

# **Title:** Intergenerational earnings mobility in Ghana

## Abstract:

This paper estimates the degree of intergenerational earnings persistence and mobility in Ghana. We use micro-data from the third and sixth rounds of the Ghana Living Standard Survey (GLSS). We find relatively high estimates of intergenerational income elasticity (IGE), ranging from 40 to 54 percent, suggesting low intergenerational earnings mobility in Ghana. The results further point to a limited set of inherited circumstances that include the father's education and occupation. Our estimates show that a father's education and occupation determine one's family's economic status during the teenage years and explain a significant fraction of earnings inequality among male adults in Ghana. The novelty of this paper is the application of linear dynamic panel data models with repeated cross-sections to provide a consistent estimate of intergenerational elasticity of earnings in the framework of two-sample two-stage least squares (TSTLS) using less restrictive functional form identification without exclusion restriction. The application of this new approach shows that a 1 percent increase in a father's lifetime income raises a son's permanent income by a range of 23.9 percent–40.9 percent, an indication of low intergenerational mobility. The results from the modified TSTLS indicate that the traditional TSTLS approach overestimates the IGE by at least 0.19.

Purpose of this paper is to study the effect of government health expenditure on the health of ch