

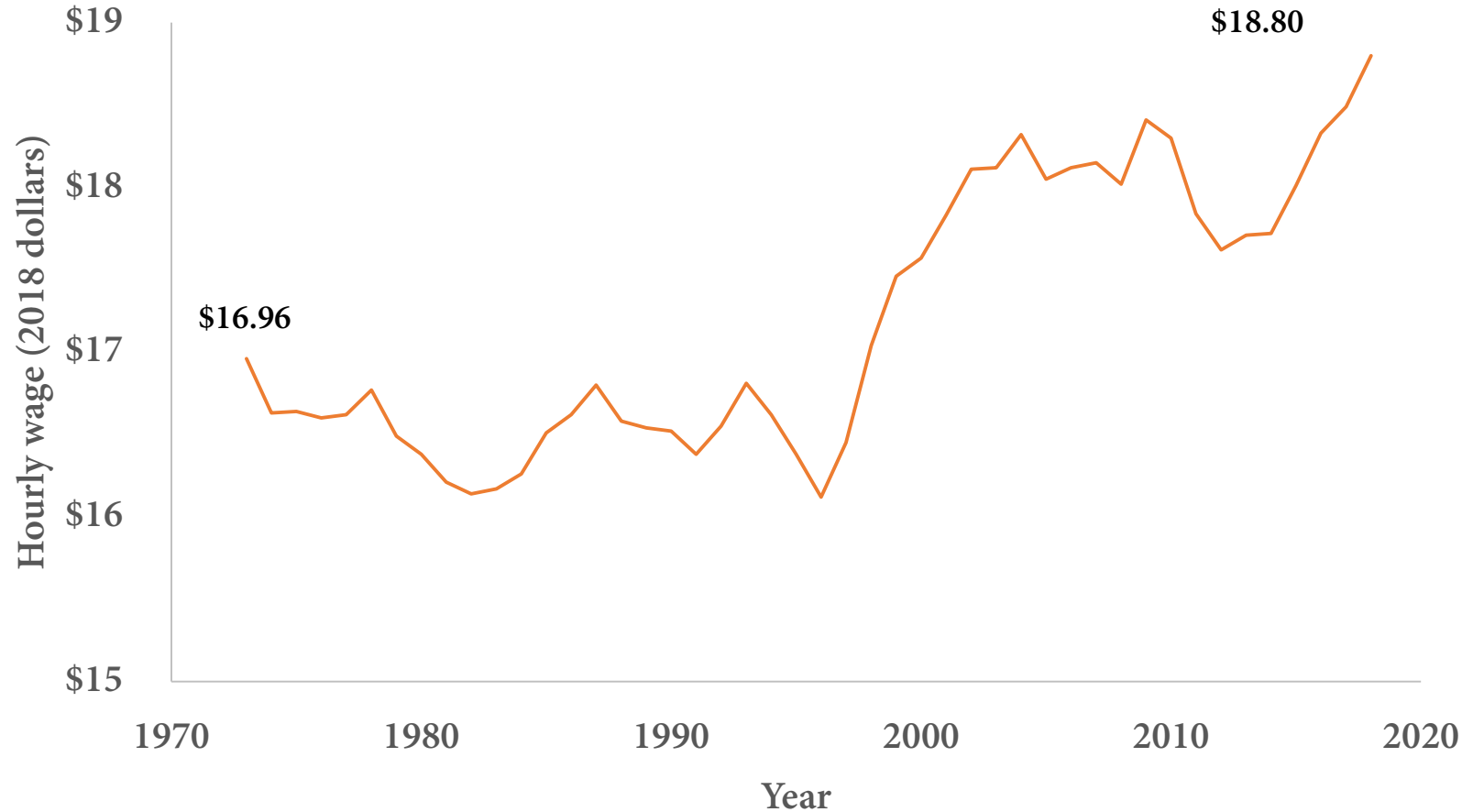


# Wages, inequality, and the skills gap

Jesse Rothstein  
September 2019

# The problem: Median wages have stagnated

