td>221.09</td>
<td>1.1</td>
<td>188</td>
<td>310</td>
<td>401</td>
<td>540</td>
<td>681</td>
<td>17,219</td>
</tr>
<tr>
<td>Dau.</td>
<td>312.9</td>
<td>137.84</td>
<td>0.8</td>
<td>193</td>
<td>292</td>
<td>357</td>
<td>443</td>
<td>531</td>
<td>6,651</td>
</tr>
<tr>
<td>Income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Father</td>
<td>358.8</td>
<td>274.51</td>
<td>0.1</td>
<td>175</td>
<td>310</td>
<td>405</td>
<td>553</td>
<td>706</td>
<td>24,909</td>
</tr>
<tr>
<td>Dau.</td>
<td>337.9</td>
<td>180.15</td>
<td>0.0</td>
<td>204</td>
<td>313</td>
<td>388</td>
<td>484</td>
<td>579</td>
<td>34,262</td>
</tr>
</tbody>
</table>

Table 1 shows that the discrepancy between earnings and income increases with the income level, particularly for the second generation. At the top end of the distributions (P99), sons’ incomes are 10% higher than their earnings, and those of daughters are 9% higher, whereas fathers’ incomes are only 4% higher than their earnings. For the median pairs (P50) the differentials are 7%, 7% and 0%, reflecting that the disparity of capital income has increased between the two generations, see Björklund et al. (2012) for nearly the same findings for Sweden.
When comparing married sons’ earnings and income with those of married daughters’, we found a difference for the median persons of about one third in both cases in favour of the sons. For children belonging to the top percentile, the difference between the two sexes is 73–74 pct. for earnings and income, and the same holds when comparing earnings and income of sons-in-law with those of daughters-in-law (75–77 pct.).

V. Results

Intergenerational top-income mobility—parents to children

In the following we show the results from the piecewise linear spline regressions across parent income fractiles examining how sensitive children’s earnings and incomes are to their parents’ earnings and incomes. For the estimations of parent to children-in-law mobility, we also refer to results obtained from spline regression estimations. To assure comparability with the parent-child estimations, the latter ones are also done solely for married sons and daughters, see Table 2.

Table 2 shows that the intergenerational earnings elasticities for father-son and father-daughter pairs increase up to a certain point after which they decrease, leaving the top percentile out of consideration. For married children only, we found elasticities equal to 0.016 and 0.017 for sons and daughters of fathers in the P0-25 against 0.430 and 0.265 for the P50-75 group, and 0.111 and 0.093 for the P99-99.9 group (Table 2)—the same pattern is found for Sweden (Hirvonen, 2008). The somewhat smaller elasticities for father-daughter pairs are also found for incomes, except at the top end of the distribution. Where the father-son and father-daughter income elasticities are 0.040 and 0.025 for the
P0-25 group, they increase to 0.446 and 0.317 in the upper-middle P50-75 group, and fall to 0.070 and 0.138 for the P99.9-99.9 group, implying that the income persistence for the father-daughter is double that of the father-son.

Table 2. **Earnings and income elasticities for father and children and children-in-law. Spline regression.**

