The declining fortunes of (most) American workers V2

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Abstract

While real US GDP per capita has increased around 80% since 1980, median incomes have remained roughly constant. This paper documents that: 1) This stagnation masks an important intergenerational decline – more recent generations have earn't less than less recent ones. 2) This decline is largest amongst white males without college educations. But, find evidence for similar declines amongst those with college educations. The decline is also sufficiently large to more than offset reductions in the racial and gender wage gaps. 3) Exploiting state and industry variation in workforce composition we obtain race and gender-specific labour share estimates. Data suggest that inter-generational declines in the labour share have accounted for much of the decline in earnings. 4) Such inter-generational reductions in the labour share, and wages, are lower amongst union members.

Keywords: Wages, Intergenerational Differences, Labour Share, Stagnation, Jobs

JEL Codes: E24, J24, J31, D33, D31

1 Introduction

Many of us take economic progress for granted. We expect that normally our earnings will increase from one year to the next and that we will be more prosperous than our parents and grandparents were. Yet, this expectation is increasingly misaligned with recent experience. US real median earnings have seen little improvement since 1980.[1] Meanwhile, US GDP per capita has nearly doubled since

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[1] See Figure ?? in the Appendix.

1980.[2] This increase reflects both growth in women's market earnings due to greater labour market participation as well as increases in the earnings of the richest.

This paper studies this stagnation from an intergenerational perspective. We trace the real earnings of each generation over the life cycle and document that for each generation subsequent to the Baby Boomers, living standards have declined substantially in real terms. That is, rather than being richer than their parents, the median member of Generation X, born between 1965–1979, or a Millennial born in the period 1980–1999, is poorer at every point during their working lives than their parents were as members of either the Boomer or Silent Generations, born between 1946–1964 or 1925–1945 respectively.

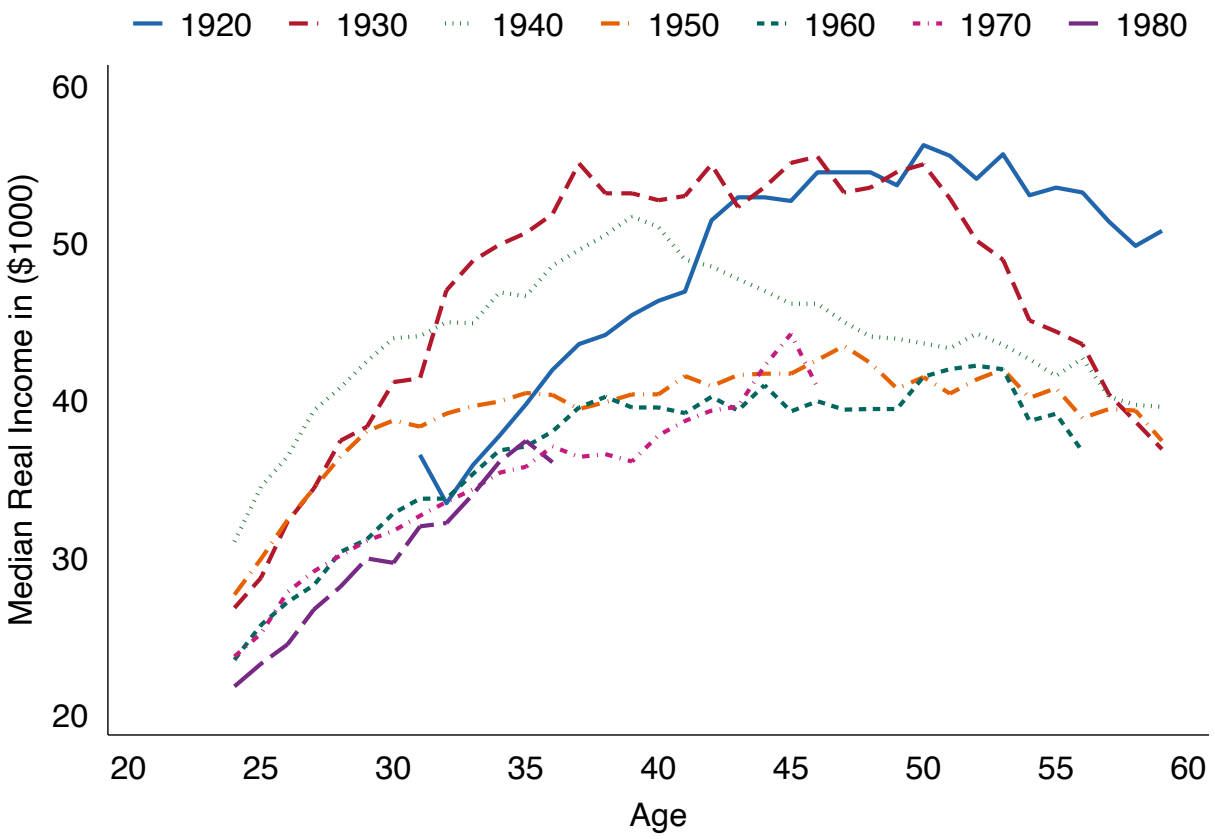
Figure 1 shows median earnings in 1999 dollars at each age for white, male, high-school educated, Americans by decade of birth. Comparing the median wage across cohorts, we see that those born in the 1920s, were earning over $\$30,000$ in by their early 30s. This is less than those born in the 1930s and the 1940s, but interestingly this cohort have the highest peak earnings of any cohort, at around $\$55,000$. However, the 1940s cohort saw their wages drop by nearly a quarter in real terms at the beginning of the 1980s relative to their wages in the preceding decade and never recover. A similar change seems to affect the previous cohorts, but later in life where it is conflated with retirement. Cohorts from the 1950s onwards, see comparatively little wage growth, earning less at every point in their lives than their forebears. For example, a white male high-school graduate born in the 1930s is earning about $\$50,000$ by age 40, their son, born in the 1950s, makes $\$40,000$, their grandson born in the 1970s had a median wage around $\$35,000$. **?** documents the growing importance of the 'birth lottery', our results imply the average ticket is now a losing one in absolute terms.