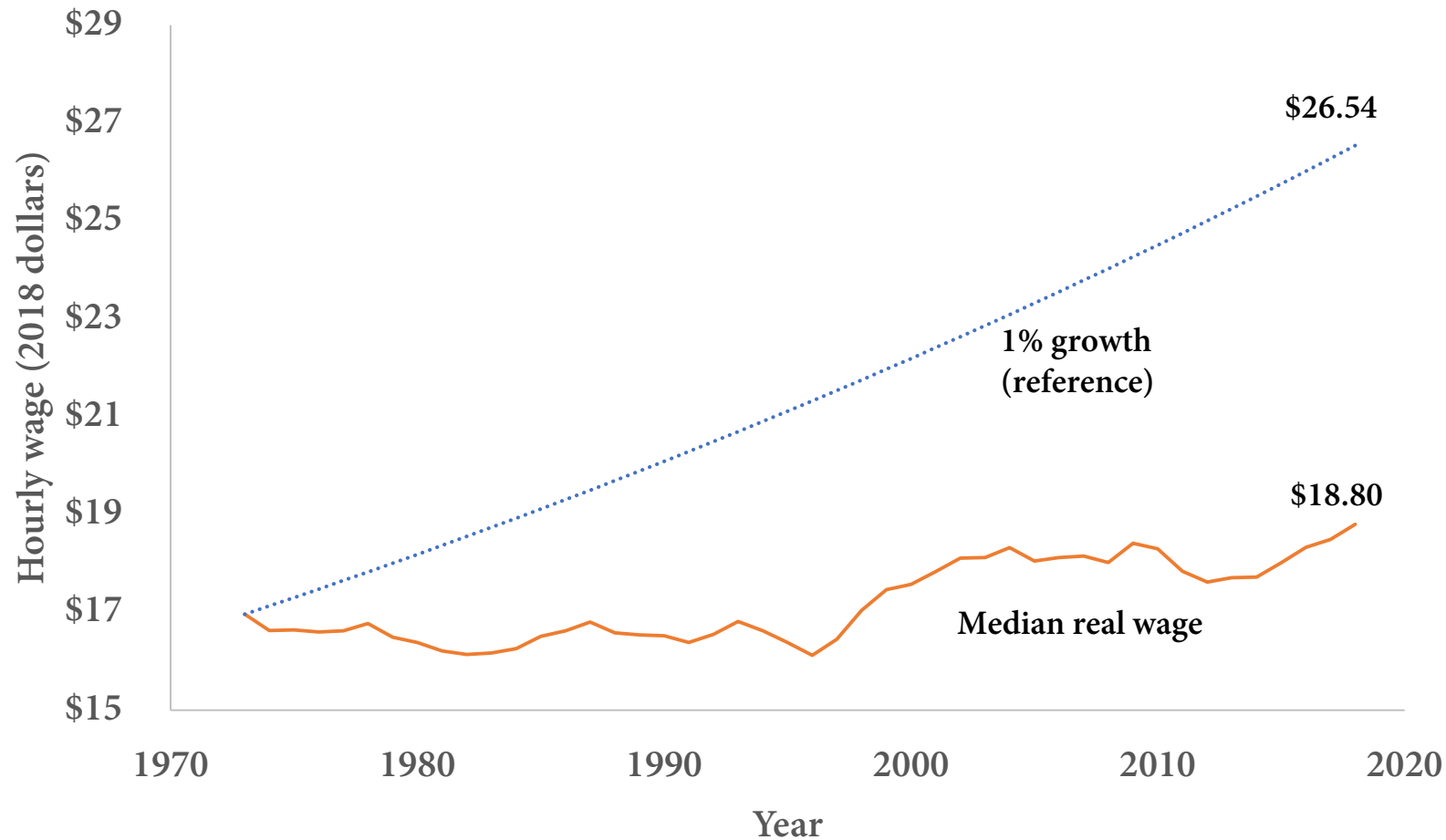
Median Real Wages, 1973-2018



Source : Economic Policy Institute, **Wage ratios**  
*State of Working America Data Library*

