

POLICYNOTE

THE STAGNATION OF MALE WAGES

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INFORMATION AND SUMMARY

The inequality of incomes in America has absorbed a lot of attention in the media, Washington, and among think tanks. As a presidential election season begins, this attention diverts focus from a related and equally disturbing set of issues. Classically, increased income inequality refers to periods in which all boats rise but some rise much faster than others. Yet, for typical American male workers, there has been no general rise in wages since the late 1960s, with only short periods of modest improvement. In other words, the typical male today earns less than the typical male did in 1969. Incomes have grown somewhat for typical women, especially for those with college degrees, but the growth has not been rapid by historical standards.

This is partly due to general wage inequality. But something more disturbing is occurring, and a focus on inequality alone does not adequately capture the most important dimension of labor market dynamics—the persistent stagnation of wages for male workers in the past thirty-six years. The inequality issue is more clearly defined as a runaway of incomes at the very top of the distribution. For example, according to Thomas Piketty and Emanuel Saez (2003), in a widely cited study, the top one percent of tax filers have increased their share of gross reported income from 8.2 percent to 17.6 percent between 1980 and 2005. Is this runaway the direct cause of wage stagnation for so many?

The unusual experience of American workers for a generation has been a direct challenge to a deeply traditional American expectation of a rising standard of living. Americans had generally counted on what Frank Levy and Peter Temin (2007) have recently called, “mass economic mobility.” The

American dream is usually thought of as the Horatio Alger story of success: anyone can rise by their bootstraps to wealth and some actually do. The American success story of far broader impact is that the material standard of living of most Americans rises from generation to generation, even when they do comparable work. This experience is captured in the consistent rise of median incomes adjusted for inflation.

In a recent report by Isabel Sawhill and John Morton (2007), they conclude that that stagnating median incomes have undermined a pillar of “the American dream.” As they report, a typical son in his thirties makes less today than his father did thirty years ago, after inflation.

To understand more clearly what has happened to incomes in the nation, and to provide better perspective on the motivations for change in political attitudes, we analyzed wage and salary data provided by the Census Bureau’s Current Population Survey for year-round, full-time workers since 1969. We segregated the CPS data for wages and salaries of full-time workers by age, sex, and education, and recorded them in 1969, 1979, 1989, and 2000. These years are roughly cyclical highs. We tested the statistical significance of the disaggregated samples and found them high. We loosely consider 2005 equivalent to today’s income for descriptive purposes. Gains since 2005 have been negligible

We present data in this policy brief for high school and college graduates by age group and sex. We have computed similar data for other levels of educational attainment as well, which we will present in a future paper.

For males between 25 and 44 with only a high school diploma, median wages and salaries incomes today are below their level in 1969. For males between 45 and 54, median wages and salaries are below the level of 1979. For those males who completed college but attained no advanced degrees, typical incomes have stagnated for very long intervals within the thirty-six year period, and are only modestly higher today than they were in 1969, given the length of the period. We believe these findings provide a key insight into the state of the nation’s labor markets,

and shed light on high levels of economic frustration and the rising distrust of American political business, religious and journalistic institutions so evident in surveys since the 1970s.

Women have had a different experience. Median wages and salaries for full-time female workers have increased since 1969, even as they enter the work force in far greater numbers. However, wages and salaries for the typical full-time female worker remain considerably lower than for their male counterparts of the same age and educational attainment. Moreover, median incomes for females in general have not risen at annual rates that are comparable to gains in much of contemporary American history.

For female workers, finishing college resulted in a significant improvement over high school-educated female workers. College-educated women are the only group for which it can be said that they improved their pay on a basis comparable to historical gains, but even then at the very low end of that historical standard. (The same is true for males with advanced degrees, but we do not include this analysis here.)

For both sexes, and for all education levels reported here, younger workers have fared more poorly than older workers in most time periods. Increases in median wages and salaries for those aged 25-34 have been negligible over time and well below the even modest increases for the older age groups measured. Beginning in 1989, wages for high school-educated young males fell.

Our data cast doubt on the dominant economic explanation of slow wage growth over the last three decades. Economists have argued that business requires more skilled workers due to technological advance—the skill-biased technology thesis.

