

# Wages have stagnated in the US. Here's why

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America is getting richer every year. The American worker is not.

Far from it: On average, workers born in 1942 earned as much or more over their careers than workers born in any year since, according to new research — and workers on the job today shouldn't expect to catch up with their predecessors in their remaining years of employment.

Stagnant or falling earnings have put a squeeze on working- and middle-class households. The trend has also widened the gap between the rich and everyone else as, overall, the economy has continued to grow overall but the bulk of those gains have ended up in the pockets of the affluent.

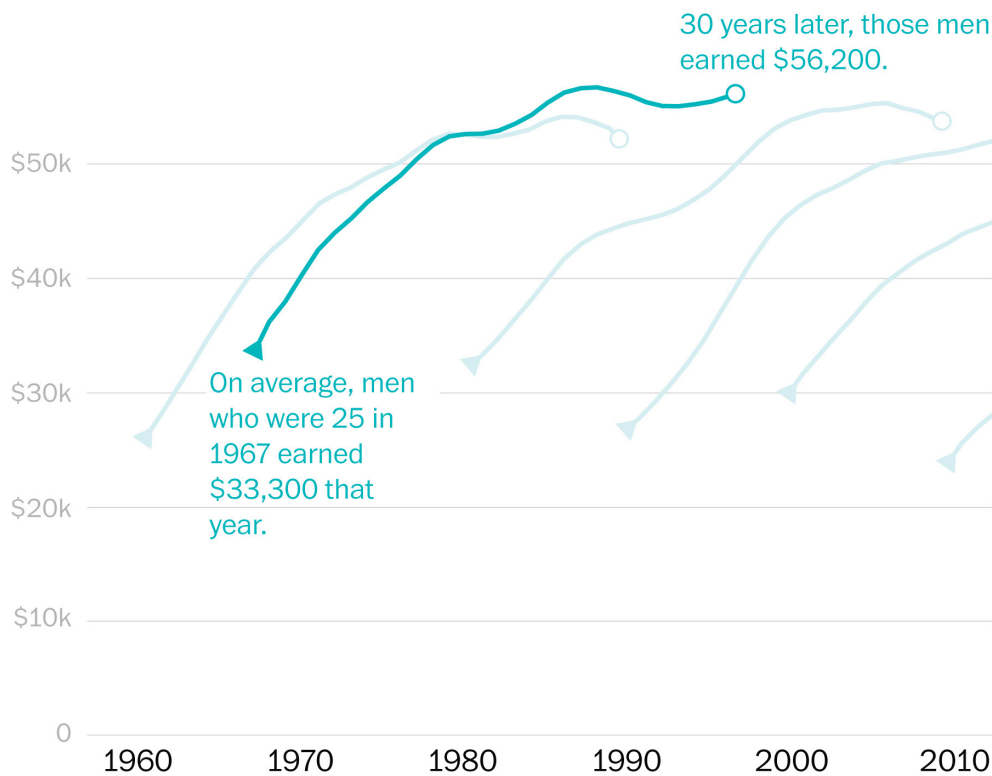
These are some of the conclusions from [a new working paper](#) by a group of economists investigating the reasons for the decline of the American middle class. While economists have been concerned about recent data on earnings, the new paper suggests that ordinary Americans have been dealing with serious economic problems for much longer than may be widely recognized.

The new paper includes some “astonishing numbers,” said Gary Burtless, an economist at the nonpartisan Brookings Institution who was not involved in the research. “The stagnation of living standards began so much earlier than people think,” he said.

In the study, the economists — from the University of Minnesota, the University of Chicago, Princeton University and the federal government — examined career earnings for workers born in every year since 1932. They did not include those who didn't work or only rarely worked, instead concentrating on those who spent at least 15 years in the labor force. Using wage and salary data from the federal Social Security Administration, they calculated the career earnings of the median worker born in each year.

## Median income for men over time

Each line represents how typical annual incomes for men born in the same year changed over their careers, from age 25 (▶) to age 55 (○).



Note: 2013 dollars.