# The problem: Median wages have stagnated

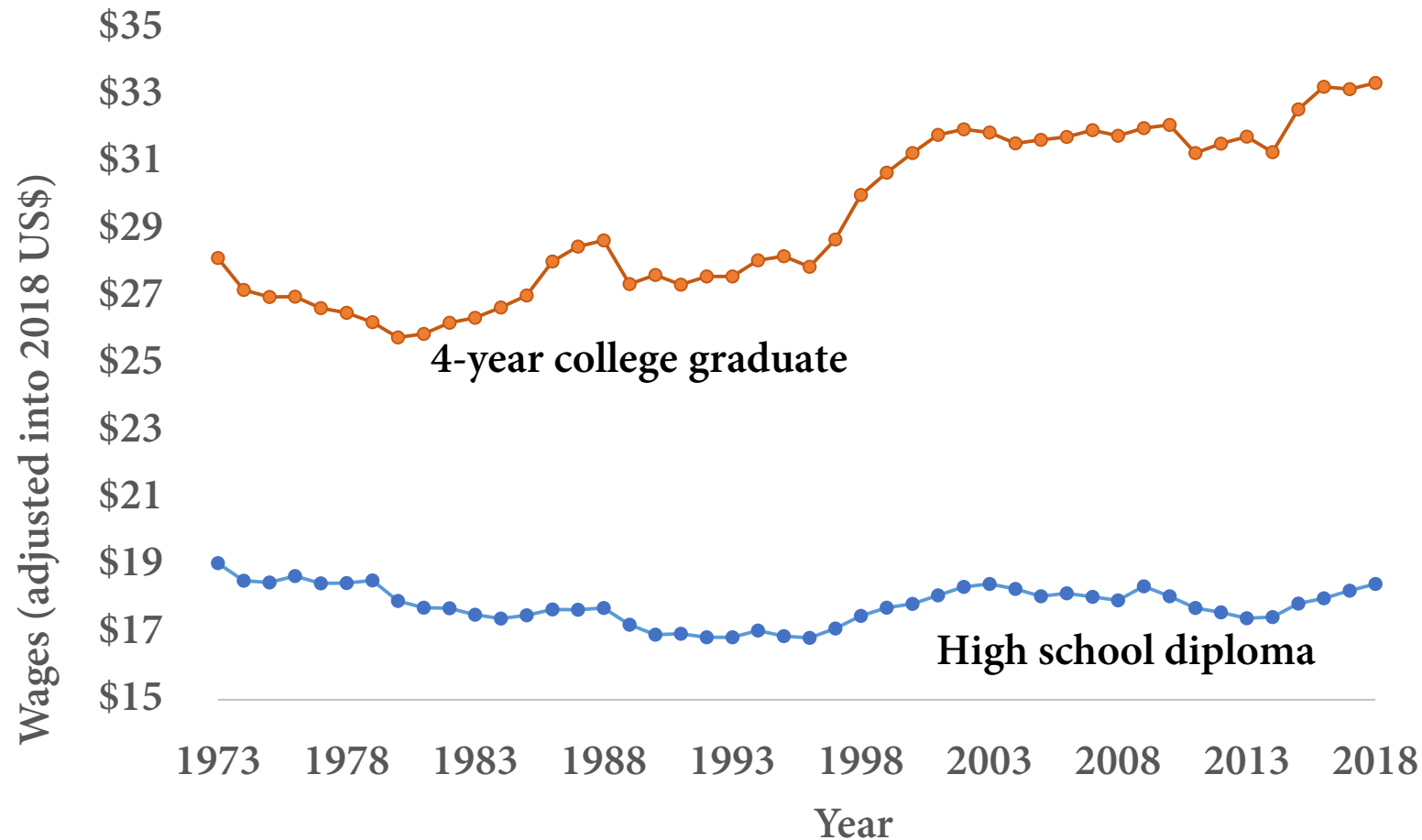
