



FEDERAL RESERVE BANK *of* NEW YORK

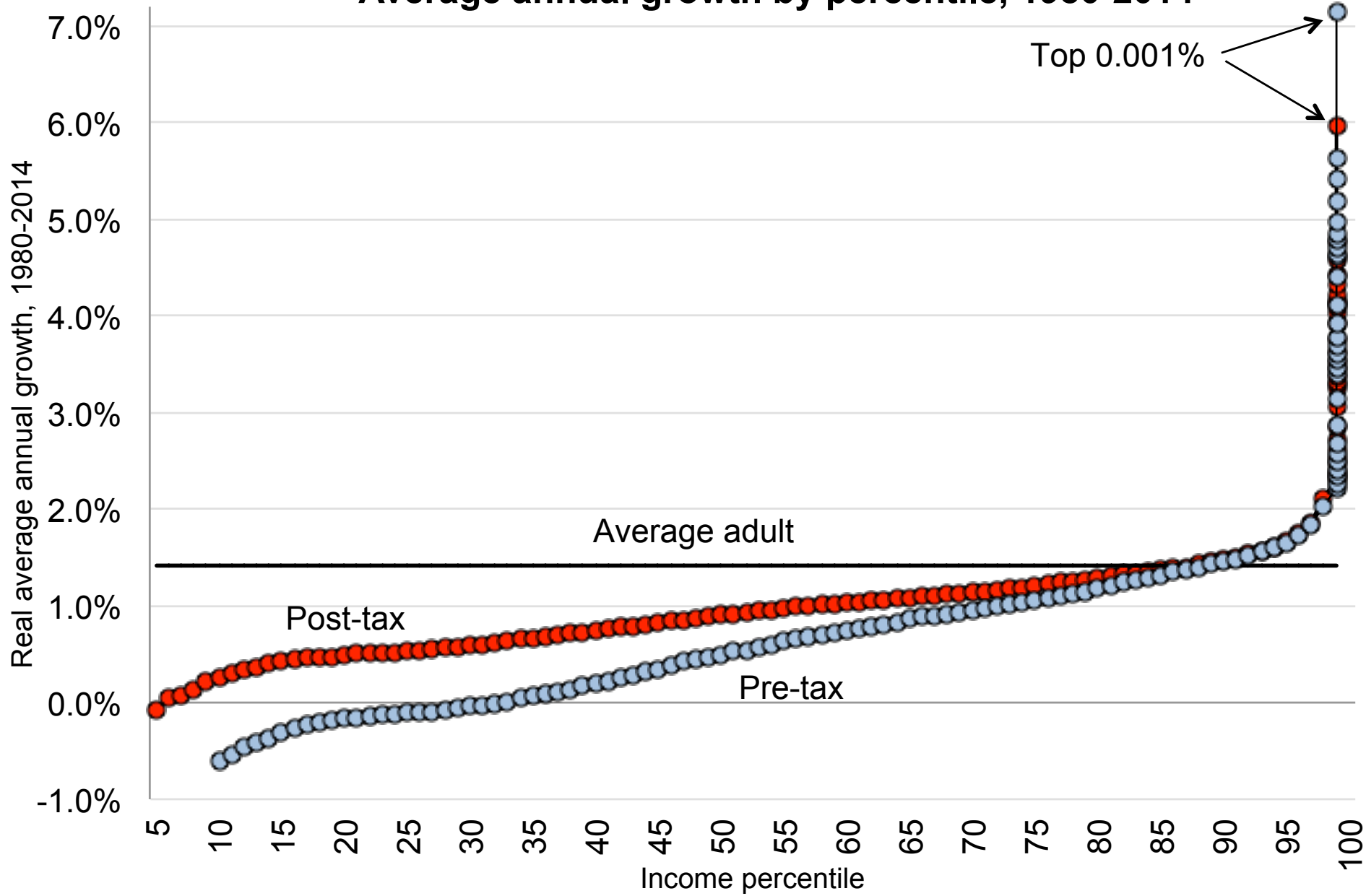
Takeaways: Opportunity & Inclusive Growth Institute Conference

