

Generations of Discontent: Labor Force Participation and Wages

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Summary:

After decades of decline, the labor force participation rates among men started rising in the middle and latter years of the 2010s and is currently at its highest level since 2010. This paper explores the potential role that the market wage and wage growth across generations of men could play in explaining, first, the decline, and then, the apparent reversal. This paper compares the experience of men to that of women, who had a much different labor force participation and wage experience than men across the generations.

Key findings:

1. After decades of decline, male participation appears to have hit bottom and begun rising.
2. Stagnation of rising women's participation since the early 1990s seems to have been arrested.
3. Generational differences in wages and wage growth are tied to participation trends for both men and women.

Center Affiliation: Center for Human Capital Studies

JEL Classification: J22, J31

Key words: labor force participation rates, generation, cohort, reservation wage, wage growth

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Julie Hotchkiss is a research economist and senior adviser on the applied microeconomics team in the Research Department at the Federal Reserve Bank of Atlanta. Her major fields of study are earnings and employment differentials across different groups of workers, variations in employment and earnings across time, and policy implications of changes in labor supply.

Dr. Hotchkiss also serves as the executive director of the Atlanta Research Data Center. Prior to joining the Bank in 2003, Dr. Hotchkiss was professor of economics at the Andrew Young School of Policy Studies at Georgia State University. She began teaching as a senior associate and assistant professor of economics at the Policy Research Center at Georgia State University in 1989. She maintains an appointment as adjunct professor of economics in the Andrew Young School at Georgia State.

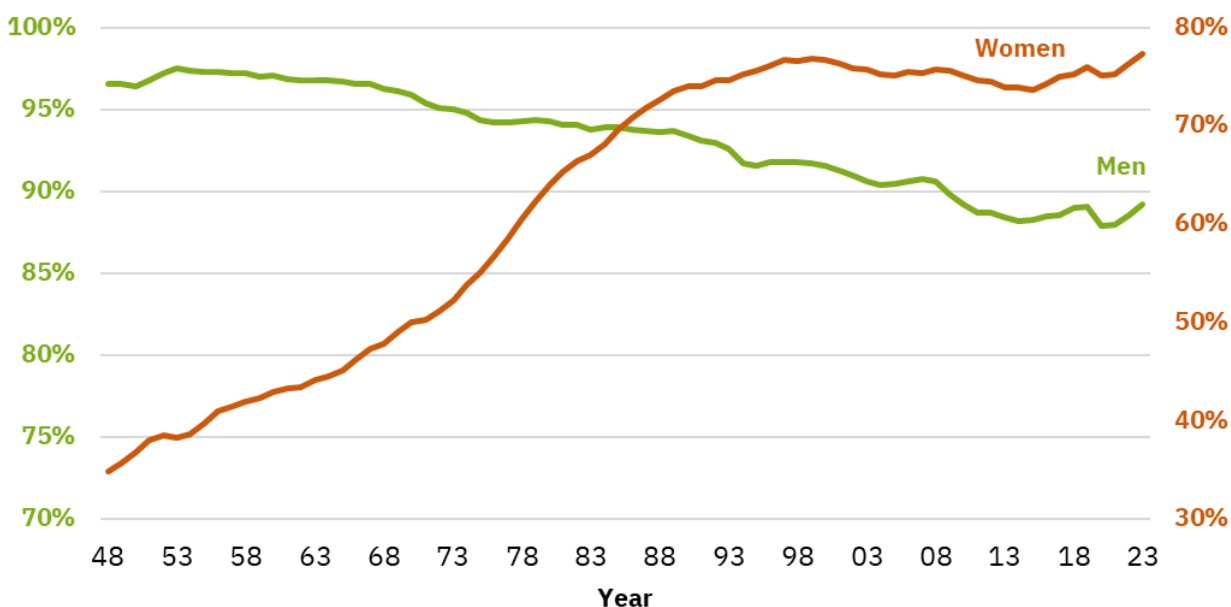
A native of Los Angeles, Dr. Hotchkiss received bachelor of arts degrees in economics and French from Willamette University. She earned her master's and doctoral degrees in economics at Cornell University.