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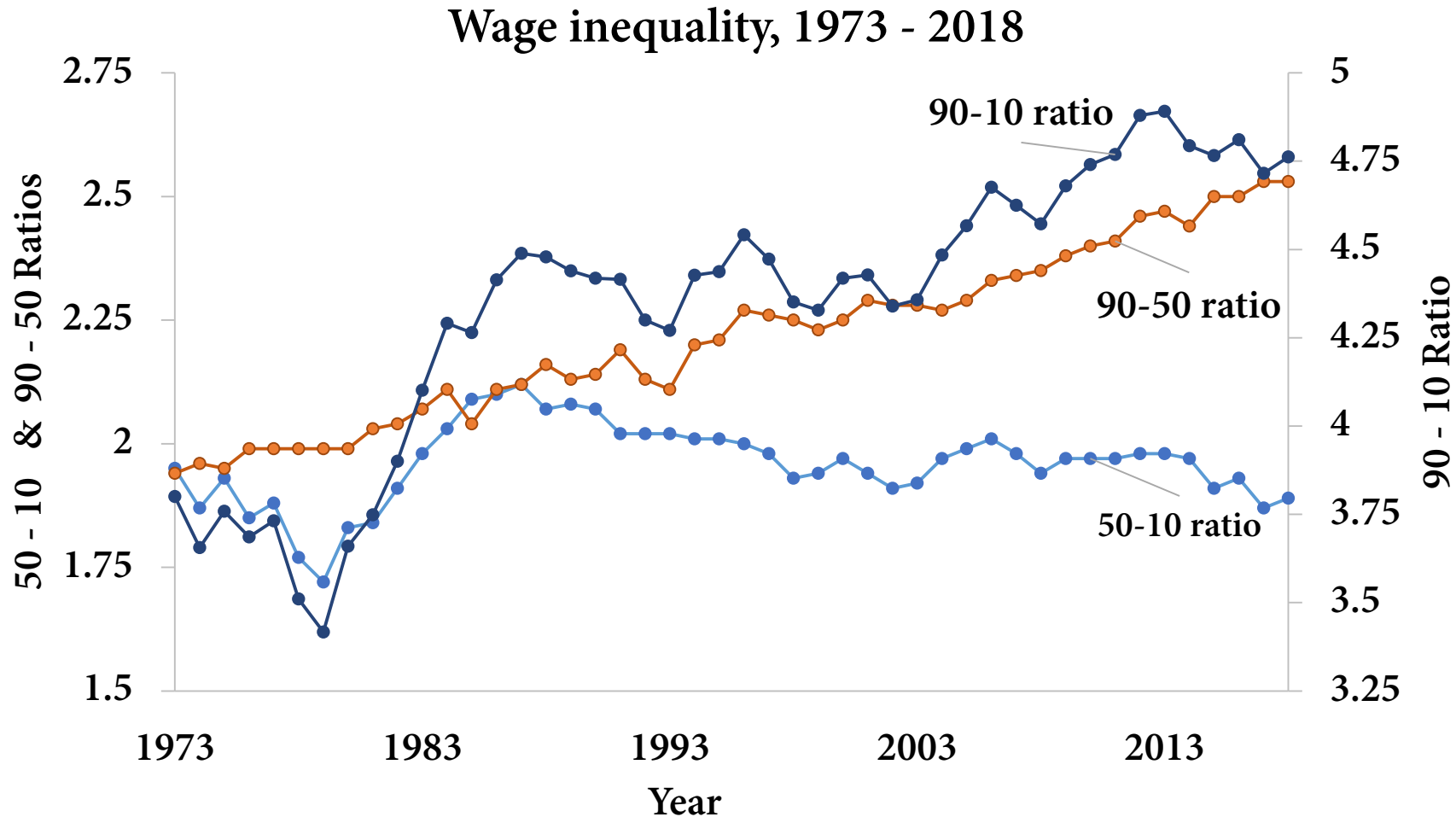
# The education premium has grown

