#### Inequality and Human Capital: a Global View

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EIB, May 2018

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  - Final (and crucial) consequence: 'inequality spiral'

## Part 1

# Inequality and Human Capital

over five decades

- Fact 1: divergent evolutions since the mid-70s
- Fact 2: the crucial role of HC in *current* inequality
- Fact 3: the crucial role of HC in the evolution of inequality
- Fact 4: the 'demand for skills' story (Autor 2014)
- Fact 5: links between inequality, HC and social mobility

#### Fact 1: divergent evolutions since the mid-70s

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# Income Gains Widely Shared in Early Postwar Decades — But Not Since Then (Source: CBPP 2018)

Real family income between 1947 and 2016, as a percentage of 1973 level





Figure 3: Selected Percentiles of Lifetime Income, by Cohort and Gender (Guvenen et al. 2017)



Fig. S1: Changes in the 90/10 Ratio of Full-Time Male Earnings Across Twelve OECD Countries. 1980-2011 (Source: Autor 2014)

### Fact 2: the crucial role of HC in current inequality

### Unemployment rate (%)



### Median usual weekly earnings (\$)



## Cross-national differences in wage returns to skills, 2011–2013

Percentage increase for a one standard deviation increase in skill



### Fact 3: the crucial role of HC in the evolution of inequality

Figure 4. Median Earnings of Full-Time Year-Round Workers Ages 25–34 with at Least a Bachelor's Degree Relative to High School Graduates, 1972–2012, Selected Years



Sources: NCES 2004, table 14-1; US Census Bureau (1995–2010, 2011b–2012, and 2013d); Baum 2014.

## Present discounted value of college relative to high school degree net of tuition, 1965–2008



#### Fact 4: the 'demand for skills' story (Autor 2014)

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#### College share of hours worked (%), 1963–2012: All working-age adults



#### College versus high school wage gap (%)





#### Fact 5: links between inequality, HC and social mobility


#### Generational earnings elasticity (higher values imply lower mobility)



# Part 2

# The determinants of

# Human Capital investment

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  - In the US ...
  - ... and worldwide

#### Demand for college education: worldwide

 Remarkable increase in female education, labor supply, incomes worldwide during the last decades.



FIGURE 3: FRACTION OF 30- TO 34-YEAR-OLDS WITH COLLEGE EDUCATION. COUNTRIES ABOVE

Source: See Figure 1.

#### Source: Becker-Hubbard-Murphy 2009

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#### Demand for college education: the US

#### The 'Gender Puzzle'



Figure 13: Completed Education by Sex, Age 30-40, US 1968-2005

Source: Current Population Surveys.

 $\rightarrow$  how can we explain these striking differences?

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  - ... which in turn influences investment in HC

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  - ... which impacts the Marital College Premium in gender-specific ways.

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  - ullet  $\to$  which may explain the observed asymmetries between genders!

# Results 1. Time use 2. Matching patterns 3. Marital college premium

	USA		Canada		UK	
Year of survey	1975	2003	1971	1998	1975	2000
Domestic chores						
Married men, child 5-17	1.18	1.52	1.56	1.63	0.97	1.70
Married women, child 5-17	3.63	2.83	4.55	3.29	4.01	3.37
Married men, child $< 5$	1.10	1.38	1.83	1.66	0.90	1.42
Married women, child $< 5$	3.67	2.64	4.79	3.03	4.13	3.03
Child care						
Married men, child 5-17	0.20	0.57	0.14	0.41	0.06	0.26
Married women, child 5-17	0.65	1.13	0.64	0.77	0.30	0.58
Married men, child $< 5$	0.40	1.24	1.21	1.47	0.28	1.04
Married women, child $< 5$	1.63	2.67	2.16	2.97	1.28	2.57

Table 1: Time use (Source: Browning, Chiappori and Weiss 2015)



Panel B. Fathers

FIGURE 14. AVERAGE MINUTES SPENT DAILY IN DEVELOPMENTAL CHILD CARE, UNITED STATES

: Altintas (2016).

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- A structural model is needed ...
- ... but its conclusions are unambiguous: *spectacular increase in preferences for assortativeness, particularly at the top of the distribution*



Figure 2: Comparing partners in white couples



FIGURE 3. NEVER-MARRIED WHITE MEN AND WOMEN



Figure 4: Marriage patterns of white men who marry



Figure 5: Marriage patterns of white women who marry



Birth year of the man

Figure 18: Excess premia of white women
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