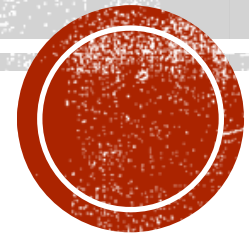


WHY DO WORKERS FROM LOW-EARNING BACKGROUNDS EARN LESS AS ADULTS?

HOSSAIN, NIELSEN AND SLICHTER (OCT 2025)



Discussion by Johannes Fleck

System Community Development Research Meeting 2025, DC

THE PAPER IN ONE SLIDE

- Earnings gap between adults who grew up with high vs. low earnings parents explained by controls related to
 1. “Productivity”: investments made in childhood (human capital)
 2. “Inefficiency”: worker earns less than she could -- voluntarily or involuntarily
 3. Either “Productivity” or “Inefficiency”: Ambiguous
 4. Unexplained by observable controls
- } *Focus of the paper*
- Empirical findings using NLSY79 data (and more)
 - Gap about equally explained by “Productivity” vs. “Inefficiency” differences, and “Productivity” explanatory power increases with age
 - But contribution share depends on classification of controls



COMMENT 1

- Paper speaks to a first-order importance topic: intergenerational social mobility
 - But, as such, it contributes to a huge literature...
- Sharpening the contribution and its policy implication relative to existing studies would be helpful
 - Terminology: Have “Productivity” and “Inefficiency” been studied under different names?
 - Data: What data has literature used? What is new here?
 - Earlier findings on the gap: Qualitative/quantitative differences?
 - Methodology: Have Gelbach Decompositions and Stochastic Frontier Analysis been used?



COMMENT 2

- Research design comes with limitations
 - No random assignment into treatment (high vs. low parental income)
 - Classification of observables and un-observables into “Productivity” vs. “Inefficiency” could be considered somewhat arbitrary
- Some suggestions to tackle these limitations
 - Consider different treatment intensities: Years spent living with parents? Volatility of parental income? Changes in parental income from high to low or vice versa? Source of parental income?
 - Switch to inductive approach: start identifying variables which largest explanatory power (e.g. LASSO regression) and then think about their classification or consider dimensionality reduction tools (PCA)



GREAT WORK!

- I enjoyed reading this paper and learned a lot from it
- Speaks to a research question with high relevance
- Already very comprehensive (lots of robustness, alternative mechanisms, etc)
- Carefully executed and well-written

