

# Population Aging and the Structure of Wages

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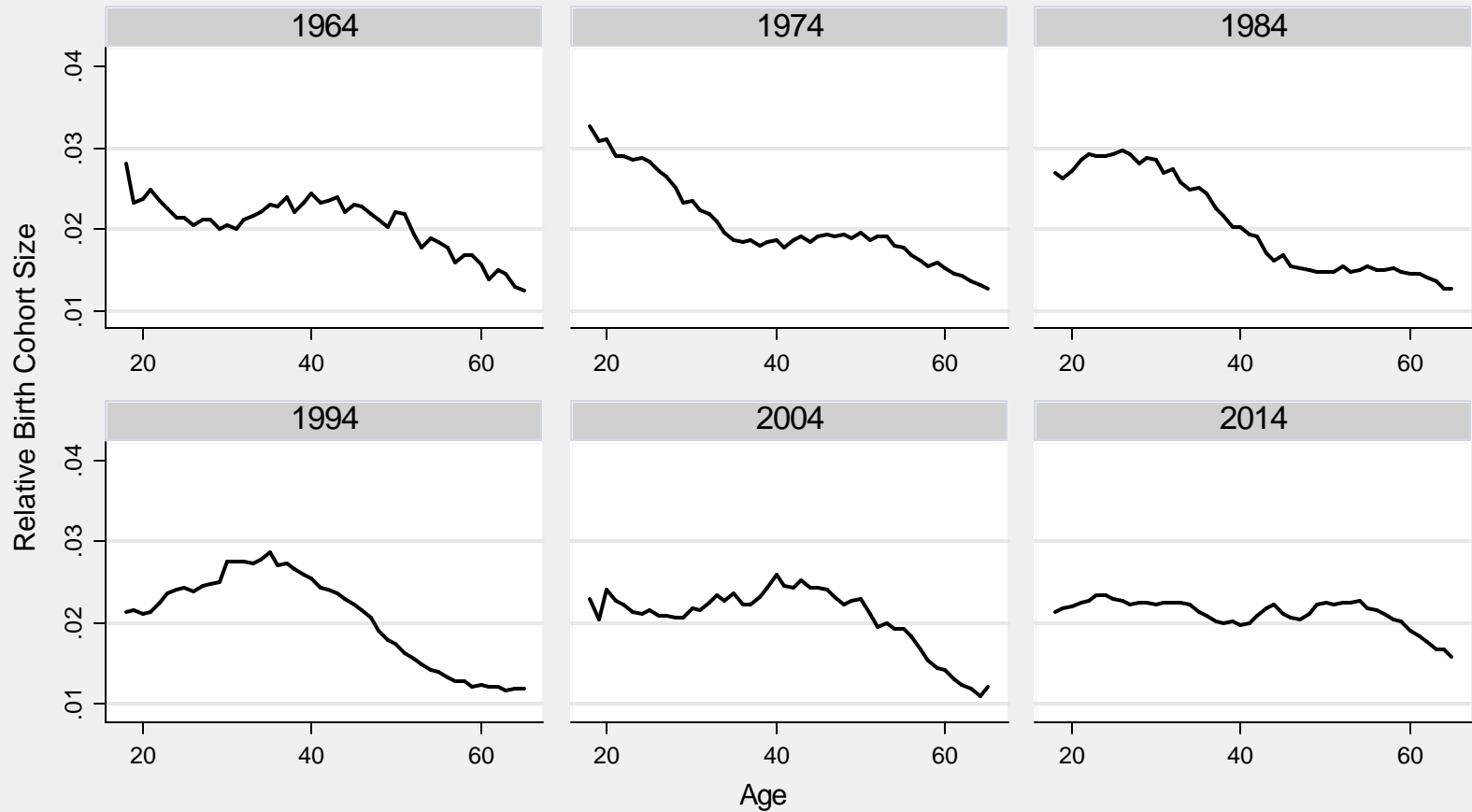
Washington, D.C.

# How Will Population Aging Affect the Relative Wages of the Baby Boomers as they Approach Retirement?

- Previous research has shown that the wages of the boomers were depressed early in their careers due to their large cohort size.
- We use recent data to examine whether this effect has persisted as the boomers have aged.

