Wage Inequality Evidence Package

Assignment 3: Understanding Wage Inequality

PADM-GP 2163: Labor Policy and the Future of Work
NYU Wagner School of Public Policy

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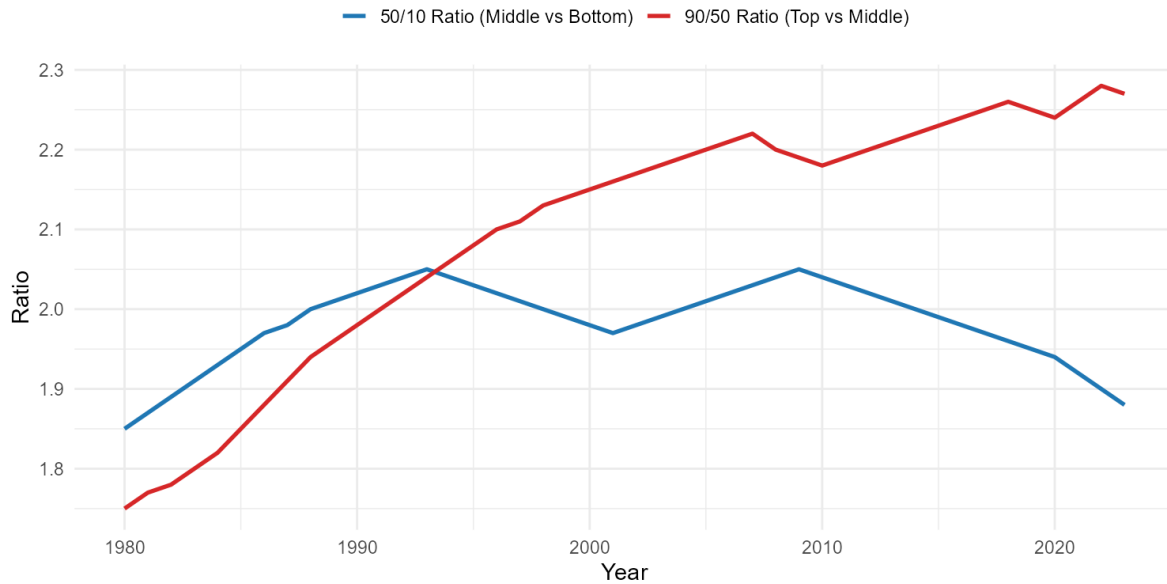
Instructions

This evidence package contains five exhibits prepared from Current Population Survey (CPS) data. Use these exhibits to complete Assignment 3. For each exhibit, carefully examine the patterns shown and consider what they reveal about wage inequality in the United States.

Exhibit 1: U.S. Wage Inequality, 1980–2023

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Percentile ratios of hourly wages

— 50/10 Ratio (Middle vs Bottom) — 90/50 Ratio (Top vs Middle)

Source: Current Population Survey (CPS) via IPUMS. Full-time workers age 25-64.

