



Determining Wages: The Changing Role of Education

Professor David L. Schaffer and Jacob P. Raleigh, Economics Department

Introduction

In this study, we take a detailed look at the determinants of wages in the U.S. and how they have changed over the last 40 years. Although we consider many different factors, we focus our attention especially on education level, gender, and race.

We work with an enormous data set from the U.S. Census Bureau, consisting of 40 years of answers to a detailed survey about demographics and work. The sample size is greater than one trillion persons.

We apply standard economics tools to estimate wage equations. We use a familiar form with the log of the hourly wage rate on the left-hand side of the equation and various independent variables on the other. Because our data set is so large, we are able to allow non-linear effects between each of the independent variables and the log of the wage.

We present our results by estimating and presenting the real hourly wage rate for each combination of characteristics. These calculations are based on the results of all of our regressions.

Our findings confirm many results by other economists but show some unexpected ones as well.