Thus, college-educated workers should have fared well. However, in the case of men, typical incomes grew only slightly faster than their age counterparts with only high school diplomas.

Such findings suggest, among other things, that there may be a bifurcation developing within the college-educated sector between those who attend better colleges and those who do not or a bifurcation in qualification levels before students enter college. Evidence does show high levels of inequality within this group, which may be interpreted as supporting a skill-biased technology influence for college men in better schools or with more skills. There may be a composition influence as well because a higher proportion of men now go to college than did in the 1960s.

However, the findings may also suggest that rising skill requirements do not determine as much of the change in wages as has been claimed. Other explanations include the reduced power of unions, networking effects of better-connected workers, historically loose labor markets, changing business norms and

social attitudes towards workers, and of course rising imports and offshoring, which fall under the general rubric of globalization.

Other researchers are reporting related findings regarding the value of college. The paper by economists Frank Levy and Peter Temin of MIT note that wage gains even for college-educated men at the median have not kept pace with productivity growth. Economists Lawrence Mishel, Jared Bernstein and Sylvia Allegretto have been publishing similar findings in their invaluable bi-annual, *The State of Working America*.

THE CPS DATA SET

We have compiled CPS data from the annual survey for median full-time workers by, as noted, age, sex and education. Our data, from 1969 to 2005, include wages and salaries but do not include fringe benefits, interest income, or government cash benefits. By comparison, the data compiled in the paper by Sawhill and Morton include government cash income from programs like Social Security as well as interest income.

We discount the data by the Consumer Price Index Research Series Using Current Methods, as do Sawhill and Morton. This is the most stringent price measure historically, and some would argue less stringent series are more appropriate, which would reduce the already modest real gains. Some observers argue that new and improved products mean that simple discounted income does not adequately reflect changes in the standard of living. Our view is that, to a large degree, quality improvements are now accounted for in the series we use. In fact, the series may overstate quality improvements. Furthermore, there is no reason to believe that there are more new products today, or that they have greater consequence in improving people's lives, than did new products in past eras. Consider the proliferation of autos, and electric washing machines, record players, radios and refrigerators in the 1920s, for example. For purposes of historical comparison, therefore, we believe our analysis is accurate.

Levy and Temin combine median weekly wages of men and women with an estimate of the value of fringe benefits. They conclude that median earnings, thus computed, rose by a scant 14 percent over twenty-five years between 1980 and 2005, an annual increase of 0.4 percent. Adding fringe benefits only improves the increase from 15 to 19 percent. Women's increase accounts for a large part of the cited gain. Levy and Temin discount the income by the GDP deflator. In particular, they find median income did not keep up with productivity growth beginning roughly in the 1970s, even for those with B.A.'s

MEN

High School Graduates

For typical males with a high school diploma, wages and salaries are lower today for those aged 25-34 and 35-44 than they were in 1969 (Table 1.1). A typical male with a high school diploma between 25 and 34 makes nearly \$5,000 less today in current dollars than his counterpart earned in 1969. Wages and salaries for the typical male, aged 35-44, rose between 1969 and 1979, but then fell over the next twenty-six years. The same pattern is true for the oldest age group. Wages and salaries of the typical male, 45-54, are marginally higher today than for the typical 45-54-year-old in 1969. However, all the gains were made between 1969 and 1979, and they then fell over the next quarter century. Thus, typical high school educated males, 25-34 and 35-44 make less today than their counterparts did in 1969, and those 45-54 make less than their counterparts did in 1979.

College graduates

Typical males with a college degree did better than did high school-educated workers over time, but their total increases were relatively small given that the measurement period is so long (see Table 1.2.). More to the point, and what bears constant emphasis, during long intervals within this 36-year period, typical wages and salaries for those even with a college degree fell or were flat. Younger college-educated Americans improved their incomes least. Between 1969 and 1989, typical income fell for those aged 25-34 with a college degree, not returning to the high of 1969 until sometime in the 2000s. A typical 25-to-34 year old with a college degree earns only \$1,500 more than his college-educated father earned in 1969. This was an annual rate of gain of only 0.1 percent.

