The problem: Median wages have stagnated

Median Real Wages, 1973-2018

Source: Economic Policy Institute, Wage ratios
State of Working America Data Library
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Median Real Wages, 1973-2018

Source: Economic Policy Institute, Wage ratios
State of Working America Data Library
The education premium has grown

High School and College Mean Wages, 1973 - 2018

Source: Economic Policy Institute, College wage premium
State of Working America Data Library
Inequality has gone way up

Wage inequality, 1973 - 2018

Year

90-10 ratio

50-10 & 90-50 Ratios

90-50 ratio

50-10 ratio

Source: Economic Policy Institute, Wage ratios
Are skills the problem?

- Returns to both education and skills are large and robust.
- But skills are neither the problem nor the whole solution.
- The problem: Wages have stagnated for all but the 1%.
- Solutions:
  - Individually, more skill is certainly better. Access is crucial.
  - But we won’t solve our wage stagnation problem via skills policies.
Educational attainment of workforce has grown very rapidly

Bachelor and Advanced Degree Share, 1973 - 2018

Source: Economic Policy Institute, Wages by Education
State of Working America Data Library
But even advanced education wages haven’t
Inequality has exploded

The Top Decile Income Share in the US, 1917 - 2017

Source: Piketty and Saez, 2003 updated to 2017
The explosion is coming from the very top

Decomposing Top 10% into 3 Groups, 1913-2017

Source: Piketty and Saez, 2003
Wage growth isn’t concentrated in high-skill occupations

Year-over-year real wage growth by occupation, 2018

- Bldg & grounds cleaning & maint
- Arts, design, entert., sports & media
- Installation, maintenance and repair
- Office and administrative support
- Business and financial operations
- Food preparation and serving related
- Transportation and material moving
- Production
- Construction and extraction
- Protective service
- Community and social service
Lessons

• Sending a child to college will increase her earnings by 40%+
• But it won’t get her into the top 1%
• She’ll earn about what her father or grandfather did (if they went to college)
• If she doesn’t go, she’ll earn less
• The labor market offers little indication that the supply of skills isn’t keeping up with demand (though there are exceptions in a few sectors)
• Need to ensure that all jobs pay decent wages
• Need to limit capture by the top 1%