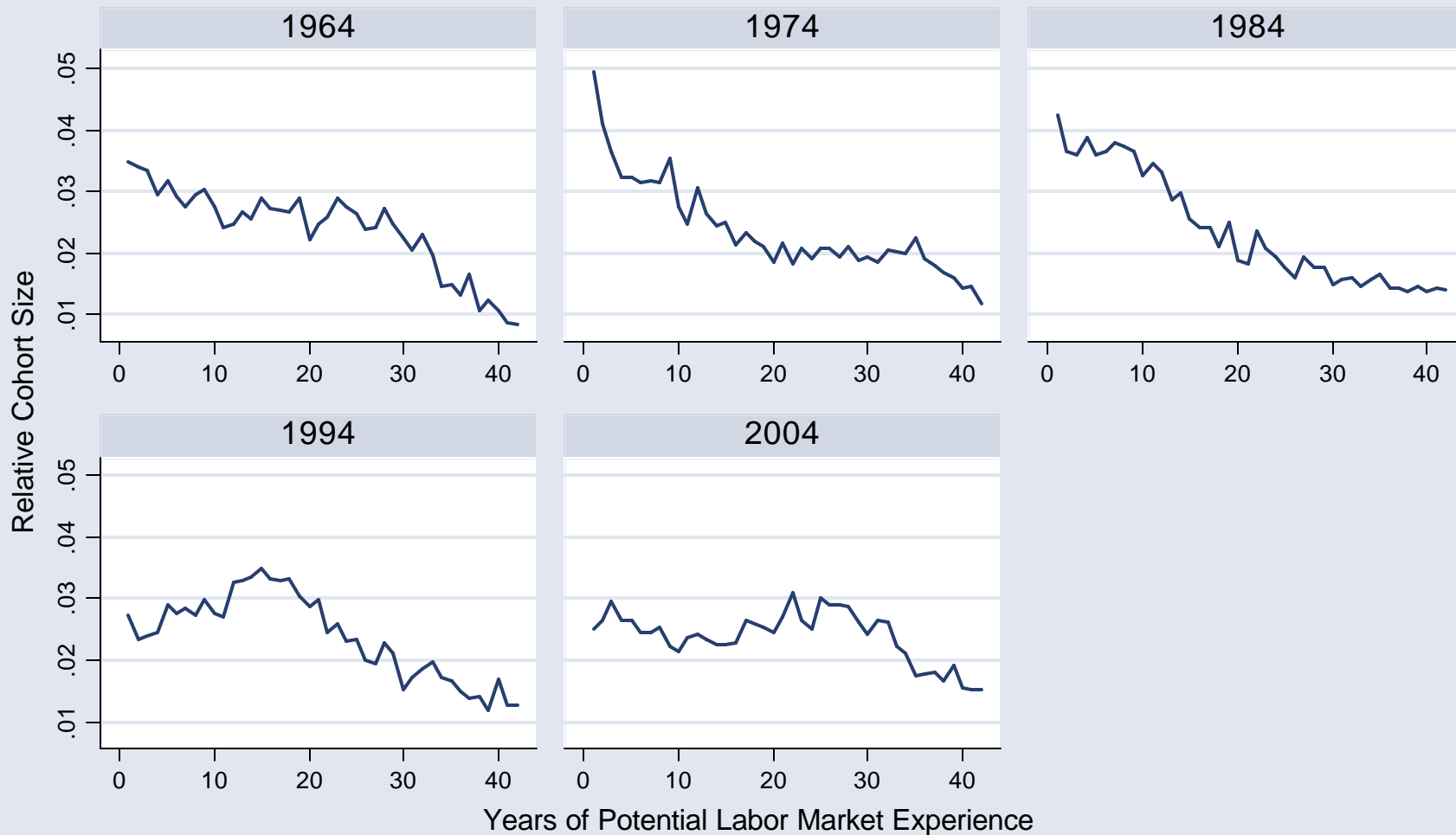
# Figure 1

## Changes in the Age Distribution over Time



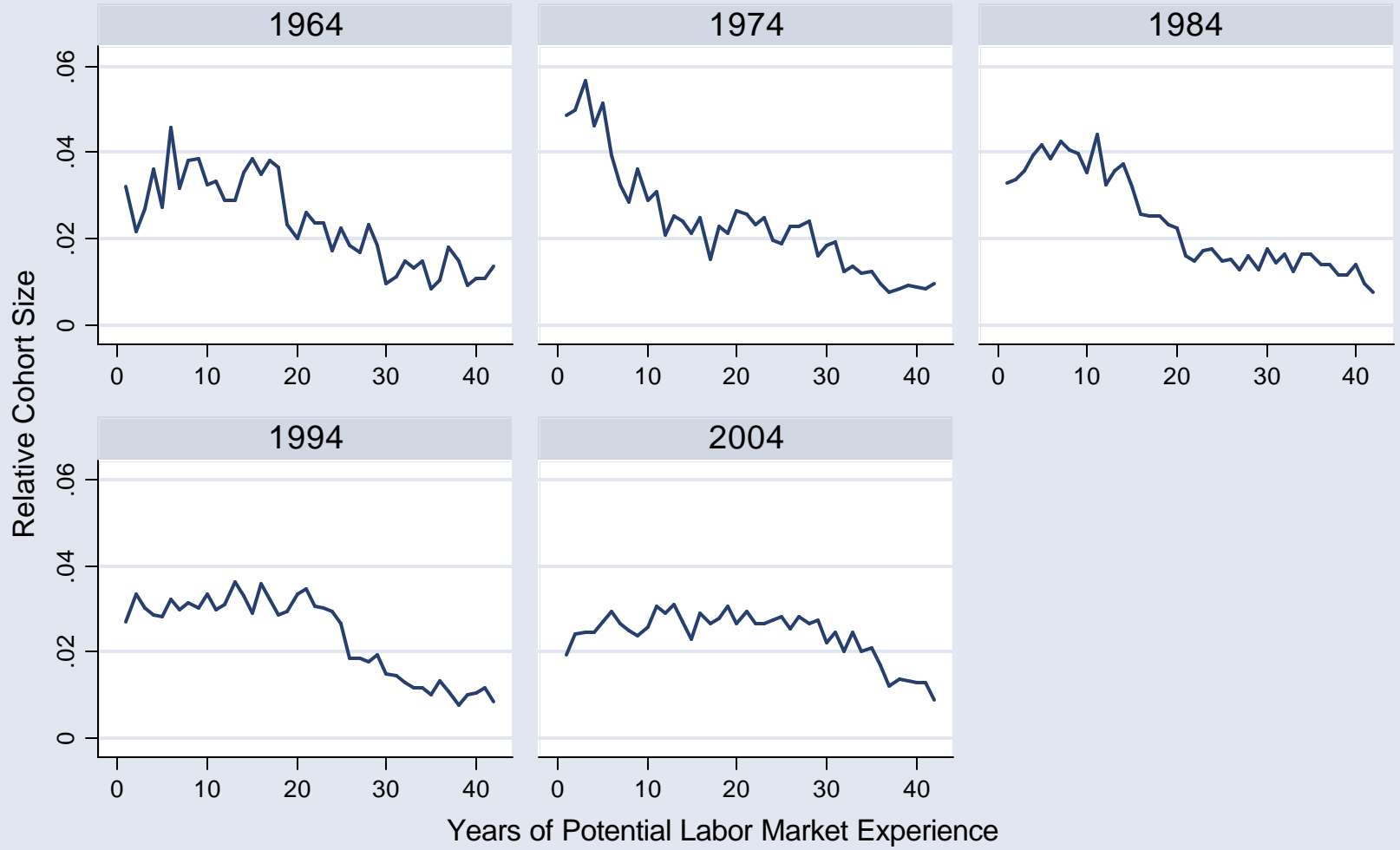
source: authors' calculations

Figure 2a  
Changes in the Distribution of Labor Market Experience for High School Graduates