The older age groups did better, gains of \$8,000 to \$12,000 in current dollars between 1969 and 2005. But these are historically small, given they are over 36 years—an annual rate of increase of roughly 0.4 to 0.6 percent. Again, however, there were very long intervals in which median incomes did not rise at all for these age groups. For the middle group, aged 35-44, income was flat for at least a full twenty years between 1969 and 1989. For the older workers, aged 45-54, all the gains were made in the 1970s, rising at a substantial annual rate, but wages and salaries for the typical worker stagnated afterwards—for a full twenty-six years since 1979. They were lower in 2005 than

in 1989. Thus, there were long periods of time in which incomes of typical males with college degrees declined or made no progress at all—a remarkable fact given the nature of American history and claims for the value of a college education by economists and policymakers.

TABLE 1.1 *Male median wage and salary income full time-year round workers by age, 1969-2005 (2005 dollars).*

High School - (12th grade/diploma)			
Year	25-34	35-44	45-54
1969	\$34,681	\$38,788	\$37,419
1979	\$36,865	\$42,358	\$44,102
1989	\$32,040	\$40,288	\$44,849
2000	\$30,051	\$37,407	\$39,675
2005	\$30,000	\$37,550	\$39,000
Annual growth rate			
1969-1979	0.6%	0.9%	1.6%
1979-1989	-1.4%	-0.5%	0.2%
1989-2000	-0.6%	-0.7%	-1.1%
2000-2005	0.0%	0.1%	-0.3%
1969-2005	-0.4%	-0.1%	0.1%

TABLE 1.2 *Male median wage and salary income by full time-year round workers age, 1969-2005 (2005 dollars).*

College - (Four years/degree)			
Year	25-34	35-44	45-54
1969	\$45,634	\$54,760	\$52,479
1979	\$40,489	\$54,816	\$64,783
1989	\$44,925	\$54,731	\$66,105
2000	\$45,342	\$58,945	\$63,480
2005	\$47,000	\$63,000	\$64,000
Annual growth rate			
1969-1979	-1.2%	0.0%	2.1%
1979-1989	1.0%	0.0%	0.2%
1989-2000	0.1%	0.7%	-0.4%
2000-2005	0.7%	1.3%	0.2%
1969-2005	0.1%	0.4%	0.6%

Source: Authors' analysis of United States Census Bureau CPS data.

Note: Personal median wage and salary income is calculated for full-time workers, 35 plus hours per week, 50 plus weeks per year using CPI-U-RS index.

WOMEN

High School Graduates

Unlike income for men, annual female wages and salaries for the typical full-time worker rose consistently if quite modestly (see Table 2.1). For the typical 25-34 year old worker, they were some \$2,300 higher in 2005 than in 1969, a gain of roughly 5 percent or 0.3 percent a year. For older workers, gains were slightly better, but still modest—the average annual growth rate roughly 0.4 to 0.5 percent. This improvement for older workers may have reflected, not a more vibrant labor market, but a greater proportion of experienced female workers as participation remained high for older workers.

TABLE 2.1 *Female median wage and salary income full time-year round workers by age, 1969-2005 (2005 dollars).*

Year	High School - (12th grade/diploma)		
	25-34	35-44	45-54
1969	\$21,128	\$21,767	\$21,904
1979	\$22,425	\$22,425	\$23,340
1989	\$22,804	\$24,325	\$25,845
2000	\$22,671	\$24,938	\$26,922
2005	\$23,400	\$25,000	\$26,000
	Annual growth rate		
1969-1979	0.6%	0.3%	0.6%
1979-1989	0.2%	0.8%	1.0%
1989-2000	-0.1%	0.2%	0.4%
2000-2005	0.6%	0.0%	-0.7%
1969-2005	0.3%	0.4%	0.5%

Source: Authors' analysis of United States Census Bureau CPS data.

Note: Personal median wage and salary income is calculated for full-time workers, 35 plus hours per week, 50 plus weeks per year using CPI-U-RS index.

College graduates

College-educated women were the only group that showed substantial improvement in wages and salaries in these years (see Table 2.2). We should temper the statement, however. The gains by historical standards were still modest. Wages grew by on average 2 percent a year for all working Americans between 1950 and 1970.