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1 Introduction

Men’s long-running decline in participation in the work force has had economists and policy makers wringing their hands for decades. The labor force participation rate (LFPR) among prime-aged men (25–54 years old) has fallen by more than 8 percentage points since 1948 and by more than 18 percentage points among men of all ages. Figure 1 shows the familiar long-run decline in participation among men juxtaposed against the rise in participation among women over the same time period. (Note that the participation rates for men and women are plotted on different scales.)

Figure 1: Annual LFPR, 1948-2023, Prime-Age Men and Women

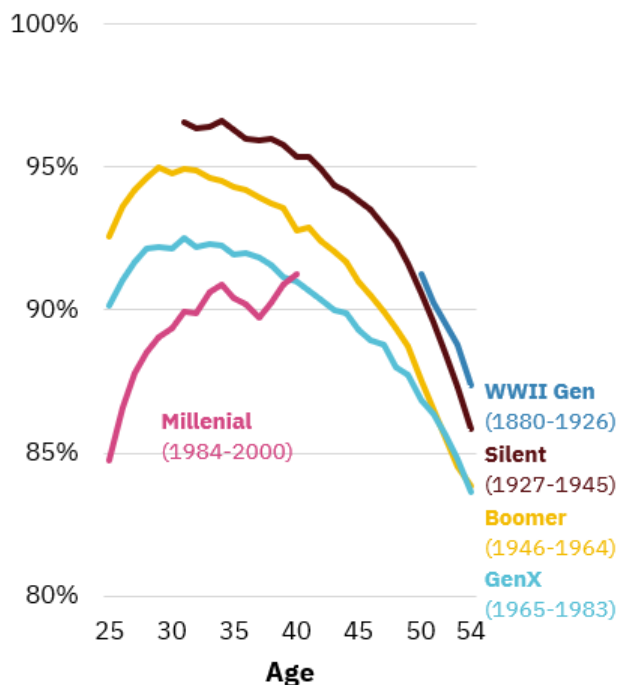
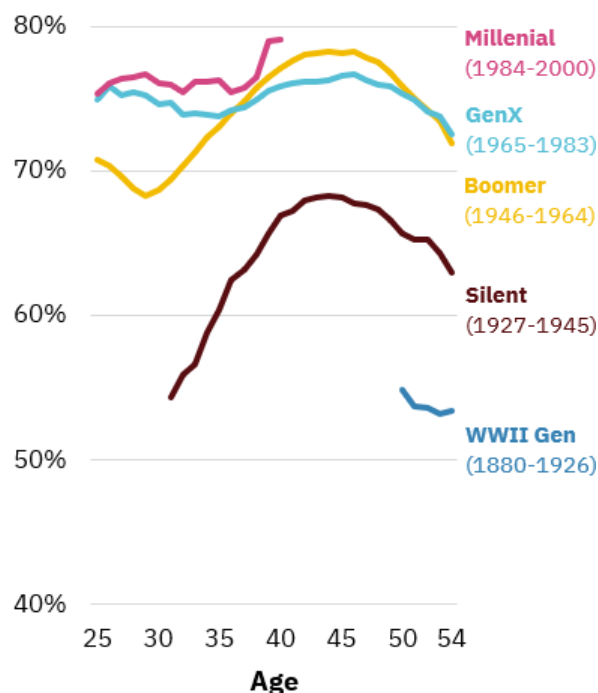


Source: US Bureau of Labor Statistics through Haver Analytics, and author’s calculations

The purpose of this *Policy Hub* paper is to explore the different wage and wage growth experiences across generations of men (and women) that might help explain these long-term trends. Additionally, the recent reversal of trends among both men and women are also linked to those generational wage experiences.

2 Labor Force Participation across Generations

The historical trends in participation can be seen even more dramatically by comparing differences across generations at the same age. Generations within the population are typically defined by year of birth as follows: WWII Gen (born 1880–1926), Silent (born 1927–44), Baby Boom (born 1945–64), Gen X (born 1965–83), and Millennial (born 1984–2000). Figure 2 plots the generational differences in participation for both men and women by age. As each successive generation of women has supplied more labor at every age (panel b), men (panel a) at every age are less likely to participate in the labor force from one generation to the next.