source: authors' calculations

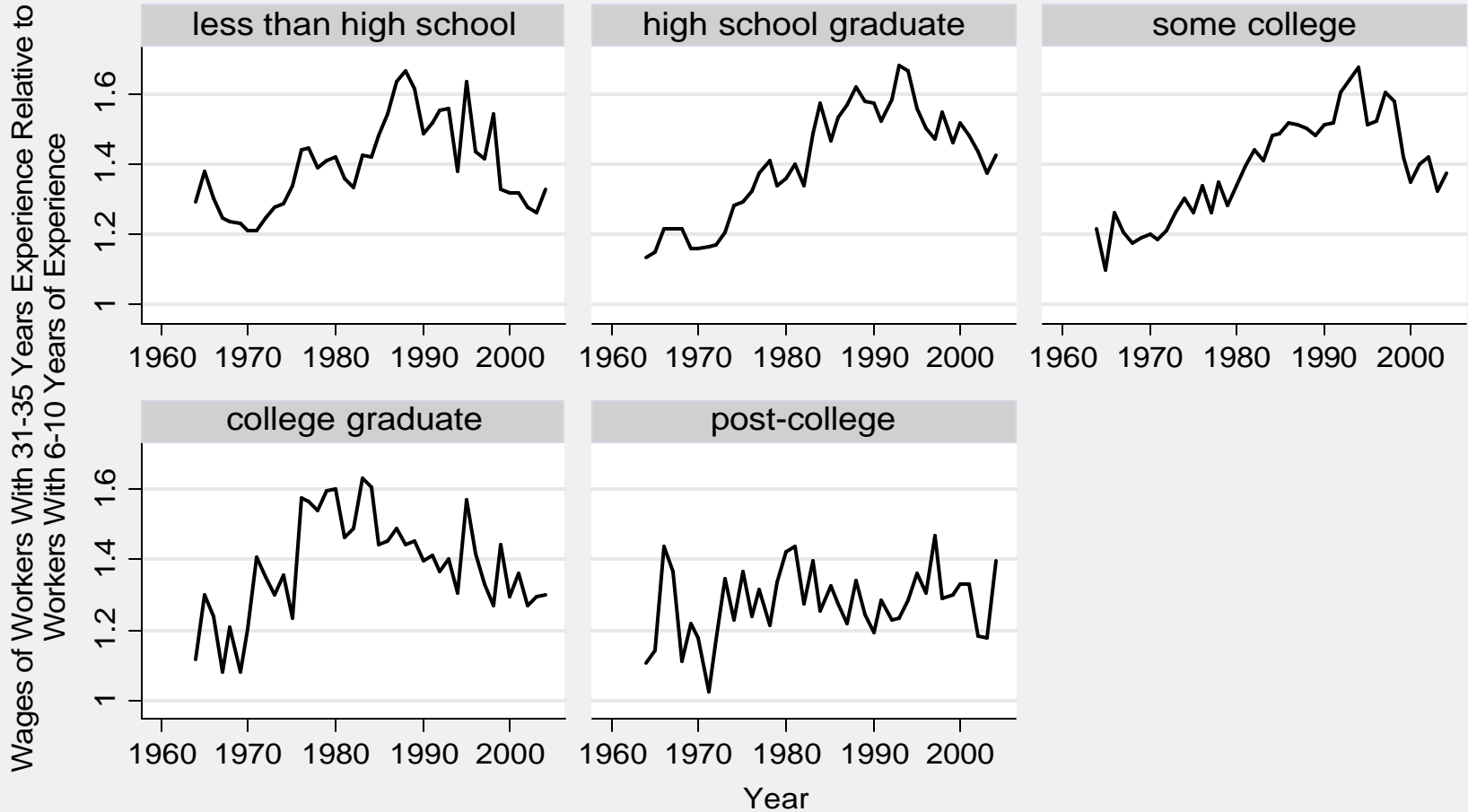
Figure 2b  
Changes in the Distribution of Labor Market Experience for College Graduates



