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Missing at Random?

An analysis of the impact of sample selection on intergenerational earnings elasticities

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ABSTRACT

Utilizing the Panel Study of Income Dynamics, I provide new estimates of intergenerational earnings elasticities for white and black father-son pairs estimated using the traditional methodology of regressing log child earnings on log parent earnings. I then pay special attention to the impact of commonly-used sample selection restrictions (i.e. excluding unemployed or part-time employed sons from the sample) on intergenerational mobility estimates. I generate predicted estimates of son's potential earnings (as actual earnings have been censored due to either unemployment or underemployment). I then perform a bounding exercise to examine the range of estimates. I find that the assumption of exogenous selection into full-time employment significantly biases the estimates for blacks, but does not have a large impact on estimates for whites. These results have important implications for research regarding the black-white mobility gap.