Figure 2: LFPRs by Generation and Age, Men and Women Aged 25–54**Panel A: Men's Labor Force Participation****Panel B: Women's Labor Force Participation**

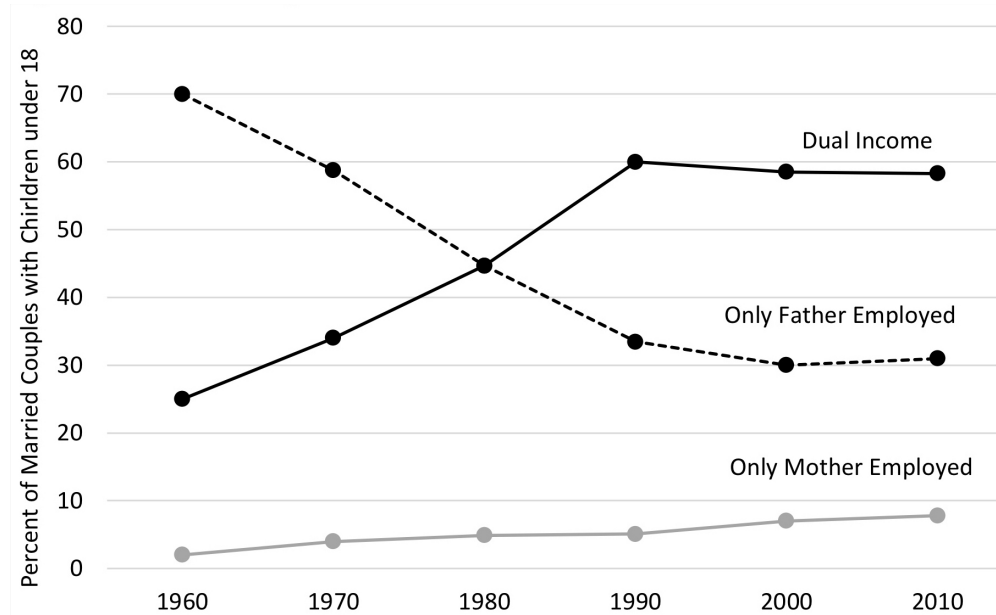
Source: Monthly Current Population Survey, January 1978–August 2024, and author's calculations. Birth years of each generation are noted in the graph.

Of course, a population willing to supply its labor is essential for ongoing economic growth, both to supply an important input for production and also to generate income to fuel demand. Bengali et al. (forthcoming) exhaustively explore reasons why participation has been falling across generations of men. They conclude that the most important contributors have been changes in demographics and skills with a dash of caretaking thrown in. Newer generations of men have significantly delayed and lower rates of marriage and family formation, reducing incentives for participation. The authors also conclude that newer generations are absent from the labor force at younger ages for longer periods as a result of extending educational pursuits. Additionally, labor market opportunities for men without a college degree have decreased, reducing their participation. Newer generations of men are also more likely to cite caregiving (such as for children and other/older relatives) as a reason for nonparticipation. However, even after controlling for these factors, the authors find that participation rates are still lower among newer generations of men at all ages—leaving much of the decades-long decline unexplained by mere demographic changes across the generations.

Others (for example, see Hotchkiss 2022) have noted that at about the time Millennials came on the scene (early 1980s), and when Gen Xers were between 3 and 12 years old, the dominant household income structure switched from one breadwinner (the father) to a dual-income household (see figure 3). The experiences of children in this environment could have had two negative impacts on labor supply. The first is that these children grew up in relatively

more affluent families (with two earners) than generations before, potentially leading to an income effect putting downward pressure on labor supply. Lower labor market participation at young ages has been found to reduce later labor market attachment (see Garasky 1996; Staff, Ramirez, and Cundiff 2017).

Figure 3: Rise in Dual-Income Families



Source: Hotchkiss (2022, figure 6), reproduced with permission

The second potential impact is that these children have had a front-row seat for the tension that juggling work and family creates for two-income households (see Parker, Horowitz, and Rohal 2015). Both of these influences may have rearranged priorities between work and leisure for the younger generations as they approached adulthood. Argys, Mroz, and Pitts (2019) also point out that various policies during this same time period could have had a negative impact on the formation of early labor market attachments. They find that states' adoption, starting in 1995 (when the oldest Millennials were 14), of graduated driver's licenses for teens significantly decreased teen participation rates—and the impact was larger for teen boys than for teen girls. Again, this may have had a significant effect on adult labor market attachment (see Garasky 1996; Staff, Ramirez, and Cundiff 2017).