The purpose of this paper is to study this phenomenon of intergenerational declines in median wages. The first section of this paper discusses intergenerational changes in earnings, providing evidence of similar patterns, with few exceptions, across demographic groups, and the population as a whole. In particular, we find that the median earnings of male college graduates have also declined. This is also true for women with the exception of the Silent Generation, as well as African American and Hispanic men. The key exception has been the substantial improvement in the earnings of African American and Hispanic women. Both graphical analysis at the cohort level, as well individual level regression estimates, show that this is a general phenomenon. Considering conditional demographic and educational controls, we find that Boomers' earnings were slightly lower than the Silent Genera-

[2] Measured in 2010 Dollars, it was $\$28,589$ in 1980 and $\$54,551$ in 2018. Data from: https://data.worldbank.org/indicator/NY.GDP.PCAP.KD?locations=US

tion's, whilst Gen. X'ers and Millennials were earning 6% and 12% less than the Silent Generation, respectively.[3]

Figure 1: Median wage of white male high school graduates, by decade of birth, over the life cycle



Source: ASEC supplement of the Current Population Survey (CPS), survey years 1962-2018
Notes: Includes the male population between the ages of 23 and 65 who are high school graduates and have wages above the defined minimum income threshold. Wages are adjusted for inflation and individual weights are used.

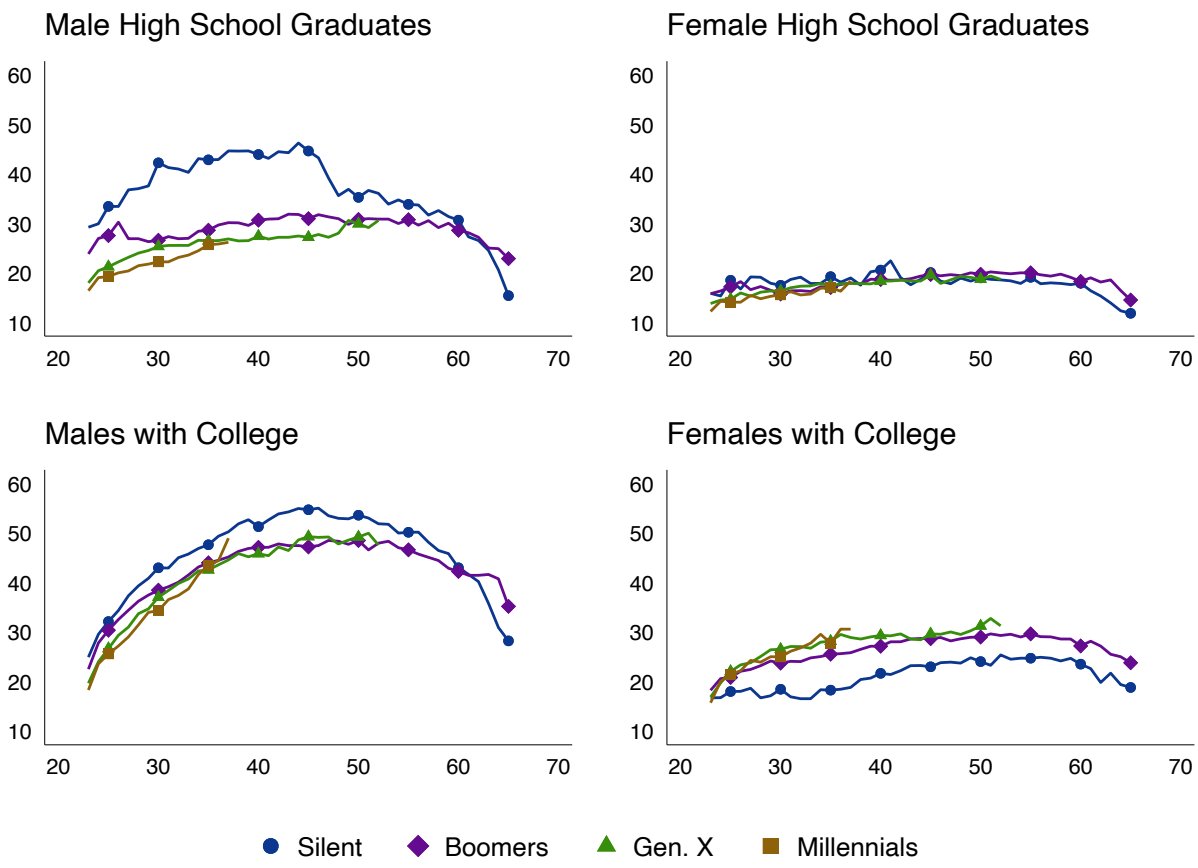
2 Wages: Aggregates

:

(Hours, Age max salary-> Appendix)

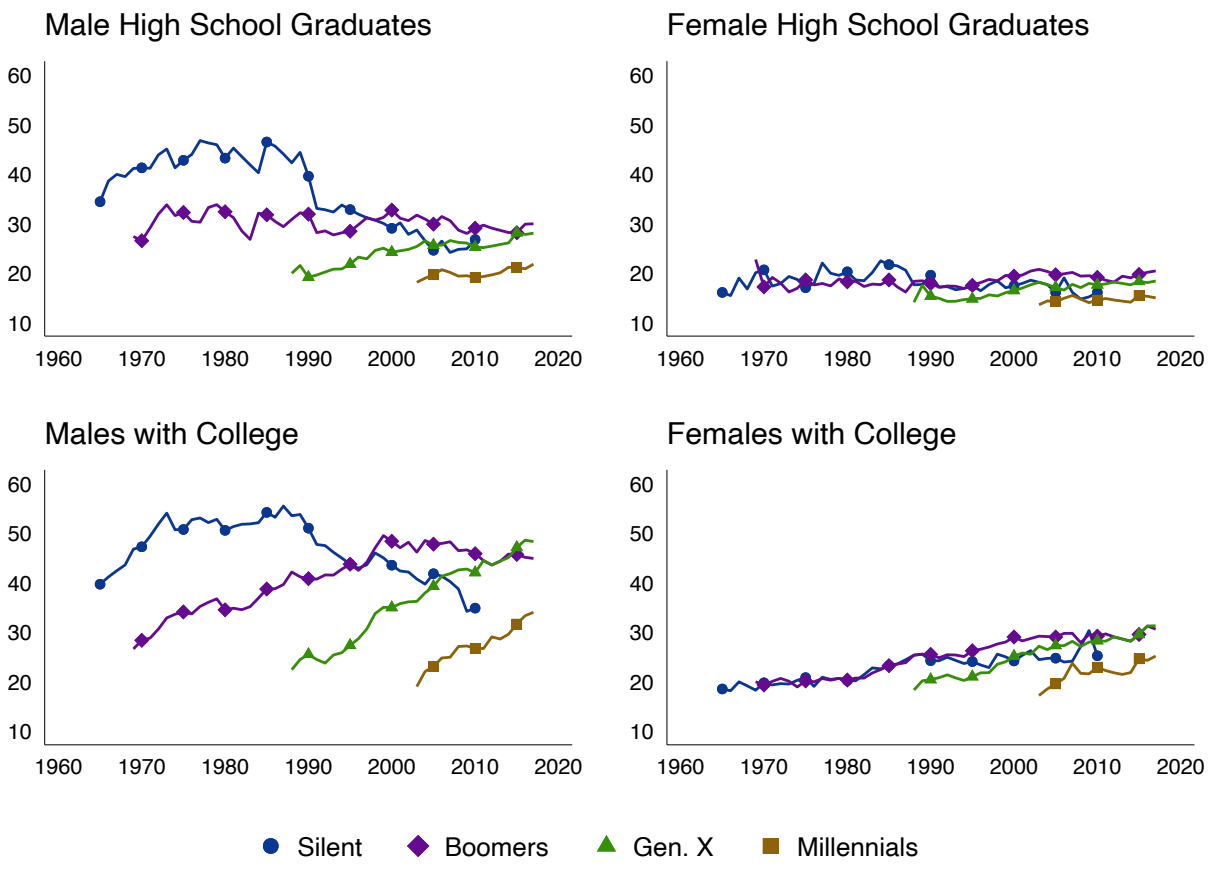
[3]We also show that, as well as earnings being lower, later generations have had to wait longer to attain peak earnings.