source: authors' calculations

# Figure 3

## Changes over Time in the Experience Premium



Source: Authors' calculations

## Wage Regression Results (IV - from Table 2) Experience Spline Coefficients

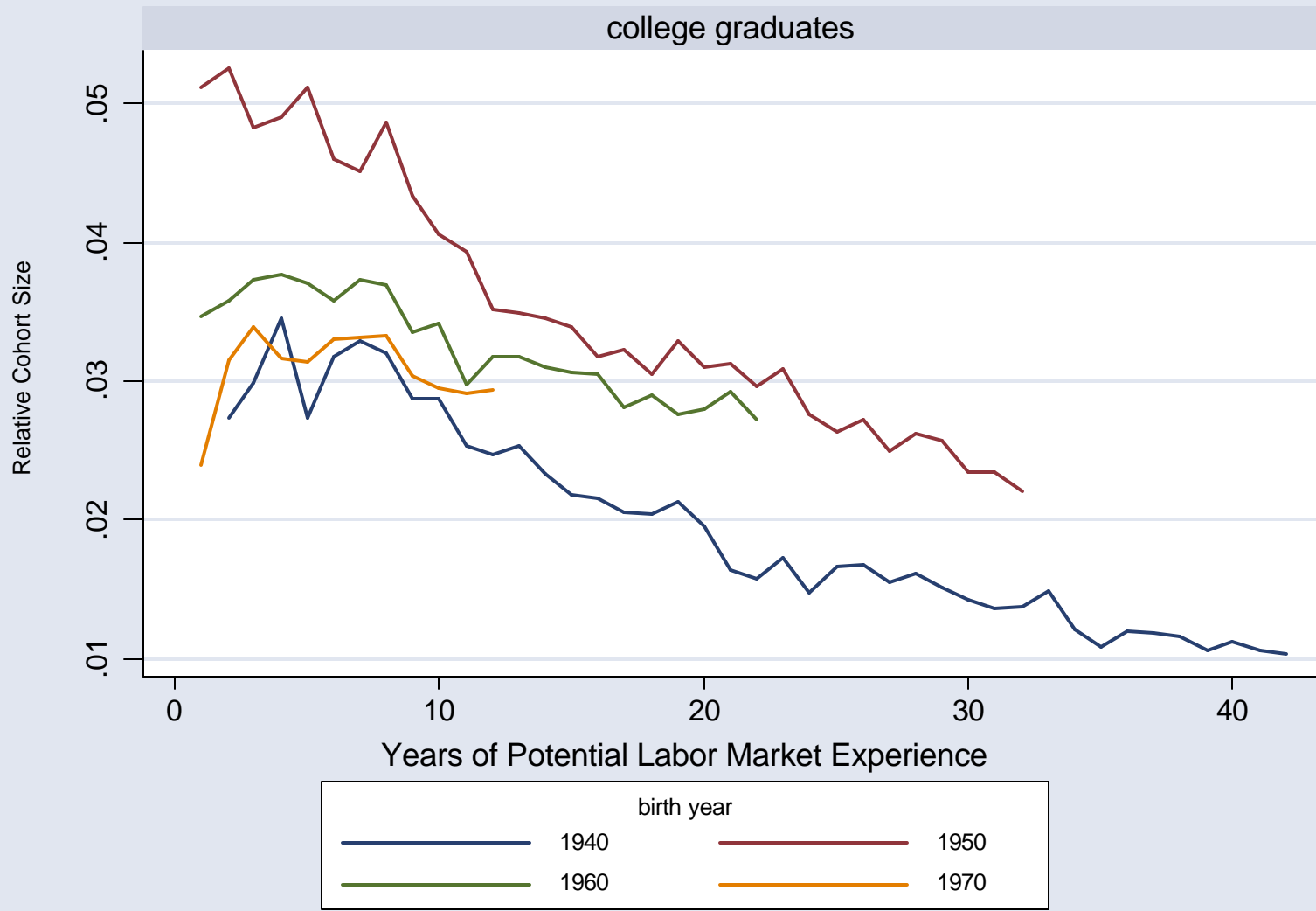
Potential Experience	High School Grads	Some College	College Grads	Post-College
1-5 Years	0.09	0.08	0.09	0.09
6-10 Years	0.05	0.05	0.05	0.04
11-20 Years	0.02	0.02	0.02	0.01
21-30 Years	0.01	0.00	0.00	-0.01
31+ Years	-0.01	-0.01	-0.01	-0.02

## Wage Regression Results (IV - from Table 2) Relative Cohort Size Coefficients

Potential Experience	High School Grads	Some College	College Grads	Post-College
1-5 Years	-2.3	-2.8	-6.4	-14.6
6-10 Years	-3.7	-3.8	-6.9	-14.1
11-20 Years	-4.4	-4.4	-6.6	-12.1
21-30 Years	-5.5	-5.0	-7.2	-12.5
31+ Years	-7.0	-7.0	-7.8	-12.2