<table>
<thead>
<tr>
<th></th>
<th>$P_{0-25}$</th>
<th>$P_{25-50}$</th>
<th>$P_{50-75}$</th>
<th>$P_{75-90}$</th>
<th>$P_{90-95}$</th>
<th>$P_{95-99}$</th>
<th>$P_{99-99.9}$</th>
<th>$P_{99.9-100}$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son</td>
<td>0.022**</td>
<td>0.304**</td>
<td>0.413**</td>
<td>0.243**</td>
<td>0.281**</td>
<td>0.220**</td>
<td>0.162**</td>
<td>-0.076</td>
</tr>
<tr>
<td>Daughter</td>
<td>0.018**</td>
<td>0.241**</td>
<td>0.264**</td>
<td>0.181**</td>
<td>0.148**</td>
<td>0.012</td>
<td>0.038</td>
<td>0.239**</td>
</tr>
<tr>
<td>Married son</td>
<td>0.016**</td>
<td>0.323**</td>
<td>0.430**</td>
<td>0.236**</td>
<td>0.256**</td>
<td>0.239**</td>
<td>0.111**</td>
<td>0.135</td>
</tr>
<tr>
<td>Married daughter</td>
<td>0.017**</td>
<td>0.236**</td>
<td>0.265**</td>
<td>0.179**</td>
<td>0.139**</td>
<td>0.023</td>
<td>0.093*</td>
<td>0.328**</td>
</tr>
<tr>
<td>Son-in-law</td>
<td>0.008</td>
<td>0.241**</td>
<td>0.286**</td>
<td>0.187**</td>
<td>0.147*</td>
<td>0.099*</td>
<td>0.141*</td>
<td>-0.249*</td>
</tr>
<tr>
<td>Daughter-in-law</td>
<td>0.017**</td>
<td>0.213**</td>
<td>0.193**</td>
<td>0.079**</td>
<td>0.01</td>
<td>0.041</td>
<td>0.01</td>
<td>-0.308*</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son</td>
<td>0.065**</td>
<td>0.390**</td>
<td>0.428**</td>
<td>0.345**</td>
<td>0.252**</td>
<td>0.288**</td>
<td>0.199**</td>
<td>0.466**</td>
</tr>
<tr>
<td>Daughter</td>
<td>0.038**</td>
<td>0.331**</td>
<td>0.319**</td>
<td>0.243**</td>
<td>0.173**</td>
<td>0.094**</td>
<td>0.089**</td>
<td>0.037</td>
</tr>
<tr>
<td>Married son</td>
<td>0.040**</td>
<td>0.350**</td>
<td>0.446**</td>
<td>0.355**</td>
<td>0.252**</td>
<td>0.310**</td>
<td>0.070*</td>
<td>0.879**</td>
</tr>
<tr>
<td>Married daughter</td>
<td>0.025**</td>
<td>0.327**</td>
<td>0.317**</td>
<td>0.250**</td>
<td>0.184**</td>
<td>0.067**</td>
<td>0.138**</td>
<td>-0.05</td>
</tr>
<tr>
<td>Son-in-law</td>
<td>0.006</td>
<td>0.314**</td>
<td>0.329**</td>
<td>0.226**</td>
<td>0.177**</td>
<td>0.077*</td>
<td>0.175**</td>
<td>-0.209*</td>
</tr>
<tr>
<td>Daughter-in-law</td>
<td>0.029**</td>
<td>0.319**</td>
<td>0.200**</td>
<td>0.175**</td>
<td>0.034</td>
<td>0.051*</td>
<td>-0.086*</td>
<td>-0.219*</td>
</tr>
</tbody>
</table>

* 0.05<p<0.10. ** 0.01<p<0.05. *** p<0.01

At the very top end of the income distribution (P99.9-100), we found that only the income elasticity for father-son is significant, and a very high, i.e. a 10% higher, income among the P99.9-100 group of fathers is correlated with a 4.66% higher income among their sons. For married sons of the same group of rich fathers, the total income elasticity is 0.879. For married sons of the same group of rich fathers, the earnings correlation is 0.135, whereas that of married daughters is -0.328, indicating that the higher

---

2 The father-son earnings elasticity using OLS (e.g. not spline) is 0.176 and 0.244 when applying total income.
the earnings of the father, the lower the earnings of his daughter in this upper end of the earnings
distribution.