Although this change in family income structure might not explain the decades of declining LFPRs among men dating back to the 1950s, it roughly coincides with the deceleration of growth and then plateauing of LFPRs among prime-age women. This shift would have occurred in the late 1980s, when the oldest Gen Xers turned 25 (see figure 1). And, while likely dominated by other factors pointed out by Bengali et al. (forthcoming), it may have also contributed to the continuing decline in LFPRs among the most recent generations of men.

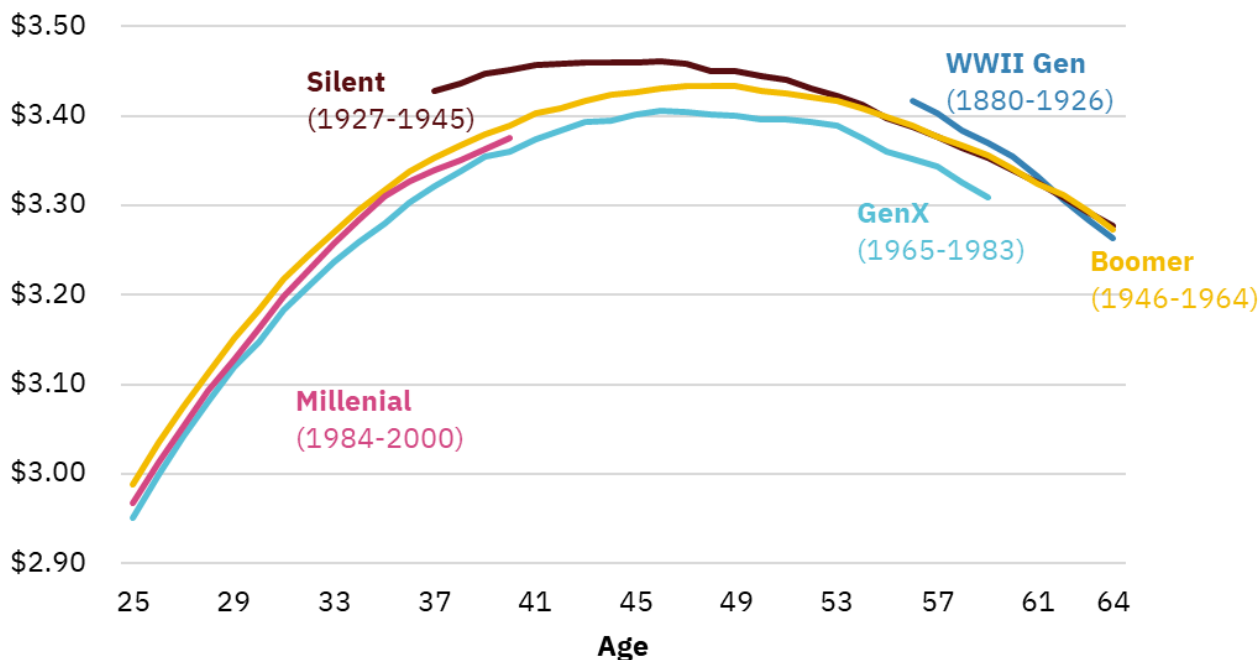
3 The Potential Role of Market Wages

Level Wages: Another factor fundamental to the willingness to supply labor that has not received as much attention to date is the differences across generations in the expected pecuniary returns from participating in the labor market. Labor theory predicts that a person will decide to participate in the labor market (and thus redirect their time away from household activities/leisure to labor market/work activities) if the market wage they're offered exceeds the value of the last hour spent not working (their reservation wage).