What this shows: The 90/50 ratio compares wages at the 90th percentile (high earners) to the median. The 50/10 ratio compares the median to the 10th percentile (low earners). Higher ratios indicate greater inequality.
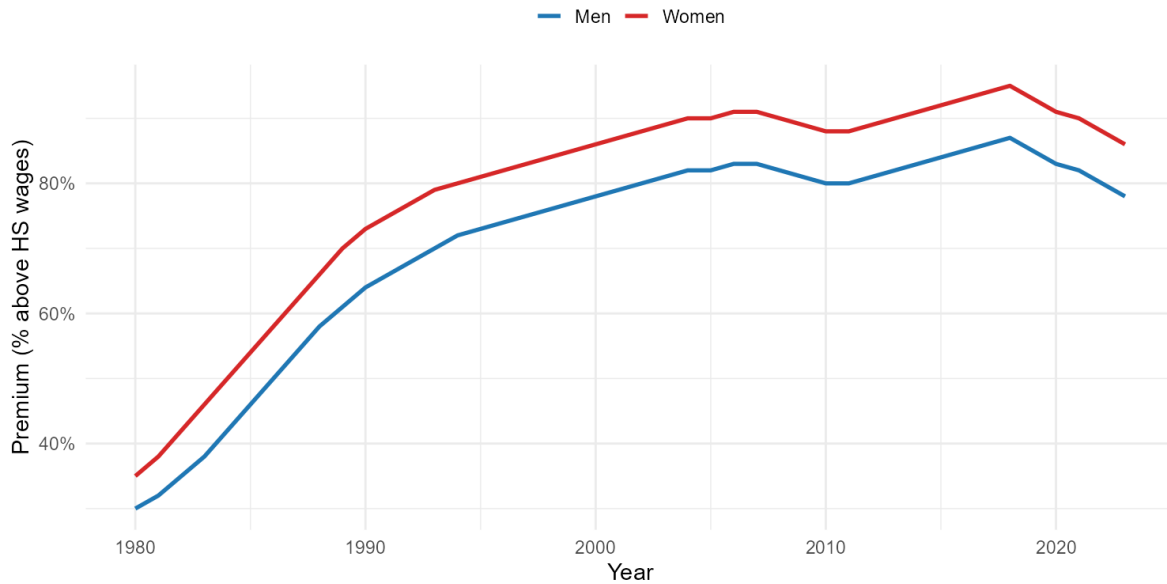
Key patterns to observe:

- Which ratio grew more over time?

- When did inequality growth accelerate?

- What happened during recessions?

Exhibit 2: College Wage Premium by Gender, 1980–2023

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Ratio of college graduate to high school graduate median wages

— Men   — Women

[A line chart with the y-axis labeled "Premium (% above HS wages)" ranging from about 30% to above 80%, marked at 40%, 60%, and 80%. The x-axis is labeled "Year" with marks at 1980, 1990, 2000, 2010, and 2020. Two lines (Men in blue, Women in red) rise steeply from 1980 to around 1995, then gradually increase, peaking near 2018, before declining toward 2023.]

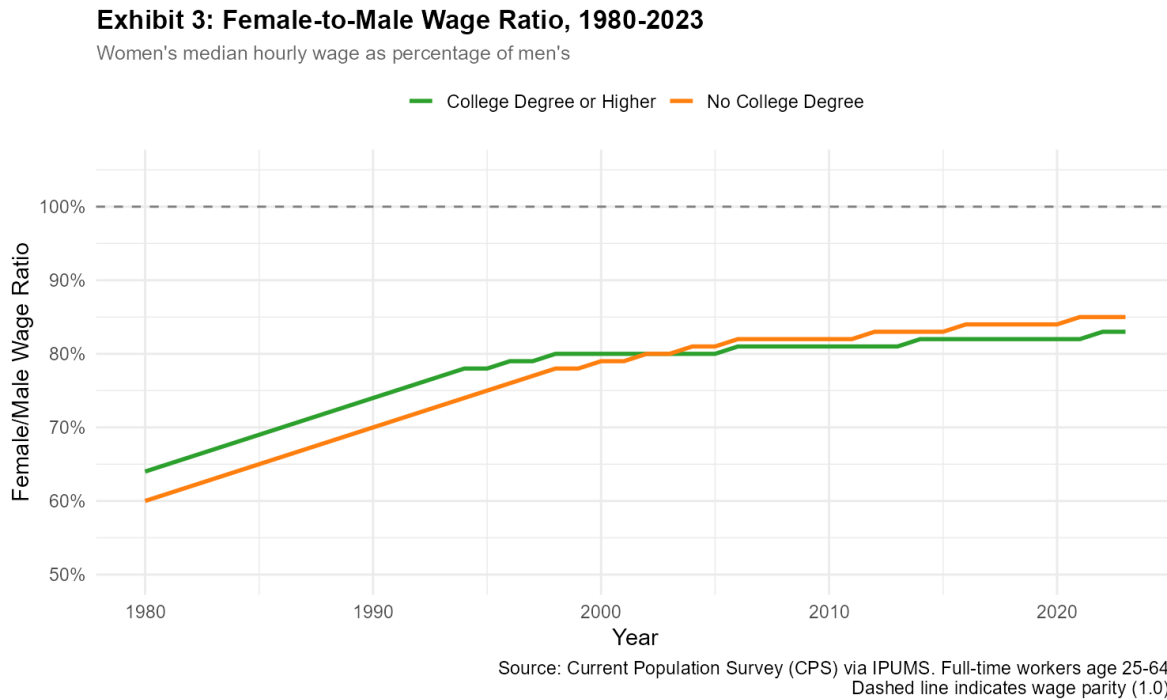Source: Current Population Survey (CPS) via IPUMS. Full-time workers age 25-64.