Figure 2: Median wage (in $1000) by generation over the life cycle



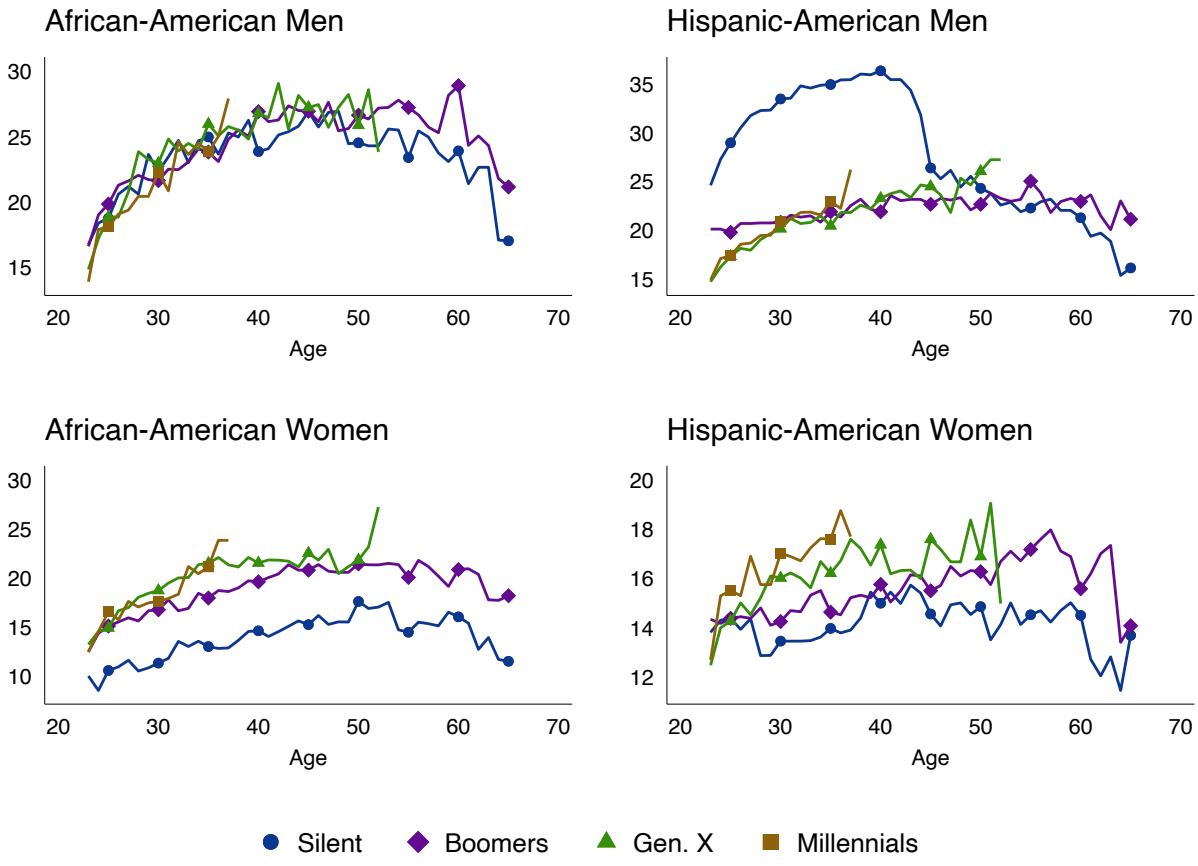
Source: ASEC supplement of the Current Population Survey (CPS), survey years 1962-2018
Notes: Includes the total population, wages are adjusted for inflation, and individual weights are used. 'College' includes those who attended college and have at least a bachelor's degree. The vertical axis is median real wage in $1000, measured in 1999 dollars.

Figure 3: Median wage (in $1000) for each generation over time



Source: ASEC supplement of the Current Population Survey (CPS), survey years 1962-2018
Notes: Includes the total population, wages are adjusted for inflation, and individual weights are used. 'College' includes those who attended college and have at least a bachelor's degree. The vertical axis is median real wage in $1000, measured in 1999 dollars.

Figure 4: Median wage by generation over the life cycle



Source: ASEC supplement of the Current Population Survey (CPS), survey years 1962-2018
Notes: Includes the total population, wages are adjusted for inflation, and individual weights are used. The vertical axis is median real wage in $1000, measured in 1999 dollars.

3 Wages: Conditional

4 Labour Share

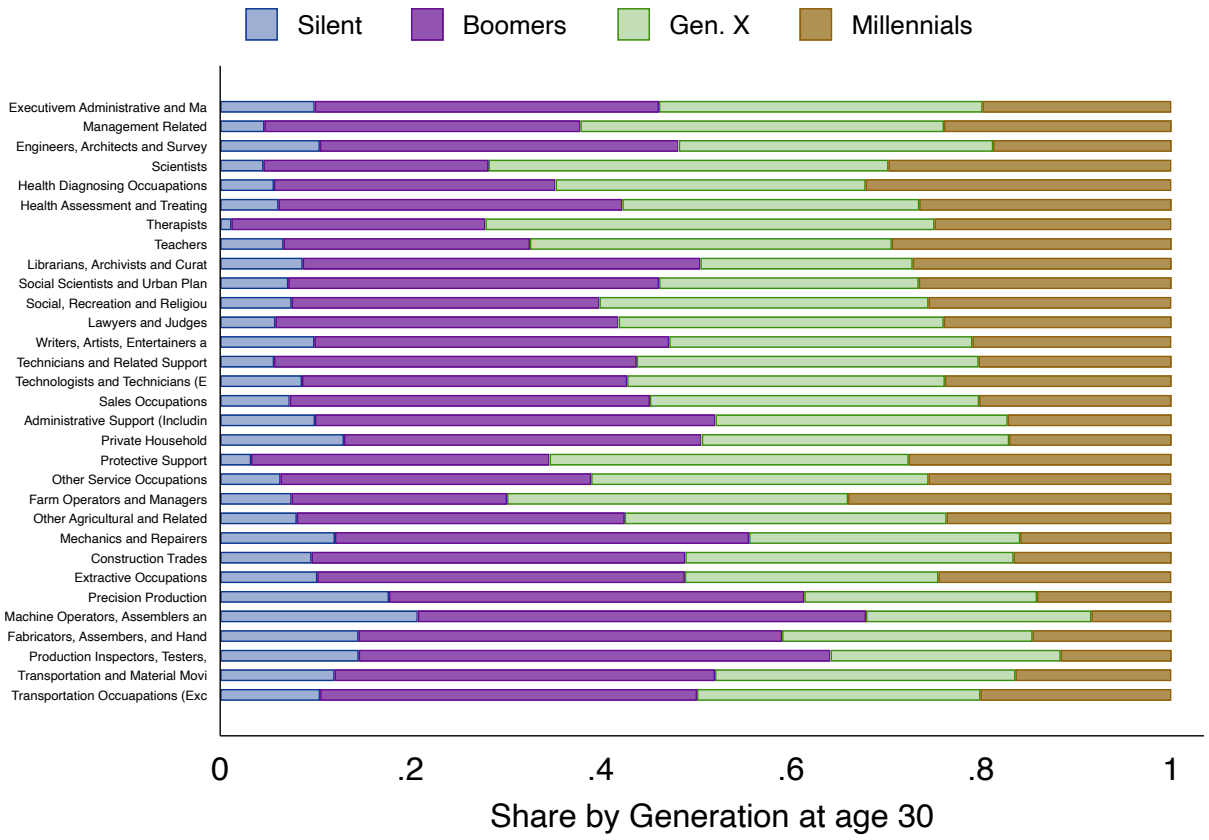
How/Why the labour share might vary by generation.