Figure 4 shows the predicted real (in 2023 dollars) log wage/age profiles for men between the ages of 25–64 by generations. These predictions result from a median regression (see McGreevy et al. 2009) using monthly observations in the Current Population Survey (CPS), controlling for the usual factors highly correlated with wage determination—age, age squared, cohort, education, race, marital status, number of children, and the unemployment rate. “Controlling” for these factors means, for example, that the real (accounting for inflation) wage of a man from the Baby Boom generation who is 32 years old can be compared to an “identical” man from the Millennial generation (a man with the same age, education, race, etc.). Observations for analysis begin in 1982 for consistency of earnings data across generations.

Figure 4: Predicted Log Real Hourly Wage at Median by Generation, Men Aged 25–64

Log real hourly wage in 2023 dollars



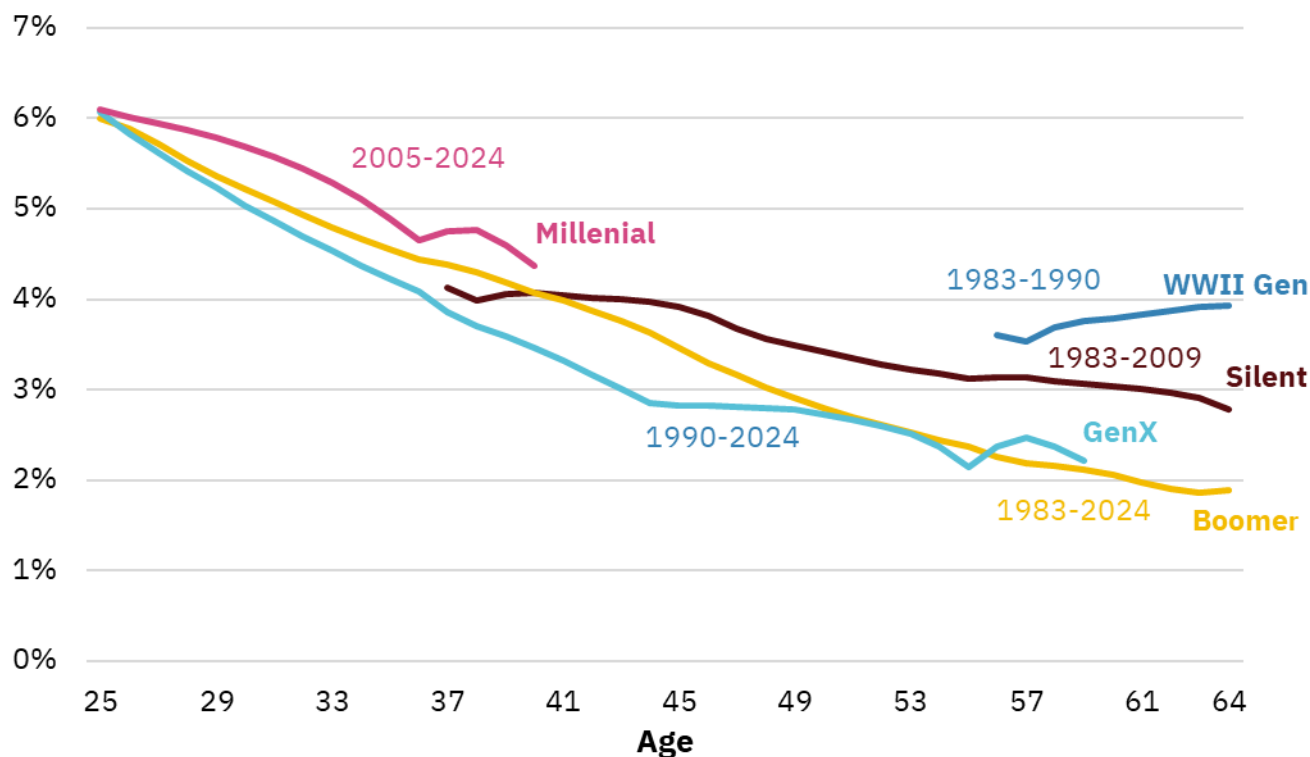
Source: Monthly Current Population Survey January 1983–August 2023. Note: Median predicted individual log real wage from OLS median regression; age, age squared, cohort, education, race, marital status, number of kids, and national unemployment rate controls. Note: Birth years for each generation are noted in the graph.