Figure 4b  
The Evolution of Relative Cohort Size

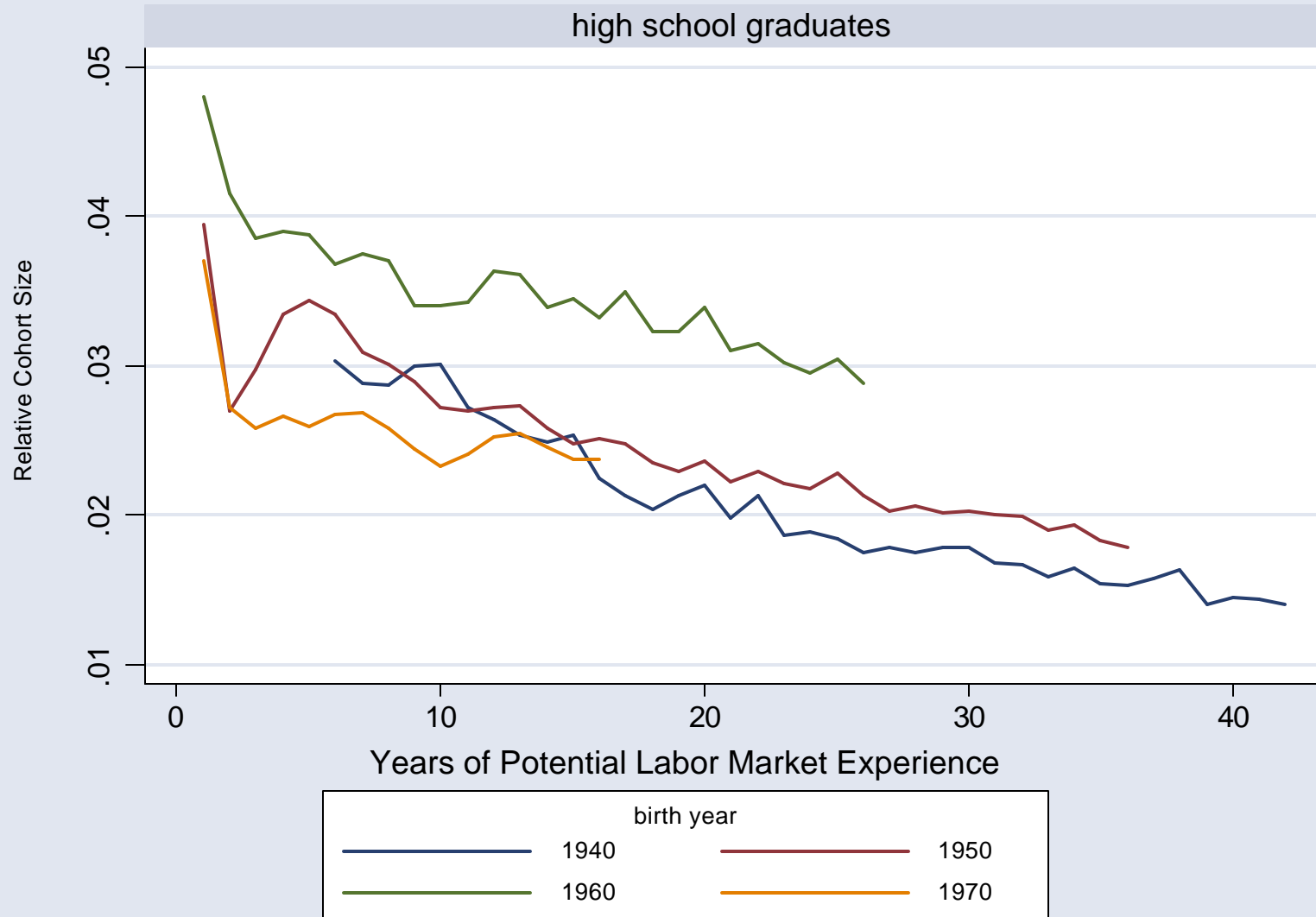


source: authors' calculations

## Effect of Cohort Size Relative to 1950 Birth Cohort College Grads (From Table 3)

Birth Year	Years of Potential Experience			
	1	10	20	30
1920				3.1
1930			4.1	4.3
1940		8.7	7.4	6.6
1950				
1960	11.2	4.8	2.0	
1970	18.0	8.6		
1980	20.7			

Figure 4a  
The Evolution of Relative Cohort Size



source: authors' calculations

## Effect of Cohort Size Relative to 1950 Birth Cohort High School Grads (From Table 3)

Birth Year	Years of Potential Experience			
	1	10	20	30
1920				-1.6
1930			0.0	1.9
1940		-0.8	0.6	1.6
1950				
1960	-1.7	-2.2	-4.4	
1970	0.8	1.7		
1980	2.3			

# Conclusion

- Large cohorts depress own wages relative to other cohorts
- Cohort size effects persist through working life, but...
- Relative cohort size changes over time