Source: NBER

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Image: NBER

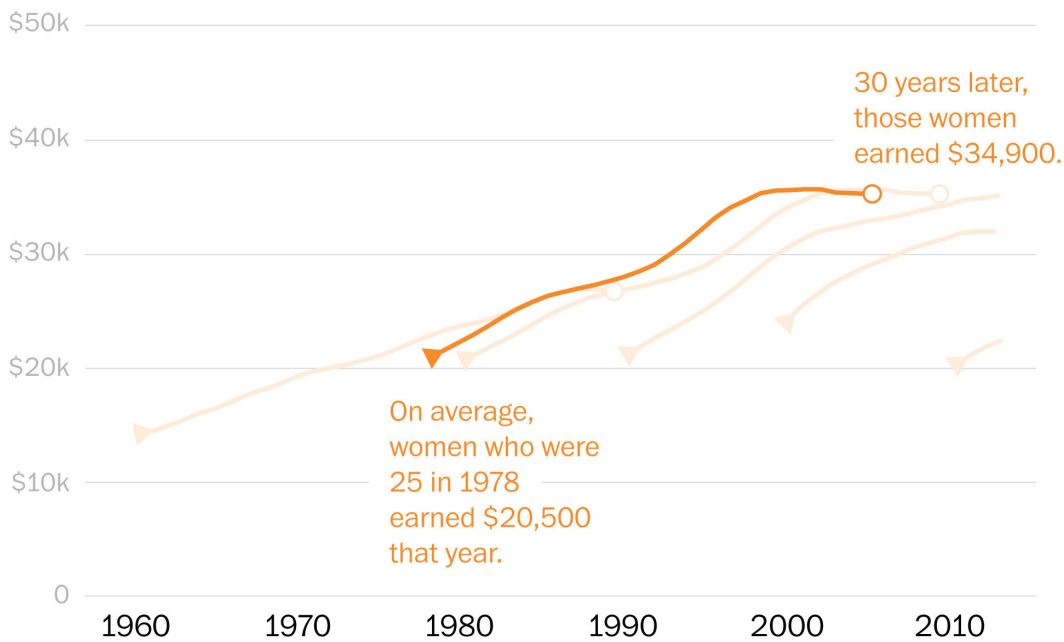
For instance, the typical 27-year-old man's annual earnings in 2013 were 31 percent less than those of a typical 27-year-old man in 1969. The data suggest that today's young men are unlikely to make up for that decline by earning more in the future.

Women have done much better than men. More women have entered the labor force and taken on more prestigious and remunerative careers. Still, women are making less than men over their working years, and women's rising earnings have not made up for the decline in men's incomes for the population as a whole.

Recently, women's progress has stalled, in part due to the financial crisis. The typical female worker who was 27 in 2013 made no more than the typical woman of that age did in 1980.

## Median income for women over time

Each line represents how typical annual incomes for women born in the same year changed over their careers, from age 25 (▶) to age 55 (○).



Note: 2013 dollars.

Source: NBER

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Image: NBER

As more women entered the labor force, median household incomes rose even as incomes of individual workers of a given age stagnated, with families using extra workers to bring home more money. But that climb ended in 1999, and since then, median household incomes have fallen, according to the census.

“Overall, this is a pretty bleak picture,” said Fatih Guvenen, an economist at the University of Minnesota and one of the authors of the new paper.

The study, published Monday by the National Bureau of Economic Research, has not been peer reviewed, so other economists may yet challenge both specific results and the paper’s general conclusions. All the same, the research offers an answer to a couple of important questions that have been nettling economists.

In particular, the results show that more unequal incomes are not just a result of a widening gap between younger and older workers. Even among older workers, typical incomes have been falling while the wealthiest have been enjoying more and more of the economy’s gains. Poorer workers — who tend to be younger — will earn more as they get older, but they are not likely to earn enough to make up the difference.

“This idea that we’re having this progression of increasing incomes over time — I think that might be true for the upper regions of the income distribution but not for the median,” said Nathaniel Hendren, a Harvard University economist who was not involved in the study.

Among workers of a given age, some will climb the ladder quickly. Medical students and interns, for example, might begin their careers with incomes near poverty and then get rich in middle age. Incomes might even decline for other workers, such as professional athletes, musicians or technology entrepreneurs who never manage to build on an initial success.

Those cases are unusual, however. The new research shows that in the past, a good guide to forecasting typical career earnings among Americans of a given age has been their average income they were 25.

The implication, Guvenen argues, is that economists should search for explanations for households' current financial woes in the youth and childhood of today's workers.

"We are maybe looking at the wrong place for the solution to stagnation in wages and rising inequalities," Guvenen said. "To understand higher inequality, we should turn and take a closer look at youth."

It remains to be seen whether the situation will improve in the future for younger workers today, but their prospects seem dim. Young workers' incomes are still declining today, suggesting that their trajectories over the rest of their careers will be lower as well.

"Things just keep looking worse," Hendren said.