# 1 Documentation: CPS data for Borrowing Constraints Project

# 2 Broad Steps

1. Get variables
2. Filter data
3. Make individual schooling
4. Make wage (for those who work)
5. Compute stats by [age, school, year]: median wage, ...
6. Construct cohort age earnings profiles
7. Compute present value of lifetime earnings by cohort, schooling.

# 3 Variables

Sex: obvious

Age: obvious

WTSUPP: person weight (valid for incwage)

HRSWORK: hours worked last week. Consistently available (unlike UHRSWORK).

WKSWORK2: weeks worked last year (intervalled). Consistenly available.

- recode to interval midpoints

INCWAGE

- multiply top codes by 1.5 (not important here; we are using medians)

# 4 Filter

General docu see below

# 5 Appendix: CPS Data

## 5.1 Sample

We use data from the March Current Population Survey (King, Ruggles, Alexander, Flood, Genadek, Schroeder, Trampe, and Vick, 2010) to construct median lifetime earnings by cohort and school level.

## 5.2 Filter

Our sample contains men between the ages of 16 and 75 observed in the $1964-2010$ waves of the CPS. We drop persons who live in group quarters or who fail to report wage income.

Also drop: not wage and salary workers or in armed forces. Hours worked $<$ 30. Weeks worked $<$ 30. No school information.

Observations are weighted by WTSUPP which excludes the armed forces and the Hispanic oversample.

## 5.3 Schooling Variables

Schooling is inconsistently coded across surveys. Prior to 1992, we have information about completed years of schooling (variable higrade). During this period, we define high school graduates as those completing 12 years of schooling (higrade=150), college dropouts as those with less than four years of college (151,...,181), and college graduates as those with 16+ years of schooling (190 and above). Beginning in 1992, the CPS reports education according to the highest degree attained (educ99). For this period, we define high school graduates as those with a high school diploma or GED (educ99=10), college dropouts as those with "some college no degree," "associate degree/occupational program," "associate degree/academic program" (11,12,13,14). College graduates are those with a bachelors, masters, professional, or doctorate degree (15,16,17,18).

## 5.4 Lifetime earnings

Lifetime earnings = present value of earnings up to age 66. Discounted at model interest rate to age 18.

For each school group: assume work start ages of $(17, 18, 20, 22)$.

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Earnings:

wage and salary income (INCWAGE), deflated by the Consumer Price Index with a base year of 2010. Top coded observations of INCWAGE are multiplied by 1.5.

Drop outliers: Define a weekly wage as INCWAGE per week worked (WKSWORK2),

Observations with wages below 0.05 times the median wage or above 100.000000 times the median (strictly positive) wage are dropped as outliers.

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Constructing a cohort's earnings profile.

Where observed, use median earnings.

Where not observed: impute using the predicted age-earnings profile obtained by regressing log median earnings on age and year dummies (pooling all cohorts; separately for each school group).

To match levels: adjust mean of profile to match cohort's mean over 5 years where observed (at start or end of profile).

# 6 eof

# References

King, M., S. Ruggles, J. T. Alexander, S. Flood, K. Genadek, M. B. Schroeder, B. Trampe, and R. Vick (2010): "Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]," Minneapolis: University of Minnesota.