## 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



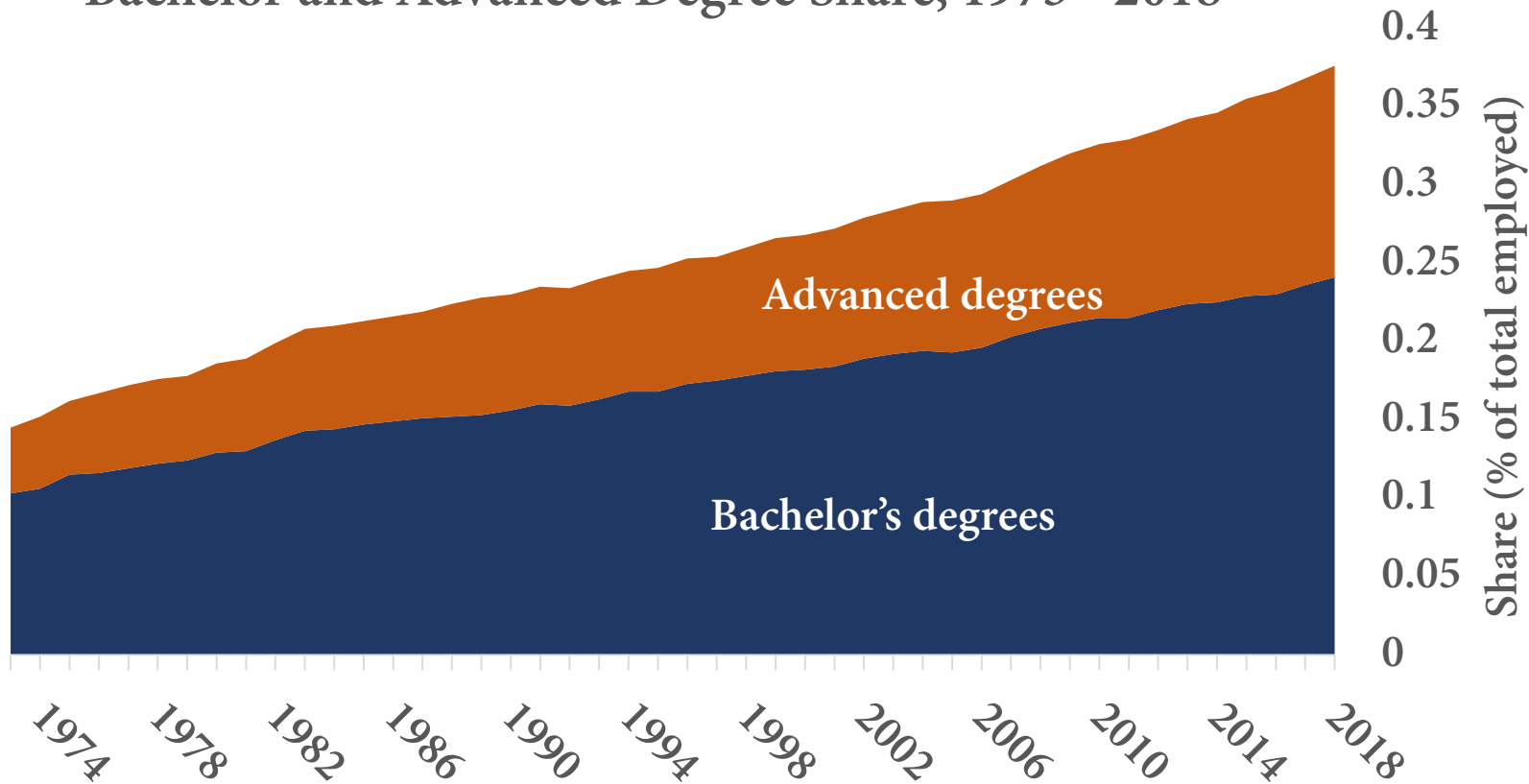
Source: Economic Policy Institute, Wage ratios