What this shows: The ratio of median wages for workers with a bachelor's degree or higher compared to workers with only a high school diploma.

Key patterns to observe:

- How large is the college premium today?

- Has the premium grown, stabilized, or declined recently?

- Do men and women have similar college premiums?

Exhibit 3: Female-to-Male Wage Ratio, 1980–2023

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Women's median hourly wage as percentage of men's

College Degree or Higher   No College Degree

Source: Current Population Survey (CPS) via IPUMS. Full-time workers age 25-64.
Dashed line indicates wage parity (1.0).

What this shows: Women's median hourly wage as a percentage of men's. A ratio of 1.0 (or 100%) would indicate wage parity.

Key patterns to observe:

• Has the gender gap narrowed over time?

• Is convergence faster for college-educated or non-college workers?

• Has progress stalled in recent decades?

Exhibit 4: Wage Distribution by Group, 2023

Group	N (000s)	Median	P10	P90	90/10	% College
All Workers	95,000	$24.50	$12.50	$55.00	4.40	42%
Men	48,000	$26.00	$13.00	$60.00	4.62	40%
Women	47,000	$22.50	$12.00	$50.00	4.17	44%
White	72,000	$26.00	$13.50	$58.00	4.30	45%
Black	12,000	$20.50	$11.00	$45.00	4.09	32%
Hispanic	18,000	$19.00	$11.50	$40.00	3.48	24%
College Degree+	40,000	$35.00	$20.00	$72.00	3.60	100%
No College	55,000	$18.50	$11.00	$38.00	3.45	0%

What this shows: Hourly wages at key percentiles for different demographic groups.
Key patterns to observe:

- Which groups have the lowest median wages?

- Which groups have the most inequality within the group (highest 90/10 ratio)?

- How does education relate to wage levels?

Exhibit 5: Wage Regression Results

Variable	Model 1 Education Only	Model 2 + Demographics	Model 3 + Occ/Industry
College Degree	0.45*** (57% higher wages)	0.42*** (51% higher)	0.35*** (42% higher)
Age (years)	0.025*** (2.5% per year)	0.024*** (2.4% per year)	0.022*** (2.2% per year)
Age^2 / 100	-0.025*** (Wages peak $\sim$50)	-0.024***	-0.022***
Female	—	-0.18*** (16% lower)	-0.12*** (11% lower)
Black	—	-0.12*** (12% penalty)	-0.08*** (8% penalty)
Hispanic	—	-0.10*** (10% penalty)	-0.06*** (6% penalty)
Occupation FE	No	No	Yes
Industry FE	No	No	Yes
R^2	0.24	0.28	0.42
N	75,000	75,000	75,000

*** $p < 0.01$. Dependent variable: log(hourly wage). Full-time workers age 25–64.

What this shows: How much of the wage gap between groups is "explained" by education, occupation, and industry versus "unexplained."

How to interpret:

- The coefficient on "Female" in Model 2 (-0.18) means women earn about 16% less than men with similar education and experience

- In Model 3, controlling for occupation and industry, the gap shrinks to 11%

- The remaining 11% is "unexplained"—possibly discrimination, negotiation differences, or unmeasured factors