

# Economist tracks 'nepo baby' effect on young Americans' earnings

February 8 2023, by Christy DeSmith

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"There's a set of kids out there who, without the help from their parents, would struggle to find decent-paying jobs," says Matthew Staiger, a research scientist at Harvard's Opportunity Insights. Credit: Stephanie Mitchell/Harvard Staff Photographer

The children of stars who enter show business have come to be referred

to as "nepo[tism] babies" in popular media. But Hollywood isn't the only industry where it pays to have a well-positioned parent. According to Matthew Staiger, an economist and research scientist at Harvard's Opportunity Insights, nearly one in three Americans is hired by a parent's employer in the earliest years of their careers. And the biggest benefits go to those raised by higher earners.

"This is really driven by blue-collar jobs," Staiger said of his findings detailed in [a new working paper](#). "There's a set of kids out there who, without the help from their parents, would struggle to find decent-paying jobs. They would end up at something like a fast-food restaurant that pays [minimum wage](#). But with the help of their parents, they're able to gain access to something like a construction or manufacturing firm."

Staiger is hardly the first to study the economic inheritance American parents provide. But he goes deeper than predecessors in examining the consequences, especially regarding income. Overall, he finds 29% of Americans work for a parent's [employer](#) at least once by age 30. The arrangement increases initial earnings by an average of 17%, largely due to parents providing access to higher paying industries and firms.

The [financial rewards](#) fade over time, in part, because these workers stay in their jobs longer while others catch up by finding new roles with better pay. But the benefits don't disappear entirely. After three years, those who landed their first stable job with a parent's employer still out-earn peers by 7%.

Staiger's research draws from an enormous data set, representing some 26 million Americans. "It's one of the first papers to use this linkage with the 2000 decennial census," noted Staiger, who interned with the U.S. Census Bureau while in graduate school at the University of Maryland. "That's how I identify [parent-child relationships](#), by seeing who was living with whom." His other source was the Longitudinal

Employer-Household Dynamics (LEHD) program, the Census Bureau's exhaustive quarterly database of linked employer-employee data.

A caveat: Staiger's numbers exclude families at the extremes of U.S. income distribution. It turns out LEHD data isn't very good at capturing earnings by the very poor (or the lowest 10% of earners) while the wealthiest tend to generate most of their income from investments and assets instead of wages. "My paper is really about the middle 89% of the population," Staiger emphasized. "This is not about CEOs providing access to jobs for their children."

Still, he found disproportionate benefits for workers from higher-income families and high-paying industries. "Basically, individuals who have high-income parents are more likely to work for their parent's firm. And they experience larger earnings gains when they do," Staiger said. Getting a job with a parent's employer reduced the probability of landing in the unskilled service sector by 31%, while increasing the likelihood of latching on in the high-paid production sector (like construction or manufacturing) by 33%, he found.

Further disparities were revealed when aggregating the data by gender and race. For example, children are far more likely to land jobs with an employer of a parent of the same sex, with daughters twice as likely to be hired by their mom's company and sons 1.5 times more likely to go to work for their dad's. "Sons benefit disproportionately," Staiger noted, "because they're gaining access to their dads' jobs, which tend to be higher-paying."

This turns out to not be true for every son, with Staiger's data uncovering an especially glaring gap concerning Black men. Their sons are far less likely than those of white men to work for a parent's employer, though the same largely does not hold true for daughters. Even when comparing individuals born to parents with similar income, Black males grow up to

earn significantly less than white males in adulthood. About 4% of that wage gap can be attributed to the infrequency with which Black men land with a parent's employer, he said.

The findings open new lines of inquiry regarding the role of informal labor market networks in perpetuating inequality. Previous studies reveal that more than half of all jobs in the U.S. are found through friend-and-family connections. "But before my paper," Staiger said, "we had very limited evidence on whether or to what extent networks are an important determinant of intergenerational mobility."

*This story is published courtesy of the [Harvard Gazette](#), Harvard University's official newspaper. For additional university news, visit [Harvard.edu](#).*

Provided by Harvard Gazette

Citation: Economist tracks 'nepo baby' effect on young Americans' earnings (2023, February 8) retrieved 23 April 2024 from <https://phys.org/news/2023-02-economist-tracks-nepo-baby-effect.html>

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