# 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.

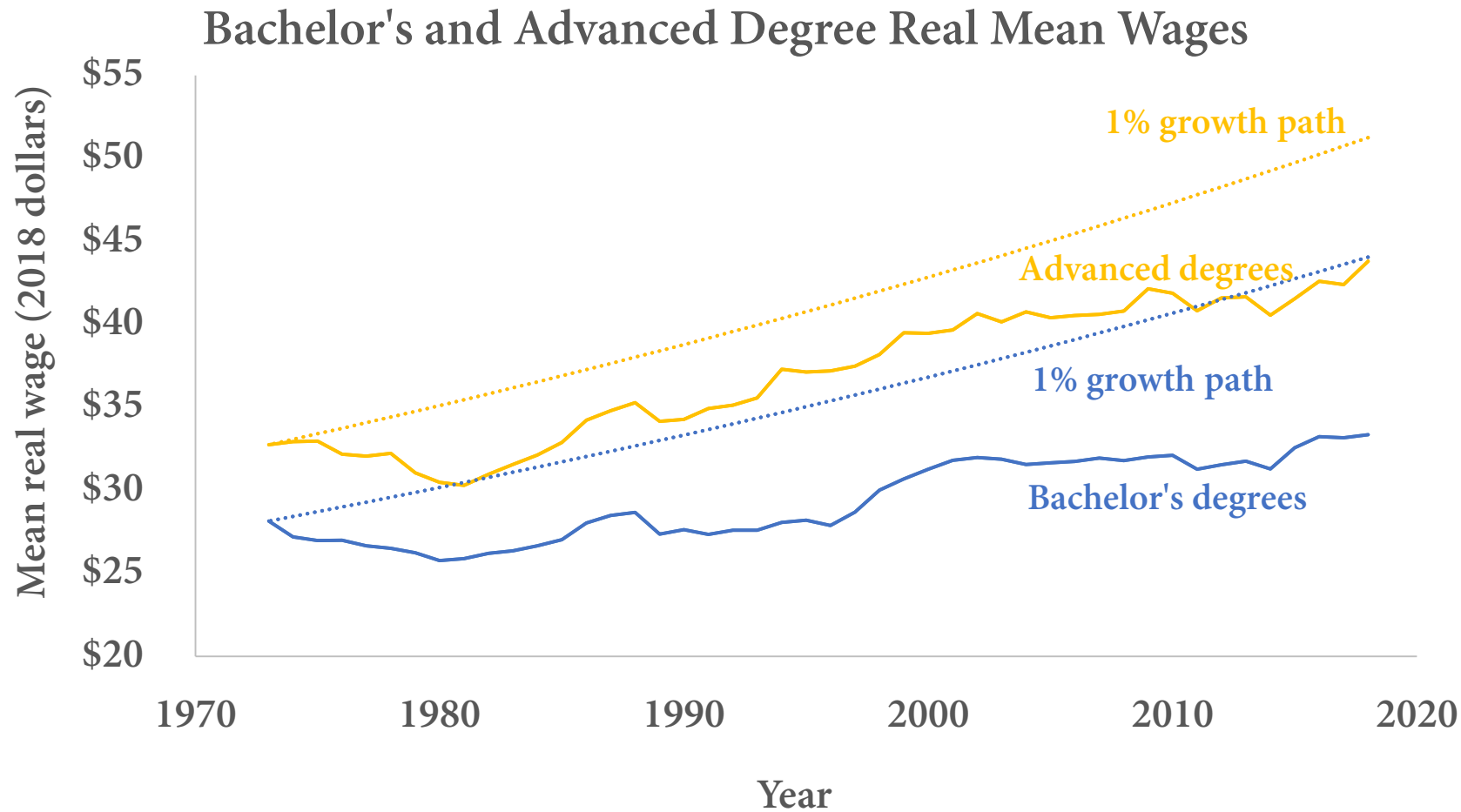
# Educational attainment of workforce has grown very rapidly

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



Source: Economic Policy Institute, Wages by Education  
 State of Working America Data Library