Insider-Outsider (**?**)? Search **?**

This argument then applies by gender/race/educ.

How we calculate the labour share and what we need to assume to do so?

Figure 5: Share of individuals in Occupations at age 30 by Generation



Source: ASEC supplement of the Current Population Survey (CPS), survey years 1962-2018

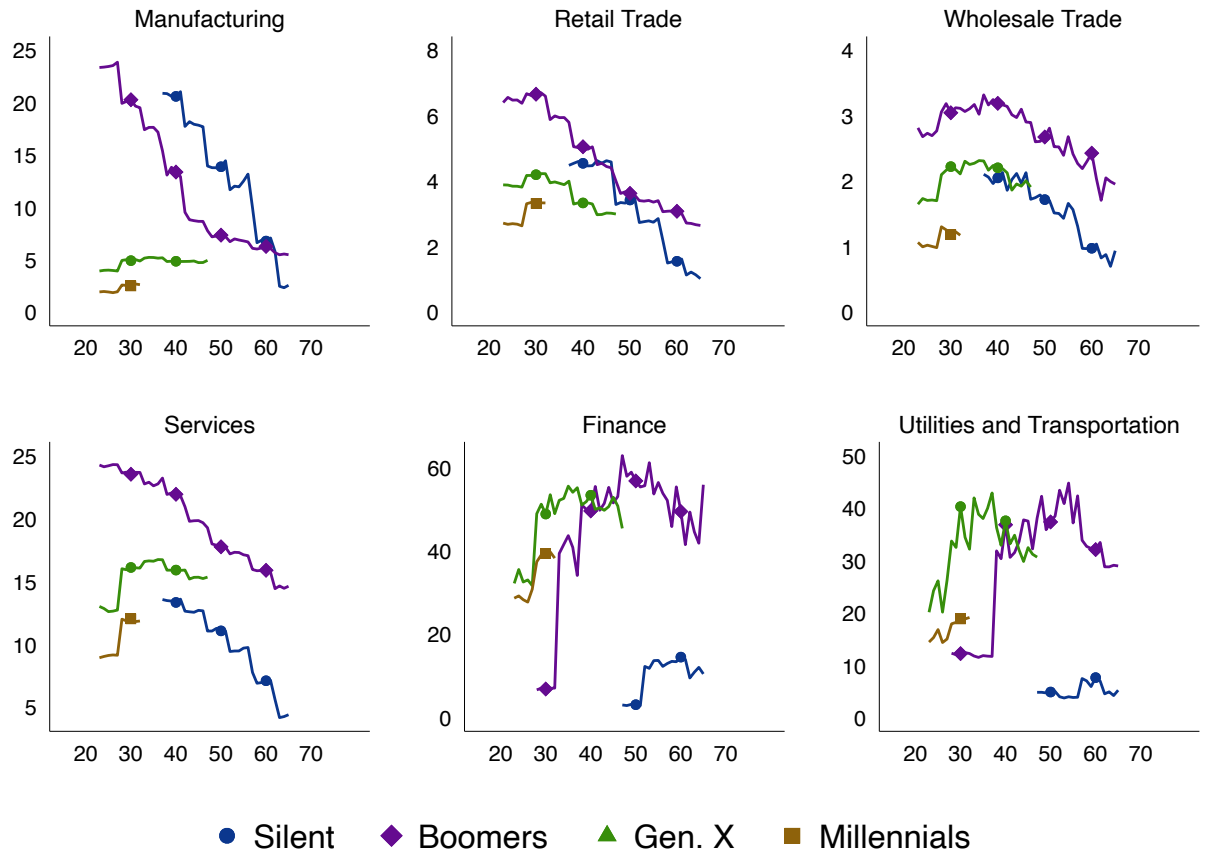
LS by gender

, by educ??,

by race – too much noise and not very interesting?