Table 3. *Earnings and income elasticities for mother and children and children-in-law. Spline
regression.*

<table>
<thead>
<tr>
<th></th>
<th>$P_{0-25}$</th>
<th>$P_{25-50}$</th>
<th>$P_{50-75}$</th>
<th>$P_{75-90}$</th>
<th>$P_{90-95}$</th>
<th>$P_{95-99}$</th>
<th>$P_{99-99.9}$</th>
<th>$P_{99.9-100}$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son</td>
<td>0.013**</td>
<td>0.033**</td>
<td>-0.065**</td>
<td>0.295**</td>
<td>0.328**</td>
<td>0.277**</td>
<td>0.236**</td>
<td>-0.131</td>
</tr>
<tr>
<td>Daughter</td>
<td>0.013**</td>
<td>0.061**</td>
<td>0.018</td>
<td>0.325**</td>
<td>0.354**</td>
<td>0.178**</td>
<td>0.299**</td>
<td>-0.014</td>
</tr>
<tr>
<td>Married son</td>
<td>0.011**</td>
<td>0.030*</td>
<td>-0.060**</td>
<td>0.350**</td>
<td>0.258**</td>
<td>0.374**</td>
<td>0.132*</td>
<td>-0.054</td>
</tr>
<tr>
<td>Married daughter</td>
<td>0.010**</td>
<td>0.077**</td>
<td>0.018</td>
<td>0.313**</td>
<td>0.425**</td>
<td>0.220**</td>
<td>0.288**</td>
<td>0.029</td>
</tr>
<tr>
<td>Son-in-law</td>
<td>0.01</td>
<td>0.007</td>
<td>-0.02</td>
<td>0.292**</td>
<td>0.260*</td>
<td>0.062</td>
<td>0.162</td>
<td>-0.018</td>
</tr>
<tr>
<td>Daughter-in-law</td>
<td>0.014**</td>
<td>0.045**</td>
<td>-0.002</td>
<td>0.239**</td>
<td>0.276**</td>
<td>0.167**</td>
<td>0.111</td>
<td>0.251</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son</td>
<td>0.019**</td>
<td>0.229**</td>
<td>-0.347**</td>
<td>0.448**</td>
<td>0.348**</td>
<td>0.293**</td>
<td>0.274**</td>
<td>0.094</td>
</tr>
<tr>
<td>Daughter</td>
<td>0.019**</td>
<td>0.168**</td>
<td>-0.153**</td>
<td>0.434**</td>
<td>0.361**</td>
<td>0.232**</td>
<td>0.220**</td>
<td>-0.006</td>
</tr>
<tr>
<td>Married son</td>
<td>0.018**</td>
<td>0.187**</td>
<td>-0.281**</td>
<td>0.498**</td>
<td>0.258**</td>
<td>0.378**</td>
<td>0.190**</td>
<td>0.14</td>
</tr>
<tr>
<td>Married daughter</td>
<td>0.015**</td>
<td>0.157**</td>
<td>-0.124**</td>
<td>0.438**</td>
<td>0.360**</td>
<td>0.268**</td>
<td>0.293**</td>
<td>-0.075</td>
</tr>
<tr>
<td>Son-in-law</td>
<td>0.016**</td>
<td>0.060**</td>
<td>-0.136**</td>
<td>0.347**</td>
<td>0.213**</td>
<td>0.208**</td>
<td>0.160*</td>
<td>-0.049</td>
</tr>
<tr>
<td>Daughter-in-law</td>
<td>0.015**</td>
<td>0.041**</td>
<td>0.004</td>
<td>0.345**</td>
<td>0.177**</td>
<td>0.210**</td>
<td>0.077</td>
<td>0.17</td>
</tr>
</tbody>
</table>

* $0.05 < p < 0.10$.  ** $0.01 < p < 0.05$.  *** $< 0.01$.