Our data show that since 1969, wages and salaries for college-educated women rose by nearly 45 percent for those aged 35 to 44. In 2005, the typical worker in this age group earned \$13,000 a year more than in 1969. This represented a gain of 1.0 percent a year. The oldest female group made similar gains on average since 1969, but the younger group made only half the gain. Judging by the gains made by college-educated women, the promise that a college education would pay off was true, if not spectacularly so, for women.

TABLE 2.2 *Female median wage and salary income full time-year round workers by age, 1969-2005 (2005 dollars).*

Year	College - (Four years/degree)		
	25-34	35-44	45-54
1969	\$30,118	\$29,662	\$31,031
1979	\$27,408	\$29,900	\$33,637
1989	\$33,447	\$37,247	\$37,247
2000	\$37,407	\$41,942	\$43,075
2005	\$36,000	\$43,000	\$44,000
	Annual growth rate		
1969-1979	-0.9%	0.1%	0.8%
1979-1989	2.0%	2.2%	1.0%
1989-2000	1.0%	1.1%	1.3%
2000-2005	-0.8%	0.5%	0.4%
1969-2005	0.5%	1.0%	1.0%

Source: Authors' analysis of United States Census Bureau CPS data.

Note: Personal median wage and salary income is calculated for full-time workers, 35 plus hours per week, 50 plus weeks per year using CPI-U-RS index.

The male-female gap

The rising wages and increased labor participation rates of women working full-time, coupled with the stagnation of male incomes, suggest that it is plausible that women were being hired instead of men in significant numbers in this era. It may well be true that better-educated women were hired to take jobs once held by less well-educated men. We will explore this issue in future research.

Our data show that the income gap between men and women with college educations narrowed but remained high. In fact, college-educated women in full-time jobs earned only moderately more than high school-educated men in full-time jobs as late as 2005. The table 3.1 below summarizes the narrowing of the gender gap. For high school-educated workers, the gap between men and women narrowed from 55-60 percent in 1969 to 67-69 percent in 2005. For younger workers, the gap was always smaller, closing to 77 or 78 percent. The narrowing of the gap, it must be kept in mind, had a great deal to do with male stagnation, not merely female gains.

TABLE 3.1 *The gender median wage and salary income ratio of full time-year round workers by age, 1969-2005 (2005 dollars).*

High School - (12th grade/diploma)			
Year	25-34	35-44	45-54
Ratio: Women/Men			
1969	60.9%	56.1%	58.5%
1979	60.8%	52.9%	52.9%
2005	78.0%	66.5%	66.6%
College - (Four years/degree)			
Year	25-34	35-44	45-54
Ratio: Women/Men			
1969	65.9%	54.1%	59.1%
1979	67.6%	54.5%	51.9%
2005	76.5%	68.2%	68.7%

Source: Authors' analysis of United States Census Bureau CPS data. Note: Personal median wage and salary income is calculated for full-time workers, 35 plus hours per week, 50 plus weeks per year using CPI-U-RS index.

Note: The narrowing of the gender gap for college-educated workers was similar. Women with a college education made two-thirds to three-quarters of what men did in 2005 in the same age group.

One interesting picture of how labor markets have changed is provided by comparing the median incomes of college-educated women to high school-educated men (see Table 3.2 & Figures 11, 12 & 13). In 1969, college-educated full-time female workers made less than high-school educated men. This reflected the availability of good manufacturing jobs for men at the time, and the prevalence of women with college degrees in low-paid professions such as teaching.

TABLE 3.2 *High School-Educated Men versus College-Educated Women: 1969 versus 2005*

Year	25-34	35-44	45-54
1969			
Males HS	\$34,681	\$38,788	\$37,419
Females College	\$30,118	\$29,662	\$31,031
Males College	\$45,634	\$54,760	\$52,479
2005			
Males HS	\$30,000	\$37,550	\$39,000
Females College	\$36,000	\$43,000	\$44,000
Males College	\$47,000	\$63,000	\$64,000

It may well have also reflected gender discrimination in labor markets. Meantime, college-educated males made much more than high school educated men and college-educated women.

In 2005, women with college degrees made much more than men with only high school diplomas. This reflects de-industrialization and the likelihood that men who do not now go on to college may be less qualified workers than those on average with high school diplomas in the past. But the fact that college-educated women still make so much less than their college male counterparts, and only moderately more than high school-educated males (especially given that so many males often now go on to college) suggests that they may be being substituted for males who once got better jobs with only a high school diploma.

