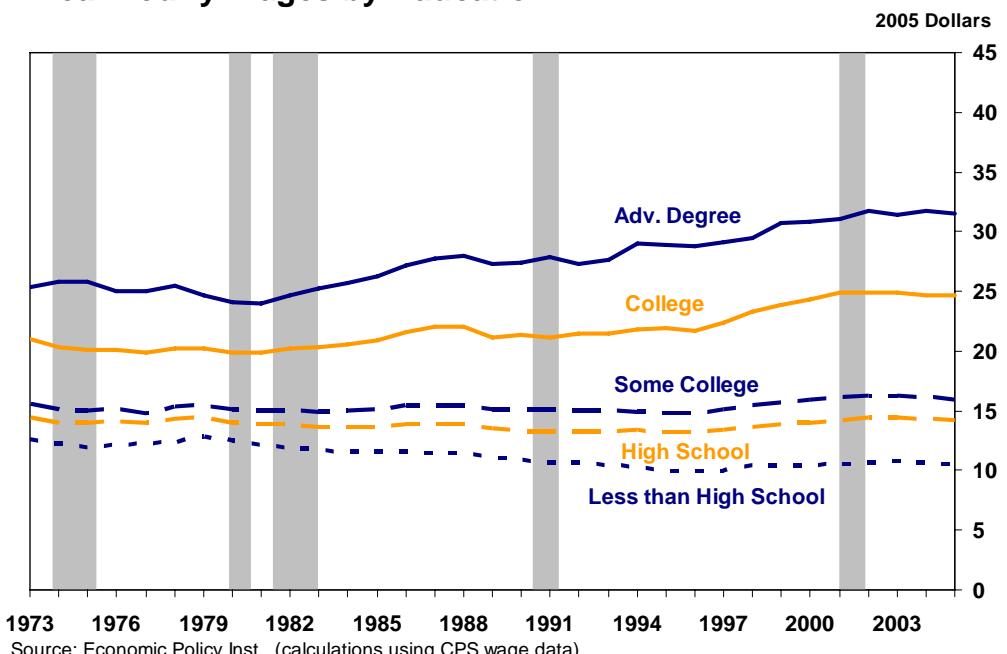


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Real Hourly Wages by Education

To better understand the effects of technological change on the labor market, it is useful to observe the evolution of wages for different skill groups. Observing the progression of wages for each education level reveals how the relative demand for skill has changed over this period. Data from the Current Population Survey (CPS) reveal some interesting and well-known facts. While real wages remained relatively stable for all education levels from the early 1970s to the early 1980s, there was a large increase in wage dispersion from 1983 up to the 2001 recession. Initially a worker with an advanced degree earned two times as much as a high school dropout (\$25.60 vs. \$12.60, using 2005 dollars). By 2001 an advanced-degree worker was earning three times as much (\$31 vs. \$10.50). When wages are indexed to their 1973 values, as in the lower panel, it is clear that the wage dispersion occurred quite uniformly along the education dimension. By 2005, advanced-degree workers earned 24% more than they did in 1973, college graduates saw an increase of 17%, and those at the middle of the skill distribution saw no change in their wages (there was an increase of 2% for those with some college education and a decrease of 2% for high school graduates). Finally, high school dropouts, who are at the bottom of the skill distribution, earned only 84% of their earnings three decades earlier.

Real Hourly Wages by Education

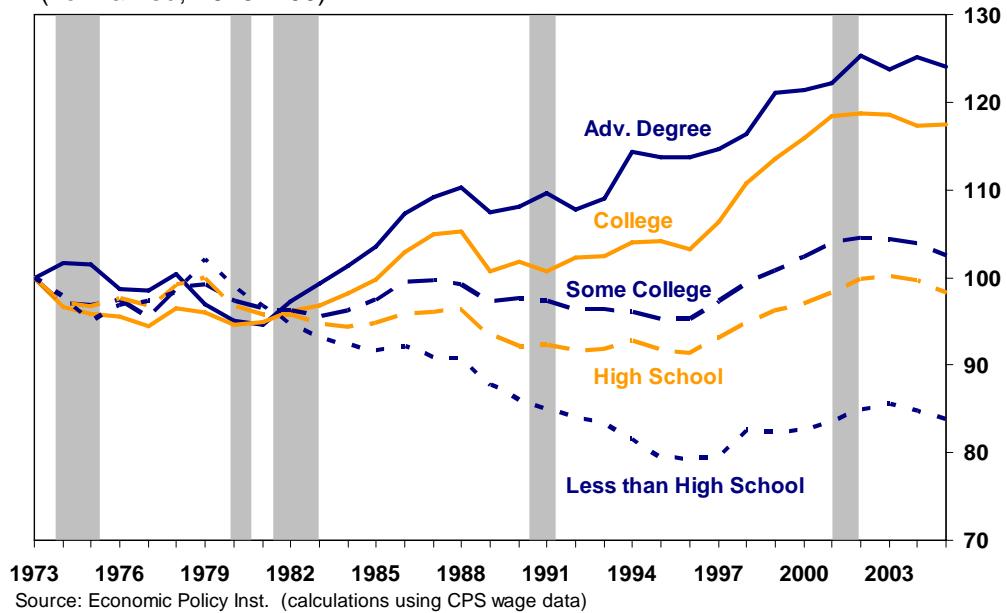


Source: Economic Policy Inst. (calculations using CPS wage data)

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Real Hourly Wages by Education

(normalized; 1973=100)



October 2007