The intergenerational income elasticity at the top end of the Swedish income distribution is 0.9 for
single and married sons (Björklund et al., 2012), which is much higher than the 0.466 we found for the
same category of men (Table 2). For earnings the figures here were insignificant, which is in contrast to
the significant 0.45 found for Sweden. For the income group $P_{99-99.9}$, the income elasticity for
Sweden is also bigger than that for Denmark (0.39 versus 0.20). This shows higher income persistence
among rich Swedes than among rich Danes, indicating that dynasties prevail slightly more in Sweden
than in Denmark. However, when we focus solely on rich fathers and their married sons, the elasticity
in the top end of the Danish income distribution becomes as high as 0.879, which indicates that the
reproduction of dynasties in Denmark depends on marriage strategies.
The non-linearity in the father-son income and earnings distributions is relatively similar for the two Scandinavian countries. The persistence for both income measures increases and reaches a maximum at the P50-75 knot after which it decreases to the same extent up to the P99-P99.9 percentile in both countries. Additionally, the differentials between the income and earnings coefficients are very much of the same size, the income persistence being higher than the earnings persistence, except for the P50-75, where the earnings persistence is higher than the income mobility in Sweden (Björklund et al., 2012).

For the mother-married son, we find smaller income and earnings elasticities than for the father-son relationship up to the 75th fractile followed by higher income and earnings elasticities for mother-son than for father-married son relationships at the upper end of the two distributions (Tables 2 and 3). Hence, the income elasticity for mother-married son is -0.281 at the P50-75 and 0.190 at the P99-99.9 of the first generation’s income distribution compared with 0.446 and 0.070 for the same father-married son relationships. At the very top end of the distribution, P99.9-100, the father-son relationship is significant with an elasticity of 0.879.

The mother-daughter income elasticities were also smaller than those for the father-married daughter up to the 75th fractile followed by higher income elasticities for mother-married daughter than for father-daughter at the upper end of the two distributions—the same pattern is found for earnings mobility. An obvious explanation for the lower income and earnings elasticities for mother and child than for father and child in the lower end of the income distribution—up to the P75—is that these fathers are generally more educated than mothers, that mothers are more often out of the labour market, and that, nowadays, males and females even in the lower and the middle part of the income distribution are on more equal terms educationally and regarding the labour market.
Moreover, at the top end of the income distribution—P99-99.9—both the mother-married daughter and the father-married daughter income elasticities are greater than those for sons, indicating that daughters from well-off backgrounds are economically more like their parents than are sons when looking solely at married second-generation offspring.

We also found that mother-married child intergenerational earnings and income mobility are relatively close to each other, while income persistence is greater than earnings persistence for father-married child relationships at the top end of the distributions. The income coefficient is greater than the earnings coefficient for father-married son relationships than for father-married daughter relationships. This indicates that children, and in particular sons, “gain” more capital income from their father than from their mother.

As shown in Table 2, earnings and income mobilities are higher between fathers and their married daughters than between fathers and their married sons across the income distribution. For children-in-law we find the same pattern, namely that the relationship between fathers’ and their daughters-in-law’s incomes is smaller than the relationship between fathers’ and their sons-in-law’s incomes. The father and children-in-law elasticities, however, are generally smaller than those of fathers and their offspring, so that the offspring are economically more alike their parents than are the children-in-law and are therefore more “reliable” in ensuring some persistence in keeping the social position intact. This pattern emerges in most parts of the income distribution which indicates that a son-in-law is not as capable as a son of securing a high degree of income persistence from one generation to the next, and the same holds for daughters-in-law relative to daughters.
Assortative mating—parents to children-in-law elasticities

In the following, we start by investigating the extent of assortative mating by looking at the correlation between the son and his wife’s (daughter-in-law) income and between the daughter and her husband’s (son-in-law) income. We then investigate the role of assortative mating by looking at the intergenerational income mobility for father-daughter-in-law and father-son-in-law pairs. Lastly, we analyse the father-son’s family income and father-daughter’s family income to see whether this gives the same picture of the earnings and income mobility between generations and over the income distribution as do the father-to-child-in-law comparisons.

