

Macro Roundup Article

Headline: [Wage Inequality and the Rise in Labor Force Exit: The Case of US Prime-Age Men](#)

Article Link: <https://www.bostonfed.org/publications/research-department-working-paper/2022/wage-inequality-and-the-rise-in-labor-force-exit-the-case-of-us-prime-age-men.aspx>

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Summary: This paper investigates whether prime-age non-college men are more inclined to leave the labor force when their expected earnings fall relative to the earnings of other workers in their labor market. The empirical model takes into account that a job not only provides economic security but also affirms a worker's social status, which is tied to their position relative to their age range peers. According to [a regression analysis] estimate, a 10% growth in expected earnings has an associated 0.12 percentage point decrease in the exit rate. Contrarily, a 10% growth in reference earnings has an associated 0.13 percentage point increase in the exit rate, fully discounting the earnings effect. These coefficients offer suggestive evidence that non-college men's labor market exit behavior is tied to the relative values of their earnings. Over the course of the study period, non-college men's relative earnings declined 30% on average. Based on the estimates, this decline in relative earnings had an associated 49 percentage point increase in the exit rate, accounting for 44% of the total growth in the exit rate among non-college men over this period. In contrast, changes in real earnings alone account for only 18% of the total growth in exit rate.

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