

Macro Roundup Article

Headline: [Toward An Understanding Of The Returns To Cognitive Skills Across Cohorts](#)

Article Link: <https://www.nber.org/papers/w32229>

Author(s)	Judith Hellerstein, Sai Luo and Sergio Urzúa
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Tweet: Wage returns to cognitive skill have declined for white men who took the Armed Forces Qualifying Test (AFQT) in 1997 relative to 1979, driven primarily by a decline in scores at the bottom of the skill distribution.

Summary: It is well known that the wage structure widened in the U.S. labor market over the decades encompassing the early adulthood of the 1979 and 1997 National Longitudinal Survey of Youth (NLSY) cohorts. Although often overlooked, changing pre-labor market skill distributions may play a crucial role in capturing the evolution of labor market returns to cognitive skills. We show that for white men in the NLSY, the estimated decline over this period in the return to adjusted Armed Forces Qualifying Test (AAFQT) scores, which measure pre-labor market cognitive skills, critically depends on changes in the distribution of these scores between the two cohorts and particularly on the widening (and increased left-skewness) of the AAFQT distribution in the NLSY-97. To the extent that returns to cognitive skills did decline for the white men in our sample, they did so only at the lower part of the AAFQT distribution. This may prove especially important in the future given continuing changes in skill development in recent youth cohorts. Related: [Why Do Wages Grow Faster for Educated Workers?](#) and [Multidimensional Human Capital and the Wage Structure and The Plateauing of Cognitive Ability Among Top Earners](#)

Primary Topic: Education

Topics: Academic paper, Database, Education, Test Scores, Wages/Income, Workforce

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