# Inequality has exploded

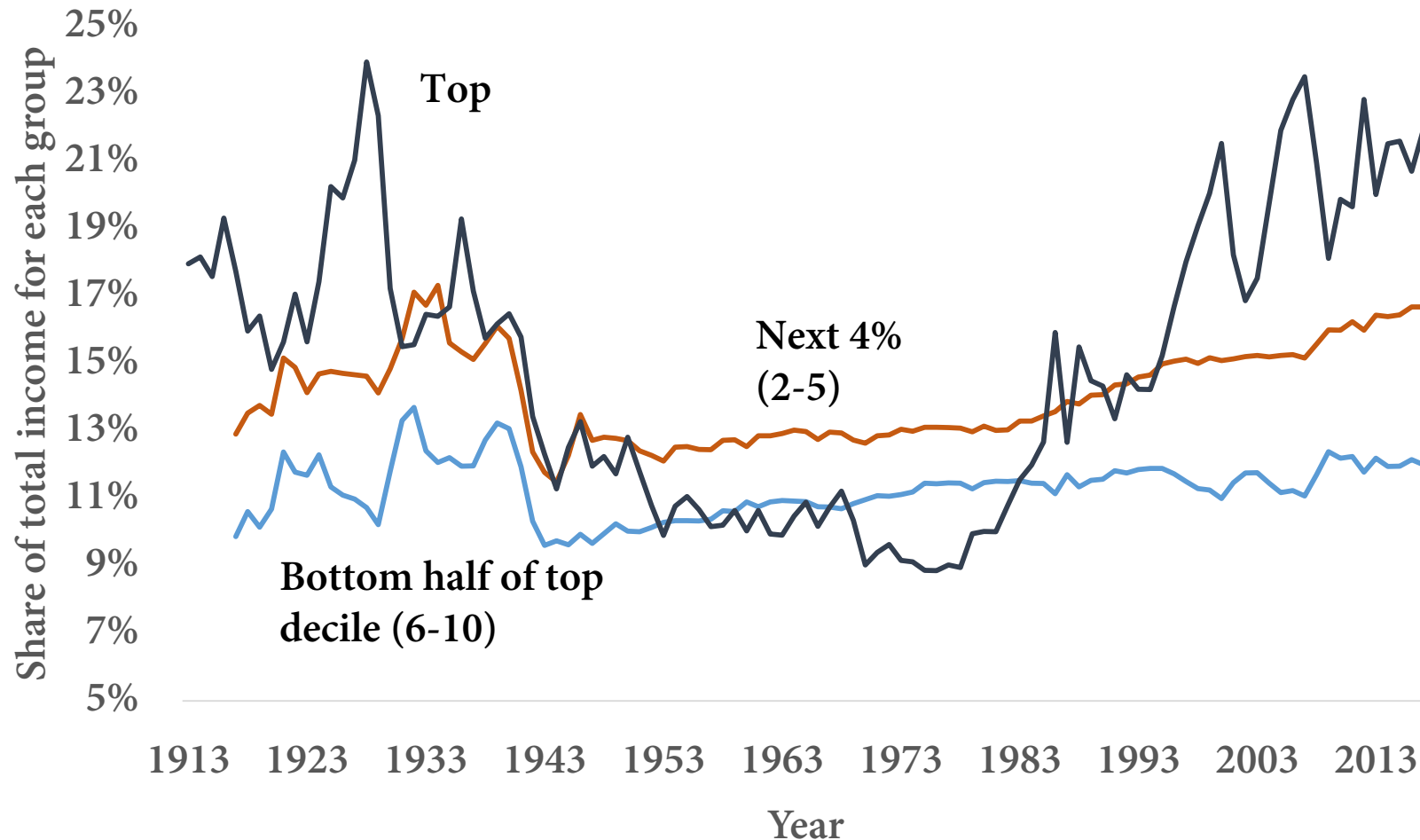
The Top Decile Income Share in the US, 1917 - 2017



