The purpose of this paper is to examine parents' influence on labor market outcomes of their young adult sons, especially the influence of fathers and sons. The outcomes of interest are wages and occupational characteristics. The decisions of the younger generation are modeled and they make joint choices about where to live, whether to work, and if working, whether to remain in their current job or seek new employment. I think about parents as able to affect these decisions in three major ways.

First, family ties between children and parents may cause children to accept lower wages in order to live near their parents than they could earn if they were willing to move across labor markets. The majority of Americans live near where they grew up, a fact borne out in the PSID and well documented in the migration literature (see Greenwood (1997), Malloy et al (2011)), and a preference for home is usually built into economic models of migration. On the other hand, parents may help children find better jobs than they would be able to get otherwise, particularly if they live in the same location. There is some evidence for this in developed countries in papers like Karmarz and Skans (2007) or Corak and Piraino (2010). However, in the absence of firm-specific data, it can be difficult to parse out a direct effect of father’s attributes from any impact that comes from parental characteristics helping to measure the child’s ability. The key challenge of the paper will be to distinguish these effects from one another and from the effect of unobservable characteristics that are correlated between parents and children. In order to do this, I will use the PSID, a long genealogical panel data set, and build a model drawing from literatures in internal migration, occupational choice and intergenerational elasticities (IGE) of economic attributes.

The analytical section of the paper is divided into two main parts. In the first section, I present descriptive regressions in order to establish the basic patterns of the PSID data. In the simplest versions of these, I show that living near home and/or parents is associated with higher wages for individuals with a high school education, but lower wages for college graduates. Then, I introduce skill intensity measures of occupation that I borrow from Yamaguchi (2009). In the Yamaguchi model, occupations can be characterized by “cognitive” and “motor” skill intensities. Unsurprisingly, occupations with higher skill intensities are associated with higher wages, but less obviously, father’s skill intensity correlates with higher wages as well, for both high school and college graduates. Additionally, high school graduates tend to receive higher wages when the distance in cognitive-motor space between themselves and their fathers is lower. The relationships for father’s cognitive skill and occupational distance are strongest when fathers and sons are in the same location, defined alternately as a US state or MSA.

In the main section, I write down a choice model of location and occupation decisions to see if I can determine the reason for these relationships. Parents enter the child’s utility function in four places. First, children are shown to have strong preferences for living near parents. Second, the education and occupation of both parents is included along with an unobserved term to form the child’s innate cognitive and motor abilities, a permanent characteristic that affects both wages within an occupation and what occupation the child will get if they search in the labor market. Third and fourth, the interaction of father’s occupational characteristics with the father and child being in the same location is left both in the wage and occupation transition equations. Since I have accounted for preferences and for transmission of ability elsewhere in the model, I interpret these results as direct labor market influence by the father on behalf of the son.

Each mechanism plays a significant role in the structural model. Preferences for parents are large and of a similar magnitude for each parent. There is some evidence that mothers are more important when the child has children of their own (grandchildren), a result which fits with existing literature, although in my
data there is not enough one parent households to make that case very strongly. Unobserved ability has a relatively small impact on wages within an occupation but a larger impact on getting into a more skill-intense occupation. Fathers’ cognitive intensity and occupational distance still has a positive effect on wages in the structural model, although the measured effect is smaller than in the descriptive regressions. The model allows for counterfactual analysis of questions of interest in the related literature, such as what the effect of each channel is on migration rates or how much each channel contributes to intergenerational correlation of income or occupation.