Figure 4 shows, for the most part, that each successive generation of men experienced a lower wage at each age than the generation before. Millennials are an exception as their

profile lies above that of Gen X, but it is still below that of the Baby Boom generation. I will discuss below the implication of this progress among Millennials, but these (mostly) successively lower wages could go a long way to explaining the decreasing enthusiasm across generations of men for supplying their labor.

Wage Growth: Additionally, expected wage *growth* may have negatively affected the willingness of men to supply labor. When making labor supply decisions, individuals may take into account not only the current market wage, but also how quickly they can expect their wage to grow over their careers. Consequently, they may decide to enter the labor force even if the market wage is below their reservation wage as long as that market wage is expected to exceed their reservation wage in a reasonable amount of time. In other words, entering the labor market puts the person in a position to take advantage of future wage growth.

Figure 5: Predicted Real Hourly Wage Growth at Median by Generation and Age, Men Aged 25–64



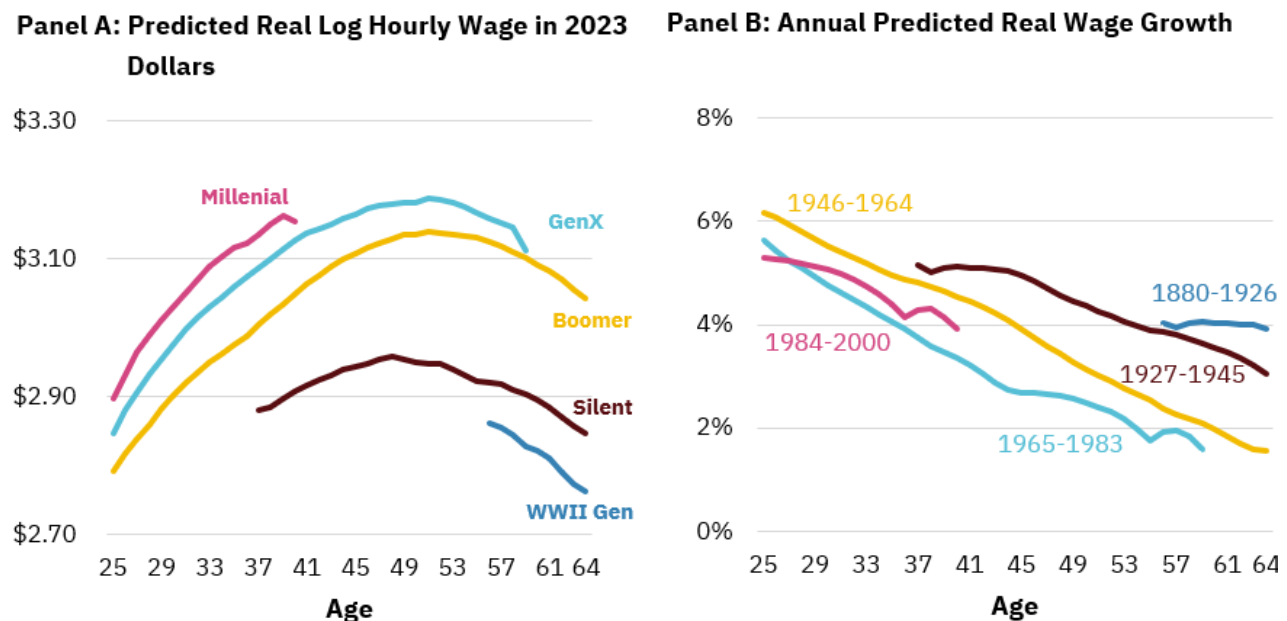
Source: Monthly Current Population Survey, January 1983–August 2023, linked observations across 12 months. Note: Median predicted wage growth from OLS median regression; age, age squared, cohort, education, race, marital status, number of kids, and national unemployment rate controls. Years over which each generation is observed between the ages of 25–64 are noted in the graph.