Conclusions and Further Research

Men have long had an advantage in labor markets, and they still do. There is evidence that gender discrimination remains strong. Nevertheless, this is not justification to ignore the stagnation of their incomes, and the emotional and expectational price paid in these circumstances, both by them and perhaps their families. It should also be emphasized that younger workers, male and female, are doing worse than their elders in terms of rates of improvement. Median wages and salaries for those in their late twenties and early thirties have fallen or hardly risen at all over thirty-six years.

The poor performance of male wages and salaries may explain some and perhaps much of the political frustration in America, which shows up in reduced respect for so many American institutions, and a seeming anger at redistribution policies. It is possible the role of the male in the family and in society has been seriously undermined by these circumstances. We do not deny that reducing male power within family relationships may well be healthy, nor do we argue that ongoing job discrimination against females has dissipated. To the contrary, there is evidence that gender discrimination remains and, if so, should be addressed.

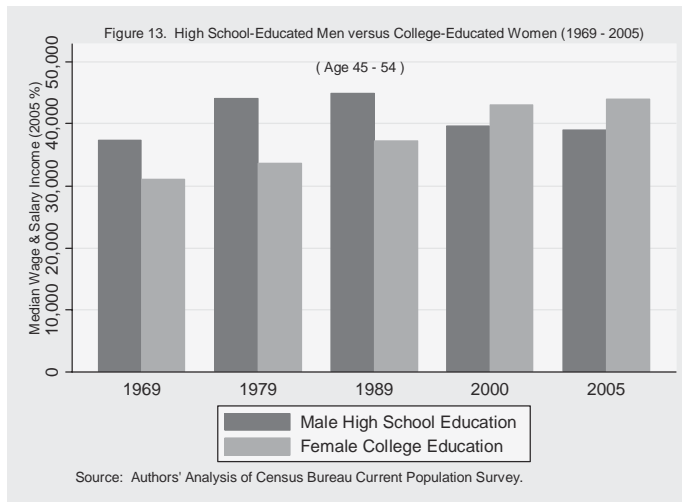
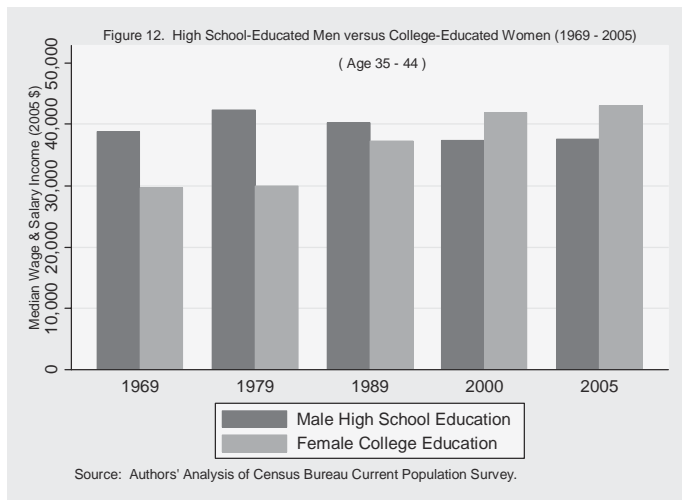
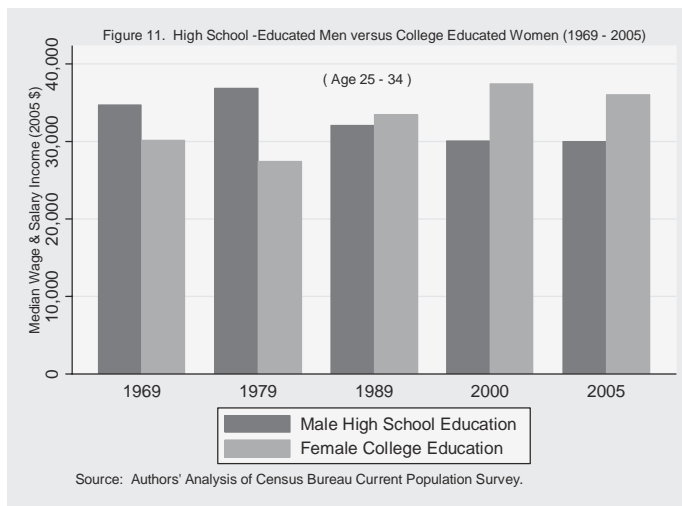
While our analysis to date is purely descriptive, it suggests some possible explanations of the wage trends. The weakened labor situation has coincided with a number of significant historical changes in America. Politically, since the inflationary seventies, there has been a shift in attitudes towards government, business and labor unions. Social norms have changed: lay-offs are now more acceptable than they once were as are enormous salaries for CEOs and compensation for Wall Street professionals. Federal oversight has been reduced, business widely deregulated, and labor unions have been weakened. Minimum wages have been raised only modestly. At the same time, tight monetary policies have prevailed to keep inflation low, resulting in high average rates of unemployment, which may well have had a persistent depressing effect on wages and salaries. The most widely accepted explanation is that technology requires more increasingly educated workers, thus pushing wage increases towards better educated workers. Finally, increasing trade—imports are now fifteen percent of GDP in America-- and offshoring of jobs have had an impact on wage growth. Stagnating wages may well be a consequence of all and certainly several of these factors.