Source: Piketty and Saez, 2003 updated to 2017

# The explosion is coming from the very top

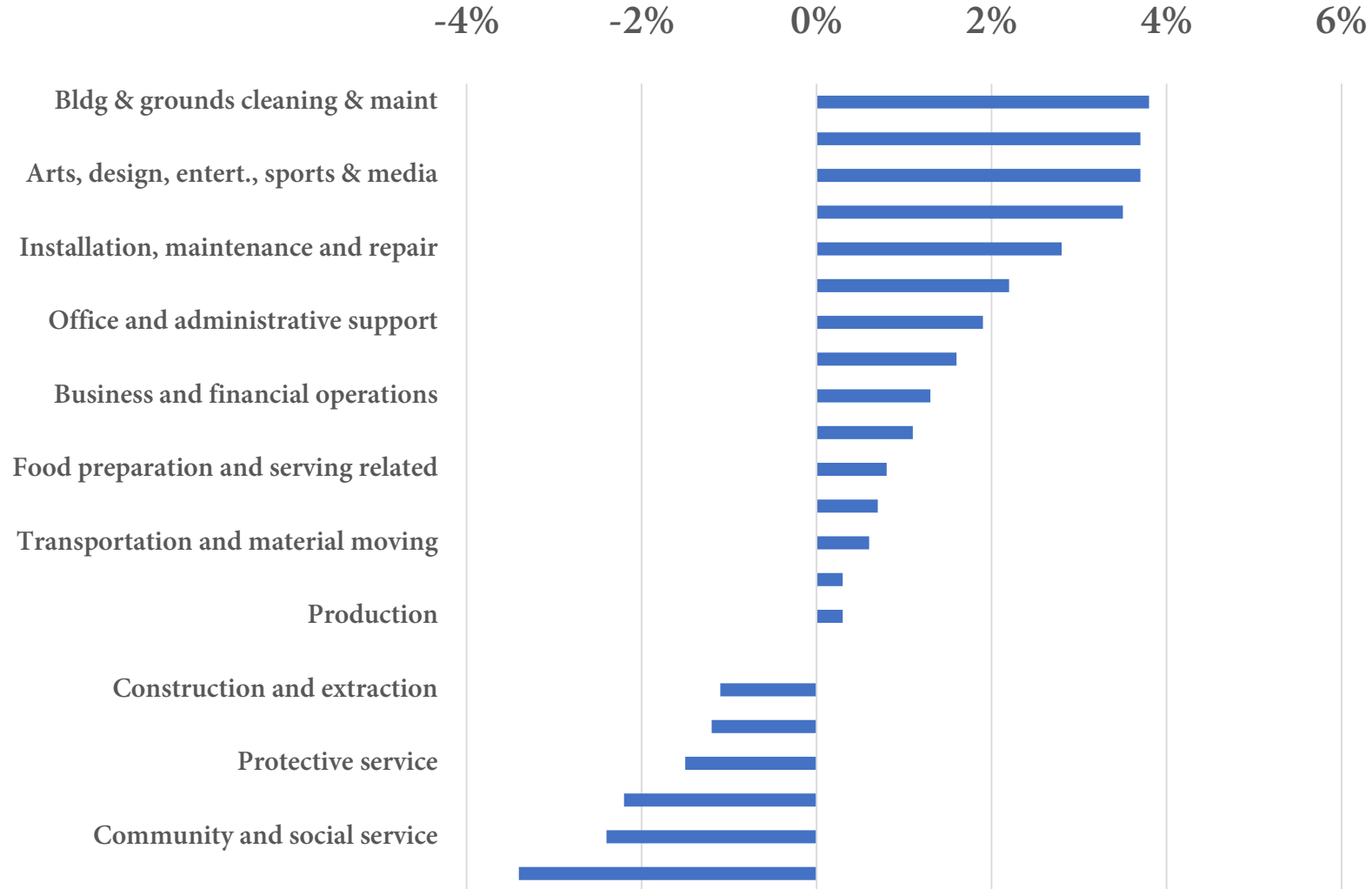
Decomposing Top 10% into 3 Groups, 1913-2017



Source: Piketty and Saez, 2003

# Wage growth isn't concentrated in high-skill occupations

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



# 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%