However, at the same time that each successive generation of men could expect lower wage levels than the previous generation(s), men were also facing lower expected wage *growth*, which likely compounded the negative impact of lower relative wage levels. Figure 5 compares predicted median real wage growth across the generations, using the same median-regression specification used to generate figure 4. The range of years in the graph reflect the

years over which each generation is included in the estimating sample. The expected wage growth depicted in figure 5 results from matching individuals across 12 months within the monthly CPS, so the expected wage growth corresponds to within-person wage growth.¹ For the most part, the promise of economic improvement over a career for each generation is lower than that of the one before, potentially dampening enthusiasm of men for ongoing participation. The exceptions of Millennials and later-career Gen Xers will be discussed below.

Discouragement by Comparison? If lower real wages and smaller wage growth isn't bad enough—meaning that men were facing more dire prospects in the labor market than their fathers—they witnessed quite a different experience over the same time period for women. Figure 6 shows predicted real median wage levels (panel a) and growth (panel b) for women by generations across age.

Figure 6: Predicted Real Log Hourly Wage and Wage Growth at Median by Generation and Age, Women Aged 25–64



Like men, real median wage growth among women (panel b) declined across the generations (with the more recent exception of Millennials). However, real median wage levels look quite different for women than for men. Each successive generation of women experienced substantially larger earnings potential at each age than their mothers. Figure 2 shows the implication of this growing labor market potential among women, as female labor force participation increased dramatically over time. Notably, the rate of increase in wages has slowed from Boomers to Gen X and again from Gen X to Millennials, a trend that is reflected by

¹ The same concept is employed in the presentation of the Federal Reserve Bank of Atlanta's Wage Growth Tracker online tool (<https://www.atlantafed.org/chcs/wage-growth-tracker>).

the shrinking gaps in figure 6 (panel a) between the wage/age profiles from Boomers to Gen X to Millennials. This reduction in real wage gains coincides with the slowing and then flattening of the LFPR among women starting in the late 1980s as Gen X women are entering prime working age.

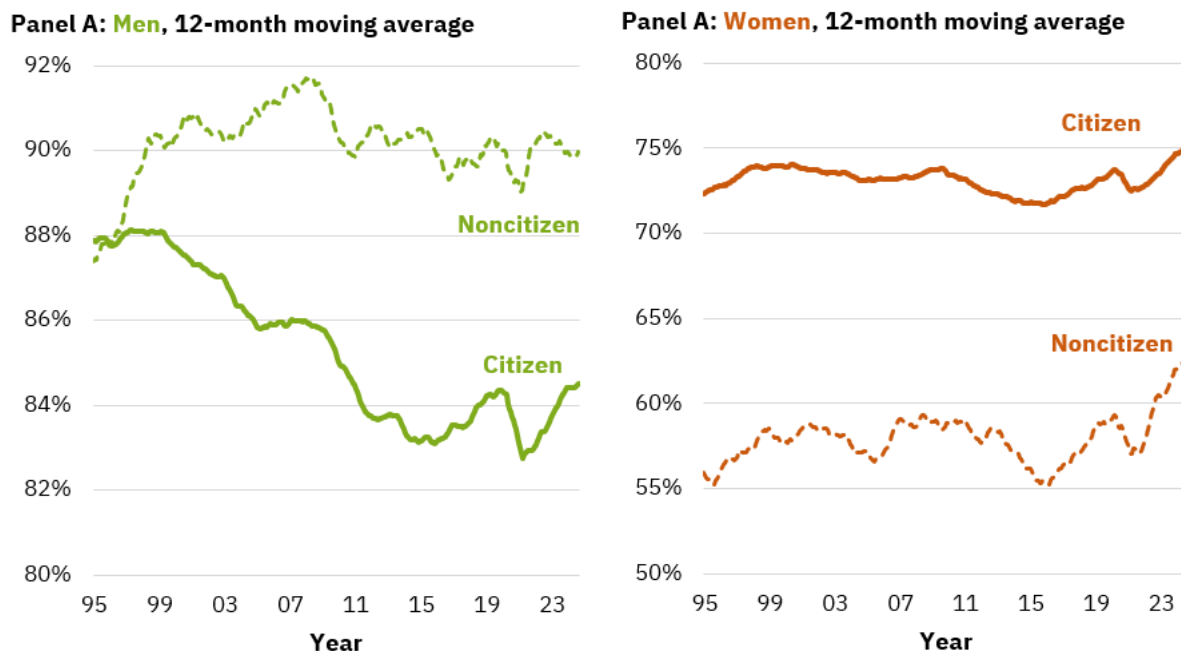
Unsurprisingly, this differential wage level and growth experience of men and women has led to growing shares of dual-earning families in which women out-earn their husbands (for example, see Hotchkiss et al. 2017). Witnessing these significant generational wage gains among women, while at the same time falling behind the labor market returns of their fathers, likely might have further discouraged men in their ongoing labor market attachment.