Our future research to obtain a more comprehensive picture of the current state of compensation in America will include the development of synthetic cohorts to determine a reasonable approximation of how actual workers have been compensated over time, as they grew older and more experienced.

We will examine more closely the changing composition of groups by educational attainment. College- educated men and women may be less qualified today on average, as many men and women now go on to attain advanced degrees. Analogous shifts affect the composition of high school workers.

We will expand the data to include race and ethnic background as well. We will also make estimates of how the inclusion of fringe benefits affects outcomes.

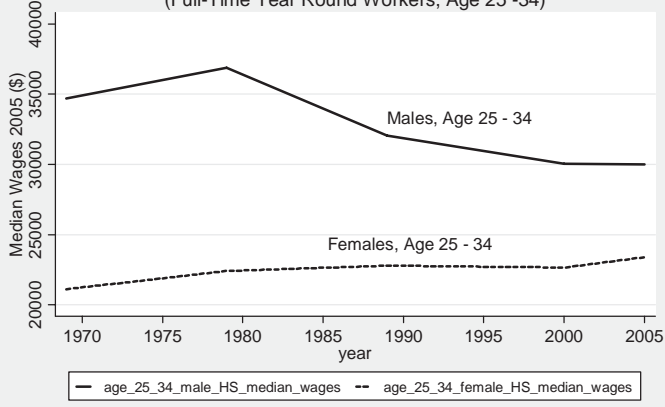
Figures 11-13 Median incomes of college-educated women to high school-educated men.



Appendix A

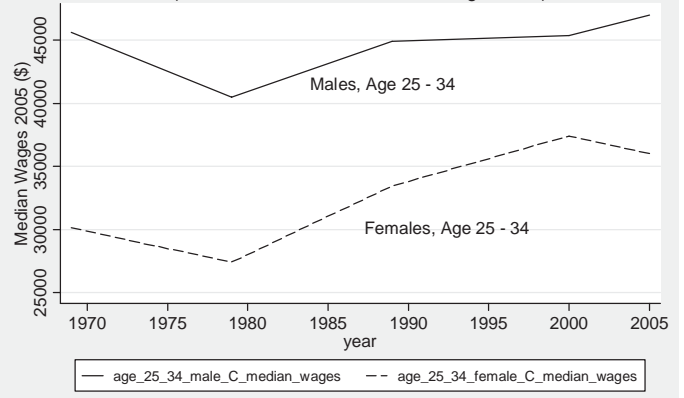
Figures 6 – 10 Gender earnings gap between male and female full-time workers by age and educational attainment.