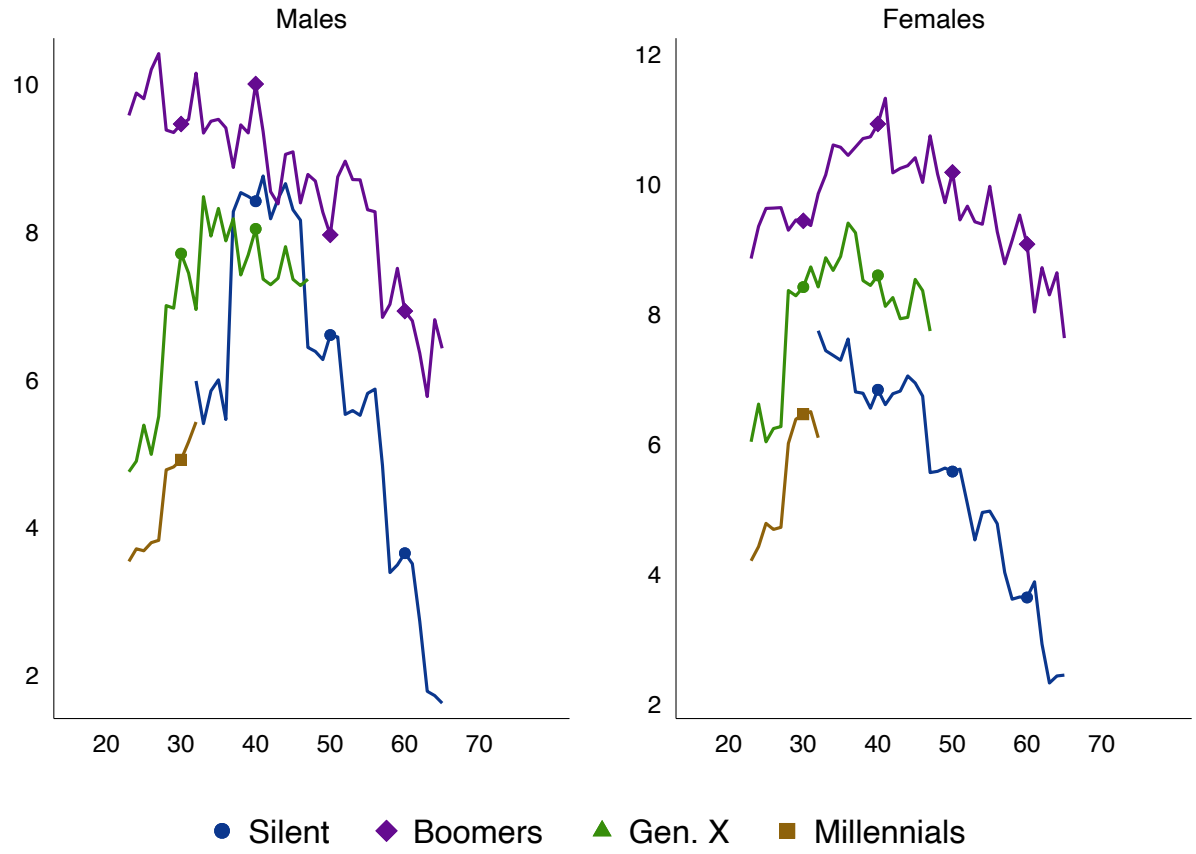
Figure reporting LS regression results (those in the new tables).