For the median income fractile the correlations between sons’ and their wives’ incomes and between daughters’ and their husbands’ incomes are 0.258 and 0.199, respectively, while the same correlations are 0.157 and 0.113, respectively, for earnings (Table 4), which shows that it is easier for sons than for daughters to find economically equal partners in the middle of the income distribution. By moving upwards in the earnings and income distributions, we find that the correlations increase for daughter-son-in-law relationships while it decreases for son-daughter-in-law relationships, and at the top end of the distribution—99th and 99.5th fractiles—the son-daughter-in-law relationship is not significant, whereas the daughter-son-in-law relationship remains significant, and the same holds for earnings. This indicates that assortative mating is more pronounced for rich daughters than for rich sons using earnings or income as the economic measure.
Table 4. *Correlations* \(^1\) between second generation husband’s and wife’s income. Separately for earnings and total income. *Quantile regression.*

<table>
<thead>
<tr>
<th>Earnings.</th>
<th>q=0.25</th>
<th>q=0.50</th>
<th>q=0.75</th>
<th>q=0.90</th>
<th>q=0.95</th>
<th>q=0.99</th>
<th>q=0.995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Son and daughter-in-law</td>
<td>0.155***</td>
<td>0.157***</td>
<td>0.153***</td>
<td>0.120***</td>
<td>0.096***</td>
<td>0.027</td>
<td>0.021</td>
</tr>
<tr>
<td>Daughter and son-in-law</td>
<td>0.070***</td>
<td>0.113***</td>
<td>0.152***</td>
<td>0.196***</td>
<td>0.212***</td>
<td>0.202***</td>
<td>0.200***</td>
</tr>
<tr>
<td>Total income.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son and daughter-in-law</td>
<td>0.280***</td>
<td>0.258***</td>
<td>0.214***</td>
<td>0.135***</td>
<td>0.104***</td>
<td>0.035</td>
<td>0.004</td>
</tr>
<tr>
<td>Daughter and son-in-law</td>
<td>0.164***</td>
<td>0.199***</td>
<td>0.224***</td>
<td>0.249***</td>
<td>0.245***</td>
<td>0.188***</td>
<td>0.165***</td>
</tr>
</tbody>
</table>

\* 0.05<p<0.10. \** 0.01<p<0.05. \*** p<0.01.

\(^1\)All calculations based on father-son and father-daughter samples controlled for age in the regression analyses.


<table>
<thead>
<tr>
<th>Earnings.</th>
<th>OLS</th>
<th>(P_{0.25})</th>
<th>(P_{0.50})</th>
<th>(P_{0.75})</th>
<th>(P_{0.90})</th>
<th>(P_{0.95})</th>
<th>(P_{0.99})</th>
<th>(P_{0.99-1})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Son and wife</td>
<td>0.187***</td>
<td>0.064**</td>
<td>0.268**</td>
<td>0.273**</td>
<td>0.404**</td>
<td>0.325**</td>
<td>0.220**</td>
<td>-0.052</td>
</tr>
<tr>
<td>Daughter and husband</td>
<td>0.167***</td>
<td>0.055**</td>
<td>0.260**</td>
<td>0.214**</td>
<td>0.390**</td>
<td>0.266**</td>
<td>0.085*</td>
<td>0.119*</td>
</tr>
<tr>
<td>Total income.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Son and wife</td>
<td>0.256***</td>
<td>0.137**</td>
<td>0.233**</td>
<td>0.364**</td>
<td>0.448**</td>
<td>0.285**</td>
<td>0.264**</td>
<td>0.014</td>
</tr>
<tr>
<td>Daughter and husband</td>
<td>0.223***</td>
<td>0.118**</td>
<td>0.211**</td>
<td>0.344**</td>
<td>0.376**</td>
<td>0.299**</td>
<td>0.123**</td>
<td>0.216**</td>
</tr>
</tbody>
</table>