Figure 5. Male v. Female High School Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 25 - 34)



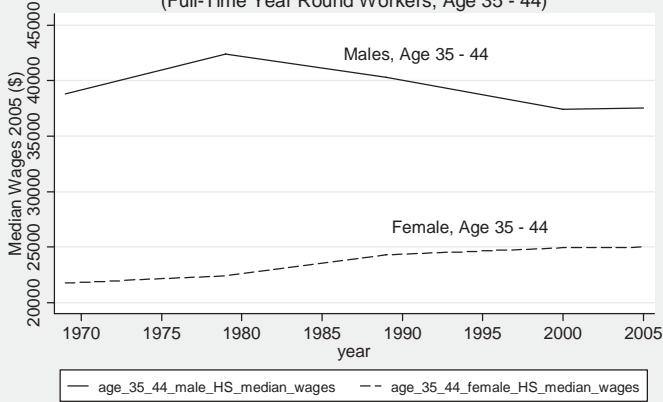
Source: Authors' Analysis of Census Bureau Current Population Survey.

Figure 6. Male v. Female College Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 25 - 34)



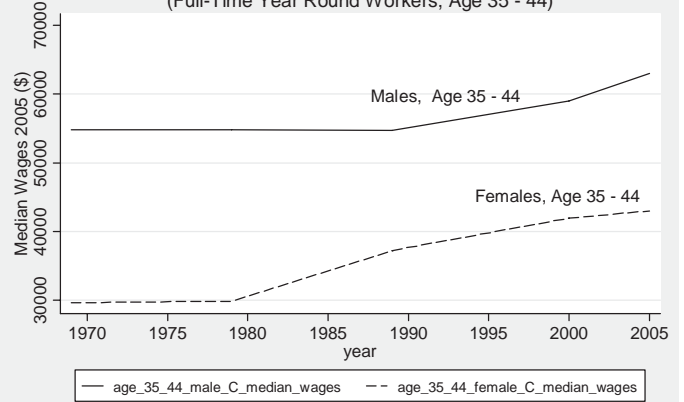
Source: Authors' Analysis of Census Bureau Current Population Survey.

Figure 7. Male v. Female High School Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 35 - 44)



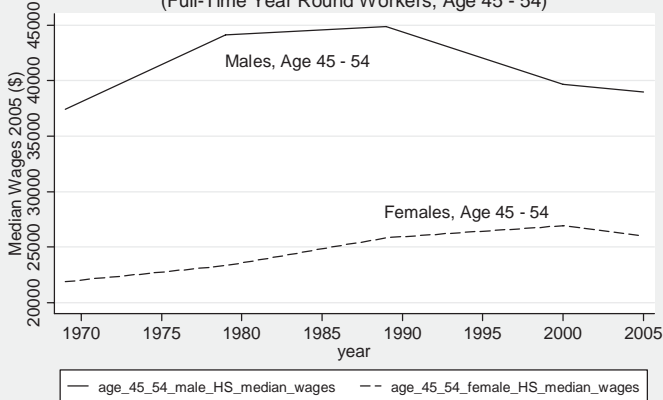
Source: Authors' Analysis of Census Bureau Current Population Survey.

Figure 8. Male v. Female College Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 35 - 44)



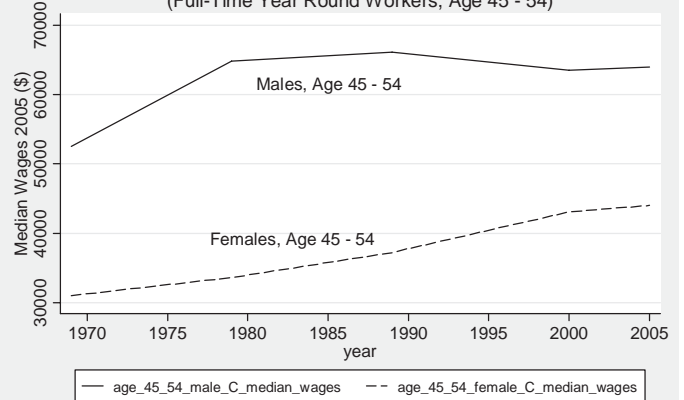
Source: Authors' Analysis of Census Bureau Current Population Survey.

Figure 9. Male v. Female High School Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 45 - 54)



Source: Authors' Analysis of Census Bureau Current Population Survey.

Figure 10. Male v. Female College Median Wages (1969 - 2005)
(Full-Time Year Round Workers, Age 45 - 54)



Source: Authors' Analysis of Census Bureau Current Population Survey.

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