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Lifetime Earnings in the United States over Six Decades

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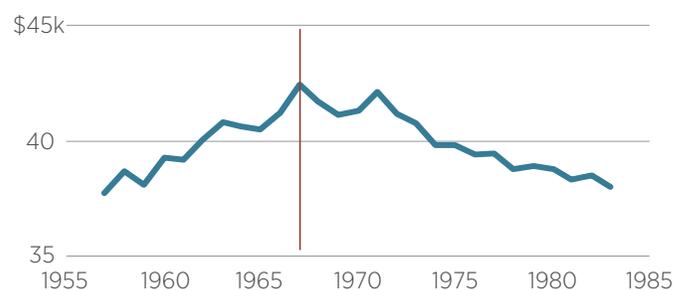
Lifetime earnings of the median male worker declined by 10% from those who entered the US labor market in 1967 to those in 1983, or roughly a loss of \$136,000.

Since the 1970s, stagnating average earnings and rising earnings inequality in US labor markets have spurred academic research and fired policy debates. This issue has only intensified in recent decades as attention has focused on the plight of male workers in industries and regions facing economic decline. Despite this interest, existing research has provided little insight into trends in lifetime earnings, offering only point-in-time analysis of annual incomes.

In a first-of-its-kind study, this paper addresses this gap by constructing measures of lifetime earnings for millions of individuals using a 57-year-long panel (1957–2013) from US Social Security Administration (SSA) records. The authors' lifetime earnings measure is based on 31 potential working years between ages 25 and 55, which allows them to construct lifetime earnings statistics for 27 year-of-birth cohorts. The oldest cohort turned age 25 in 1957, and the youngest one turned age 55 in 2013, the last year of their sample.

The authors examine how lifetime earnings of the median male worker changed from the first cohort (1957) to the last (1983). [They also examine changes in women's roles in the labor market over this period. See related Research Brief.] Their analysis reveals the following key fact: The lifetime earnings of the median male worker declined by 10% from the 1967 cohort to the 1983 cohort. Perhaps more strikingly, more than three-quarters of the distribution of men experienced

Figure 1 • Median Lifetime Earnings by Cohort for US Males

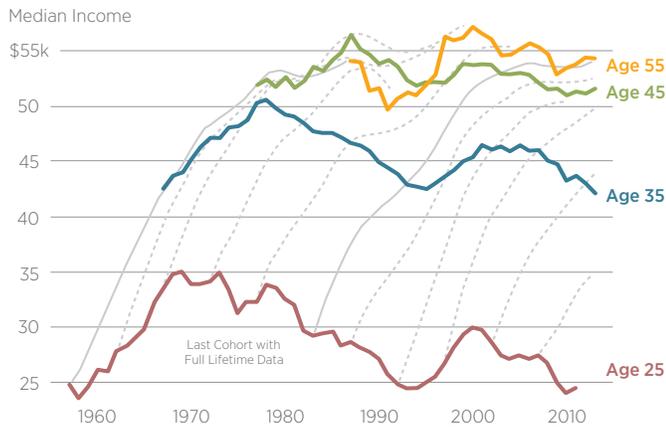


Note: Each marker/observation represents the median lifetime earnings of a cohort that turned age 25 (entered the labor market) in the year indicated on the x-axis. Values are displayed in thousands of 2013 US dollars. Earnings are deflated by the Personal Consumption Expenditure (PCE) deflator.

no rise in their lifetime earnings across these cohorts. Accounting for rising employer-provided health and pension benefits partly mitigates these findings but does not alter the substantive conclusions.

How are these changes reflected in wage/salary earnings? When nominal earnings are deflated by the personal consumption expenditure (PCE) deflator, the annualized value of median lifetime wage/salary earnings for male workers declined by \$4,400 per year from the 1967 cohort to the 1983 cohort, or \$136,400 over the 31-year working period. (When the authors adjusted for inflation using the consumer price index, the decline in median male lifetime earnings is nearly twice as large.)

Figure 2 • Age Profiles of Male Median Earnings by Cohort



Note: Each observation represents the median earnings of men of a particular age in a particular year. For example, the 1957 cohort is represented by an Age 25 observation in 1957, an Age 35 observation in 1967, an Age 45 observation in 1977, and an Age 55 observation in 1987. The dotted lines (solid for the first and last cohort with full life cycle profiles) connect all available age-year observations for every fifth cohort. All values are displayed in thousands of 2013 dollars and deflated using the PCE.

For policymakers, these findings are sobering, and important. For example, the authors show that newer cohorts of workers were already different from older ones by age 25. Once in the labor market, the earnings distribution for these newer cohorts evolved similarly to those of older cohorts. Further, the authors' findings suggest that the sources of the dramatic changes in the US earnings distribution over the last 50 years may be found in the experiences of newer cohorts during their youth (and possibly earlier). To illustrate, please see Figure 2, which reveals that the decline in median earnings at age 25 continued until 1993, after which time there was a brief resurgence followed by another period of decline. In 2009, median earnings for 25-year-old males were at their lowest point since 1958.