\* 0.05<p<0.10. \** 0.01<p<0.05. \*** p<0.01

For the \(P_{25-50}\) and \(P_{50-75}\) incomes, the elasticities for parents (first generation pooled income) and their sons’ and their wives’ (second generation pooled income) and daughters’ and their husbands’ are very similar—0.233 and 0.364 versus 0.211 and 0.344—and the same holds for earnings—0.268 and 0.273 versus 0.260 and 0.214—(Table 5)\(^3\), which shows that it is as easy for daughters as it is for sons to find economically equal partners when they come from a lower or middle income parental background. When moving upwards in the earnings and income distributions, we find that the correlations still follow each other until \(P_{95-99}\), although the income and earnings persistence is higher

\(^3\)In OLS regressions the correlations for the first generation and their sons’ and their wife’s and their daughters’ and their husband’s earnings are 0.187 and 0.167, respectively, whereas the same coefficients for Sweden are 0.258 and 0.250 (Hirvonen, 2008), and 0.541 and 0.408 for the US (Chadwick & Solon, 2002).
for son-daughter-in-law than for daughter-son-in-law relationships. At the top end of the distribution—P99.9-100—the son-daughter-in-law relationship is 0.259 for earnings and 0.763 for income, while no significant relationships are found between the parents and their daughter’s family. This indicates that assortative mating—or the same mating strategy for the two generations—in the top end of the income distribution is more pronounced for sons than for daughters, independent of using earnings or income as the economic measure.

VI. Conclusion and Summary

Most studies on intergenerational earnings and income mobility focus on the father-child transmission of opportunities and social status. In this study, we also looked at the mother-to-son and mother-to-daughter transmission of income as well as at the correlation between the aggregated household incomes of the two generations. The implication is that assortative mating presents itself as a natural explanation of how randomly distributed or inherited income appears between generations belonging to top-income individuals and households.

By applying data from administrative registers at Statistics Denmark, we were able to study the mobility throughout the income distribution, in particular the top end, since we had income information on all Danish citizens. We used piecewise linear spline regressions because of the non-linearity in mobility over the income distribution.

In line with most other studies, we found that the intergenerational elasticity is higher for income than for earnings and that these elasticities are smaller for father-daughter than for father-son pairs. For both we found an increase in intergenerational income persistence with increasing levels of earnings
and incomes. At the very top end of the distribution—P99.9-100—the father-son income persistence is 0.466 but is not significant for father-daughter. For Sweden the same non-linearities in the father-son relationships over the income distribution are found but at much higher levels than for Denmark. However, when we restrict to married sons, we find the same tendency (with an elasticity of 0.879) as in Sweden, indicating that the reproduction of dynasties in Denmark largely depends on marriage strategies.

We also found that mother-married child intergenerational earnings and income mobility are relatively close to each other, while income persistence is greater than earnings persistence for father-married child relationships at the top end of the distributions. This indicates that children, particularly sons, “gain” (e.g. ability to earn and acquire) more capital income from their father than from their mother. The income elasticity is greater than the earnings elasticity for father-married son relationships than for father-married daughter relationships.

Another finding was that the father and children-in-law correlations are generally smaller than that of fathers and their offspring, so that the offspring are economically more alike their parents than are the children-in-law. This pattern indicates that a son-in-law is not as capable as a son of securing a high degree of income persistence from one generation to the next, and the same holds for daughters-in-law relatively to daughters—for both we found similar correlations relative to their fathers-in-law/fathers income throughout the income distributions.

Finally, we found that intergenerational household income mobility is smaller for father and mother to son and daughter-in-law than for father and mother to daughter and son-in-law. This holds for the whole income distribution as well as for the earnings distribution. At the top end of the income distribution—P99.9-100—the elasticities for parents and their daughter and son-in-law are not significant in contrast to that of parents and their son and daughter-in-law, where the elasticity is as
high as 0.763. This coefficient is the second highest of all coefficients found in this study, indicating that at a family level there is a very high degree of economic persistence between generations among the rich in Denmark.

The conclusion is, therefore, that assortative mating by income seems to be an important factor in explaining intergenerational income persistence and reproduction of income inequality. This calls for further analyses on intergenerational income mobility on family levels throughout the income distribution.
References