Figure 6: Labour share by age for each industry and generation



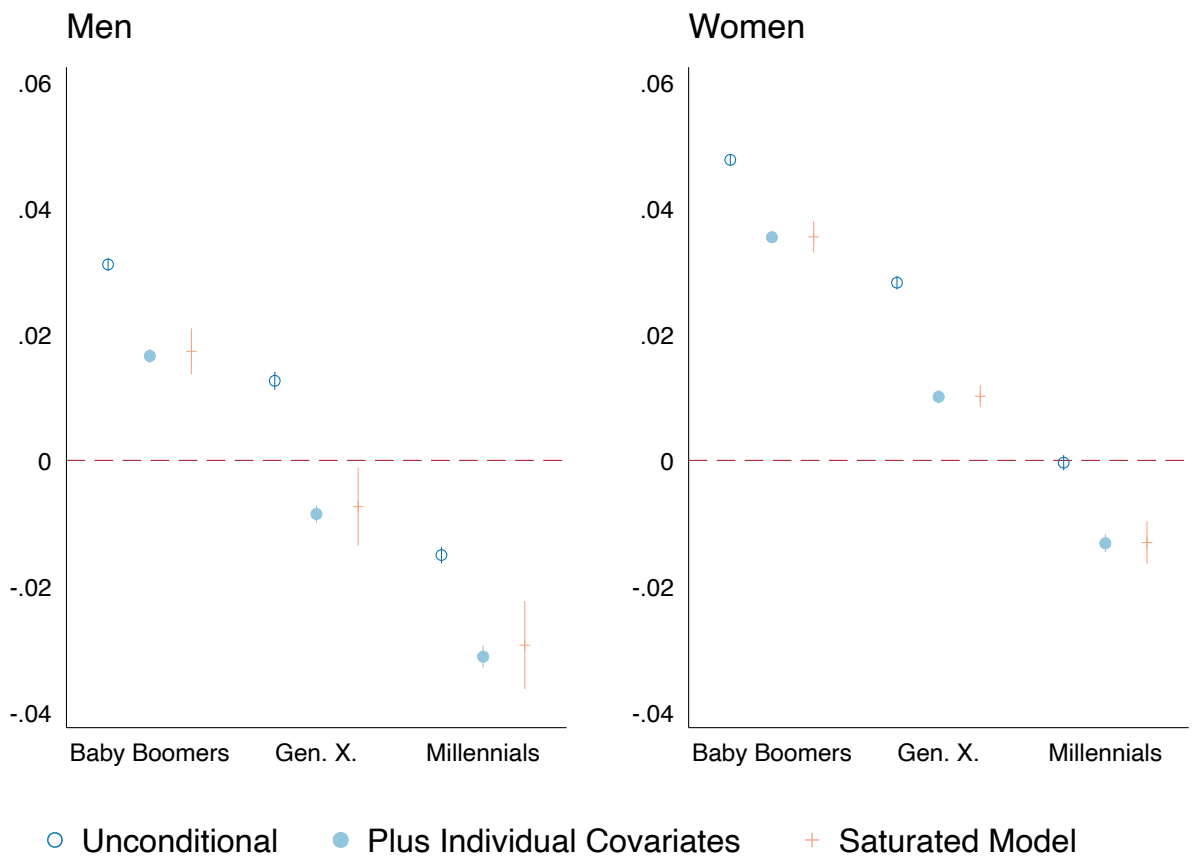
Source: US Economics Census & ASEC supplement of the Current Population Survey (CPS), data is every 5 years from 1977 – 2012
Notes: Data is merged at the year, state and one-digit industry level as described in Appendix **??**. The labour share is calculated as described in Section **??**. Individual weights provided by the CPS are used.

Figure 7: Labour share by age for MEN AND WOMEN



Source: US Economics Census & ASEC supplement of the Current Population Survey (CPS), data is every 5 years from 1977 – 2012
Notes: Data is merged at the year, state and one-digit industry level as described in Appendix **??**. The labour share is calculated as described in Section **??**, with the addition of weighting the labour share additionally by the gender composition of each generation in each industry. Individual weights provided by the CPS are used.

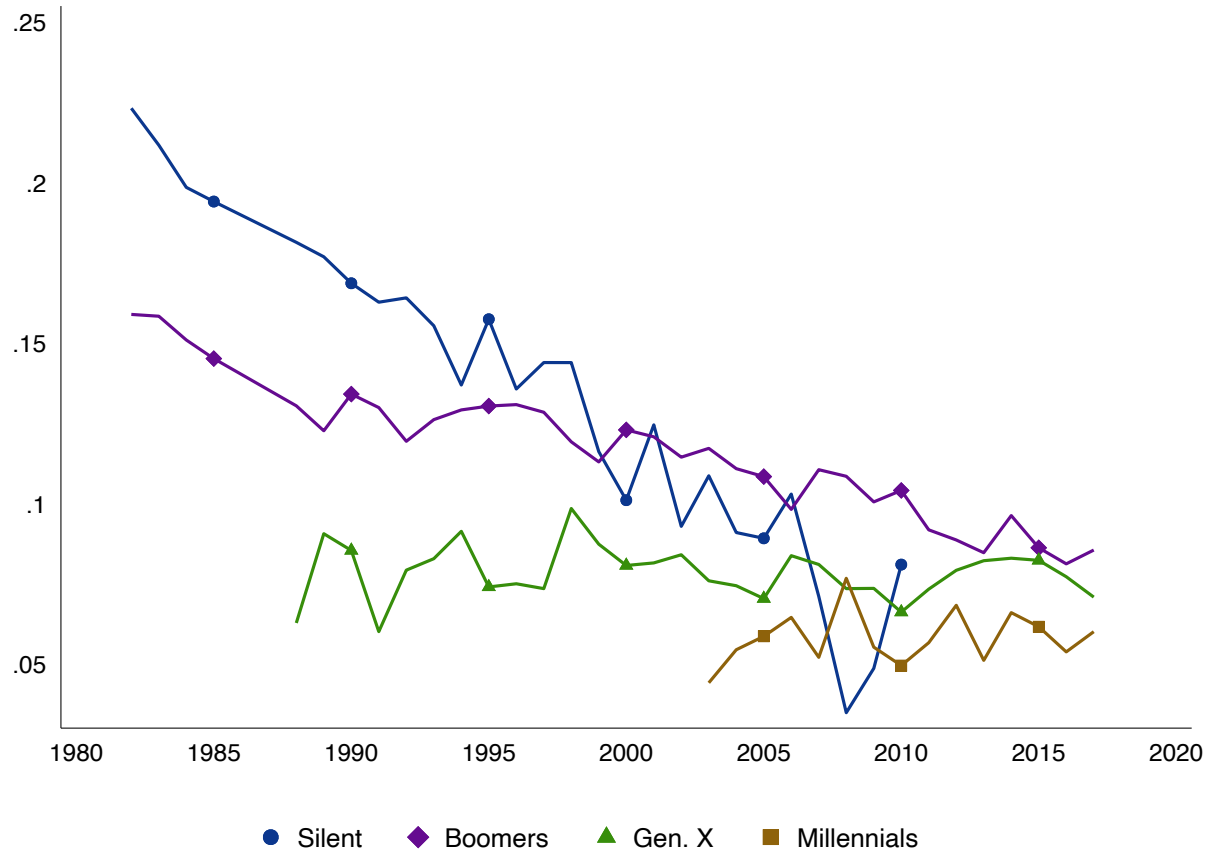
Figure 8: Coefficients on Generation from regression of Gender weighted labour share