4 Recent Reversal in LFPR Trends?

Now I will return to the gains seen earlier (in figure 4) among Millennial men in terms of real wage levels, and growth among both men (figure 5) and women (figure 6, panel b), relative to the generations coming before. Note that LFPR among both men and women appear to have bottomed out in the middle and latter years of the 2010s (see figure 1). The year 2014 was the minimum point of LFPR for men since 1948 and the lowest point in LFPR for women since 1990. In 2014, Gen Xers were between the ages of 31 and 49 and Millennials were in their early prime-age years, between the ages of 14 and 30. Current labor force participation is the highest it's ever been for women and the highest for men since 2010.

Coinciding with these ages of both the Gen X and Millennial generations, we observed relative improvements in both wage levels and growth. Figure 4 shows that wage levels among prime-age Millennial men are faring better than those of Gen X (at the same ages), and figure 5 shows higher wage growth for men among Millennials compared to both Gen X and Boomers. (Additionally, wage growth of Gen X appears to be gaining on that of Boomers at later ages.) If we can attribute the generational declines in LFPRs among men to their declining labor market returns, then it makes sense that the labor market gains made by more recent generations would also be playing a role in the apparent recent reversal of these trends as Millennials entered prime age and Gen Xers moved toward the later years of prime age in the latter years of the 2010s.

Immigration has historically provided an important contribution to movements in US labor force growth (see Duzhak 2023), and thus—given the recent growth in immigration levels since the pandemic (see Steil and Harding 2024; Duzhak 2024)—a rise in the number of immigrants could be contributing to the recent notable upward trends in male LFPR (and/or escape from LFPR stagnation for women). However, figure 7 shows that the rise in LFPRs above their 2019 levels occurred among both citizens and noncitizens for both men and women. The implication is that immigration does not explain the fairly remarkable reversal (starting prepandemic) of declining LFPRs among men or the once-again-rising LFPRs among women (which also predates the pandemic).

Figure 7: Labor Force Participation Rates by Citizenship, Men and Women, Ages 25–64

Source: Current Population Survey, weighted 12-month moving average, January 1994–August 2024, and author's calculation

5 Labor Force Participation Going Forward

So what do these trends portend for the future LFPR of men and women? Of course, only time will tell how Gen Z (born 1997–2012) and Gen Alpha (born 2013 and later) will assess the trade-offs between leisure/household activities and labor market activities. Having grown up with parents who may have a better handle on the challenges of raising children in a two-earner household, or in households that are relatively not as well off as their parents, these next generations may continue to make up for some of the labor force participation losses of the previous decades.

Since the middle years of the 2010s, as Millennials were entering prime age, we've seen an arrest of the free-falling LFPRs among men. Millennials are now the largest cohort in the population, and their relatively better wage experience could be why we're seeing a continuing rise in the LFP for men in 2024, reaching levels not seen since 2010. The higher wage growth among millennial women (figure 6, panel b) might also offer an explanation for the analogous shift in participation rates for women from flatlining to being once again on the rise.

Additionally, as the Boomer generation fully exits the labor market, potential labor shortages can be expected to put further upward pressure on wages. Figures 4 and 5 might be showing evidence of the beginning phases of this wage pressure among Millennial men, relative to Gen X, and higher wage growth, relative to Gen X and Boomers.

However, as Gen Xers and Millennials are choosing to have fewer children, later generations will be smaller. So even if participation *rates* don't erode further, fewer children means slower overall growth in the future labor force. Short of adopting a fertility policy giving

families an incentive to have more children, a more short-term (and, likely, more practical) solution to expected declines in labor force growth might be more generous immigration policies or relying on technological advances by firms adapting to fewer and/or more costly workers.

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