

Study finds better measures than a person's occupation to predict long-term earnings

May 7 2018, by George Diepenbrock



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In sociological studies of people's economic stratification and intergenerational mobility, researchers have long presumed a person's occupation most accurately would reflect his or her lifetime earnings.

"Even though there is a strong assumption, it was really difficult to test whether that was actually true or not," said ChangHwan Kim, a KU professor of sociology.

In a new study co-authored by Kim, researchers instead found that a person's cross-sectional annual earnings taken at one point in time have greater predictive power of his or her 20-year long-term earnings, ahead of occupation-based classifications. That includes very detailed Census data known as three-digit detailed occupations that categorize many types of jobs.

The researchers' model based on a person's educational attainment, including his or her field of study, also had slightly better predictive power than what is known as the one-digit occupation data that defines broader categories of jobs than the three-digit list.

"It indicates education is really important," said Kim, who completed the study, published in the journal *Sociological Science*, with his co-authors Christopher Tamborini, a senior researcher at the U.S. Social Security Administration, and Arthur Sakamoto, a professor of sociology at Texas A&M University.

The researchers determined the 20-year accumulated earnings using data that matched respondents in the Survey of Income and Program Participation to the individuals' longitudinal earnings records that were based on administrative tax information from 1990 to 2009.

Their sample consisted of 6,066 men and 5,432 women who were native-born Americans whose ages were between 25 and 45 in 1990, the year of the survey.

They assessed the predictive power of several variables, including the person's occupation, level of education and other short-term earnings

over the 20-year period.

Most sociological studies of intergenerational mobility have relied on occupational information as their foundation. Previous research in a variety of ways used a person's occupation to indicate long-term socioeconomic standing.

People's long-term earnings are associated with a range of outcomes, including people's savings and investment behaviors, wealth accumulation, retirement income, Social Security benefit levels, social class identity, feelings of self-worth, health, life expectancy, overall life satisfaction and marital stability.

The researchers said while the importance of education has been well-appreciated in occupational-based approaches, it has traditionally been viewed as the major mediating factor in determining someone's occupation rather than the direct source of long-term socioeconomic standing per se.

Potential explanations for why the cross-sectional earnings and, more specifically, a person's level of education is a better predictor of his or her long-term earnings could rest on stability, Kim said, because having a college degree, for example, could make a person less susceptible to unemployment.

"Less-educated people are more likely to be out of the labor market than highly educated," he said.

Therefore, the higher a person's level of education in the first 20 years of their career, the better chance they have of seeing earnings per month with no time of unemployment, and they have a higher probability of working in a high-paying occupation, Kim said. Those things appear to be the key drivers of predicting someone's earnings over a lifetime.

The researchers in previous studies have sought to put an accurate picture of the value of a college education and found that a person's field of study does matter significantly.

Kim said the group's recent findings on what could serve as better predictors for someone's long-term earnings could be useful for future sociology research on economic inequality and intergenerational mobility.

"The key message is a person's annual earnings are a better measure of their long-term earnings than their detailed occupation," he said. "The results do not vary by respondents' age. If you want to know your long-term earnings prospects for the next 20 years, check your current earnings."

Kim added that the researchers are not saying occupation is not useful. In the overall picture, a person's [occupation](#) accounts for something that cannot be indicated by a person's annual earnings.

"When we add it in," he said, "it accounts for some portion of long-term earnings."

More information: ChangHwan Kim et al, The Sources of Life Chances: Does Education, Class Category, Occupation, or Short-Term Earnings Predict 20-Year Long-Term Earnings?, *Sociological Science* (2018). [DOI: 10.15195/v5.a9](https://doi.org/10.15195/v5.a9)

Provided by University of Kansas

Citation: Study finds better measures than a person's occupation to predict long-term earnings (2018, May 7) retrieved 24 April 2024 from <https://phys.org/news/2018-05-person-occupation->

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