Source: US Economics Census & ASEC supplement of the Current Population Survey (CPS), data is every 5 years from $1977 - 2012$
Notes: Data is merged at the year, state and one-digit industry level as described in Appendix **??**. The labour share is calculated as described in Section **??**, with the addition of weighting the labour share additionally by the gender composition of each generation in each industry. Individual weights provided by the CPS are used. *Unconditional* refers to a regression with just generation covariates, *plus individual covariates* contains additional individual controls and industry, and lastly, *Saturated model* included additional state and occupation fixed effects.

5 Discussion

Figure 9: Share of each generation with Union membership by year



Source: March supplement of the Current Population Survey (CPS)
Notes: Individual weights provided by the CPS are used.

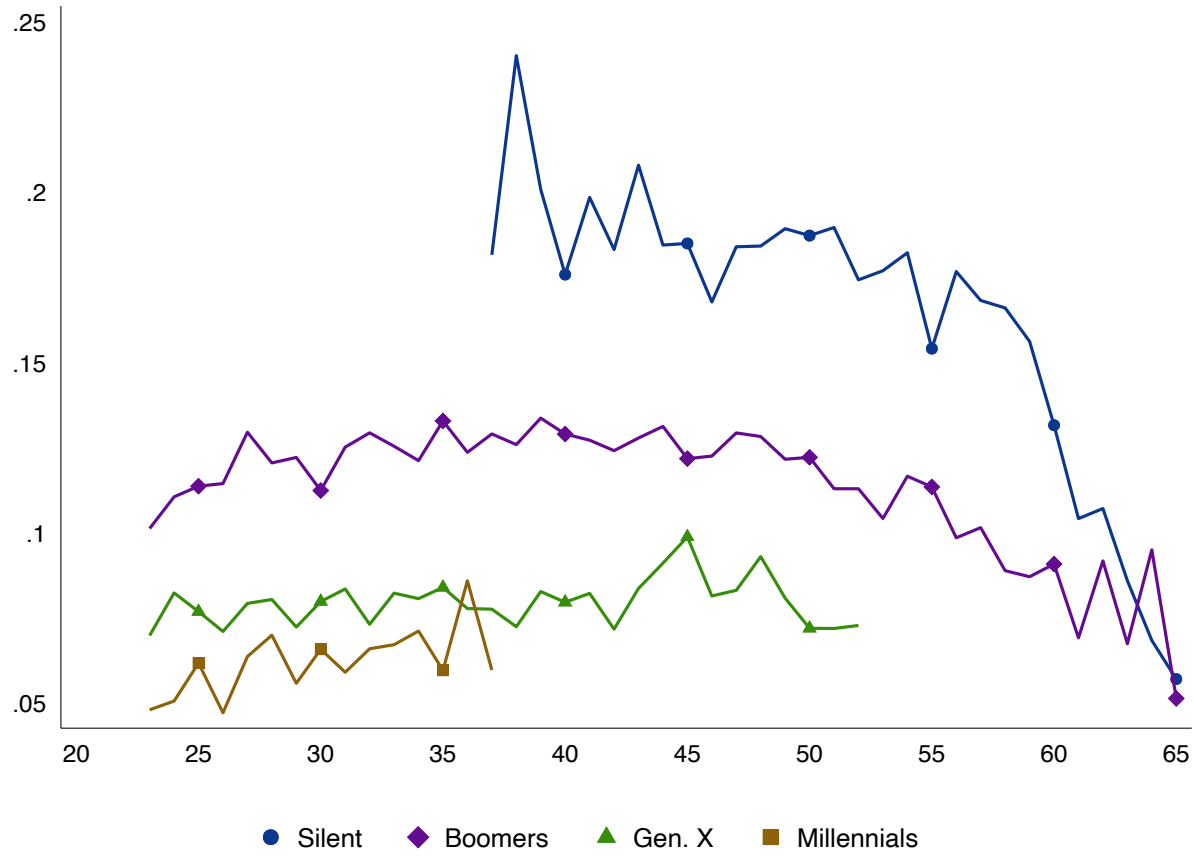
LS by unionisation

Share with unionisation by industry/occ

Interaction plots with wage?

structural changes in the labour market?

Figure 10: Share of each generation with Union membership by age



Source: March supplement of the Current Population Survey (CPS)
Notes: Individual weights provided by the CPS are used.

6 Conclusion.