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U.S. | THE NUMBERS

# Earnings in the U.S.: A Game of Chutes and Ladders

Over 40 years, 70% of the population made it into the top 20% of earners, says a study. But far fewer stayed there.



A small group of earners remains in the highest income bracket over time, but a crowd of people moves in and out. PHOTO: GETTY IMAGES



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June 14, 2019 7:30 a.m. ET

Making it to the top may be the American dream. But getting there may be easier than staying there.

Over roughly 40 years, 70% of the population made it into the top 20% of earners for at least one year, according to researchers at Cornell University and Washington University in St. Louis. But only about 21% remained there for 10 consecutive years, and even fewer clung to the top rung for a solid decade.

“A small group of people persist at the high and low levels,” said Thomas A. Hirschl, a Cornell sociologist and one of the researchers who studied the phenomenon. “But a big crowd of people move in and out.”

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To see what percentage of earners achieve different levels of affluence over time, Dr. Hirschl and Mark R. Rank, a sociologist at Washington University, examined data from 1968 through 2011 that was collected by the Panel Study of Income Dynamics. Their findings were published in the peer-reviewed journal PLOS One in 2015.

The PSID began in 1968 with a nationally representative sample of more than 18,000 people living in 5,000 households. The study, run by the

Institute for Social Research at the University of Michigan, has tracked those individuals ever since.

In their analysis, Dr. Hirschl and Dr. Rank found that by age 60, more than half the population occupied the top 10% for at least one year, and 11% made it to the top 1% for that length of time.

But only 0.6% remained at the highest level for 10 consecutive years, and less than 7% remained in the top 10% for that long.

On the lower rungs of the ladder, 79% of the population experienced at least one year of economic insecurity, when, for example, the head of a household was unemployed, and half the population experienced at least one year of poverty or near poverty.

According to the researchers, a weakness of the analysis is that the data do not include immigrants. In addition, the findings are based on income, not wealth, which in some cases could obscure financial standing.

The study also doesn't identify earnings cutoffs or shares of income for the different quintiles. Both would have changed over time, but without that information, you don't know how much someone needed to earn to make it into the top 20% or how large the gap was between the different income levels, information that illuminates how difficult it is to move from one quintile to the next.

The Tax Foundation, a Washington, D.C., think tank, has published recent figures for those categories. In 2016, according to the foundation, the income cutoff for the top 1% was \$480,804. The top 50% earned 88.4% of total adjusted gross income. And the bottom 50% earned 11.6%.

Still, the general trends outlined in the PLOS One study are well documented.

Previous academic research examining income mobility using the PSID, as well as studies by the U.S. Treasury Department using income tax returns, reached the same conclusion: Income groups are fluid, not fixed.

Earlier studies examining PSID data, from 1967 through 1976 and from 1977 through 1986, found that around 50% of earners fell out of the top quintile, while around 45% moved up from the lowest quintile.

Similarly, the most recent Treasury report, published in 2008, examined the returns of 117.1 million taxpayers who filed individual or joint returns in 1996 and 2005 and found that more than half moved to a different income quintile between the two periods, a degree of mobility that was unchanged from the prior decade.

Dr. Hirschl and Dr. Rank didn't examine the causes of income mobility, but they did find that education, marriage and race were among the strongest predictors of top-level income.

"The big surprise for me was the volume of income mobility," Dr. Hirschl said. "We are a society of winners and losers. We tend to focus more on the winners, but people have all kinds of ups and downs."

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