Minneapolis, May 22-23, 2017

Ayşegül Şahin

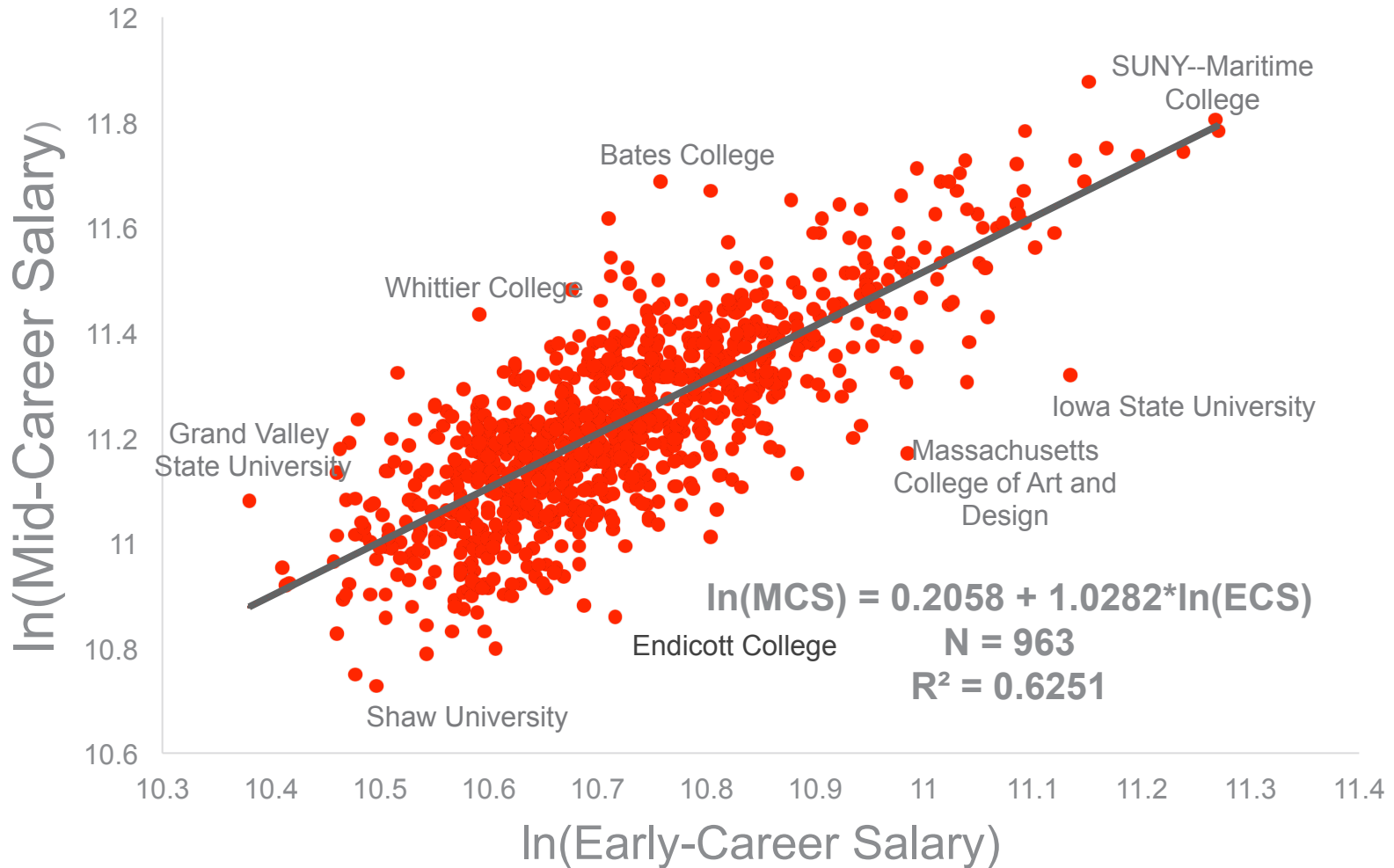
Income Growth has *NOT* been Inclusive

Average annual growth by percentile, 1980-2014



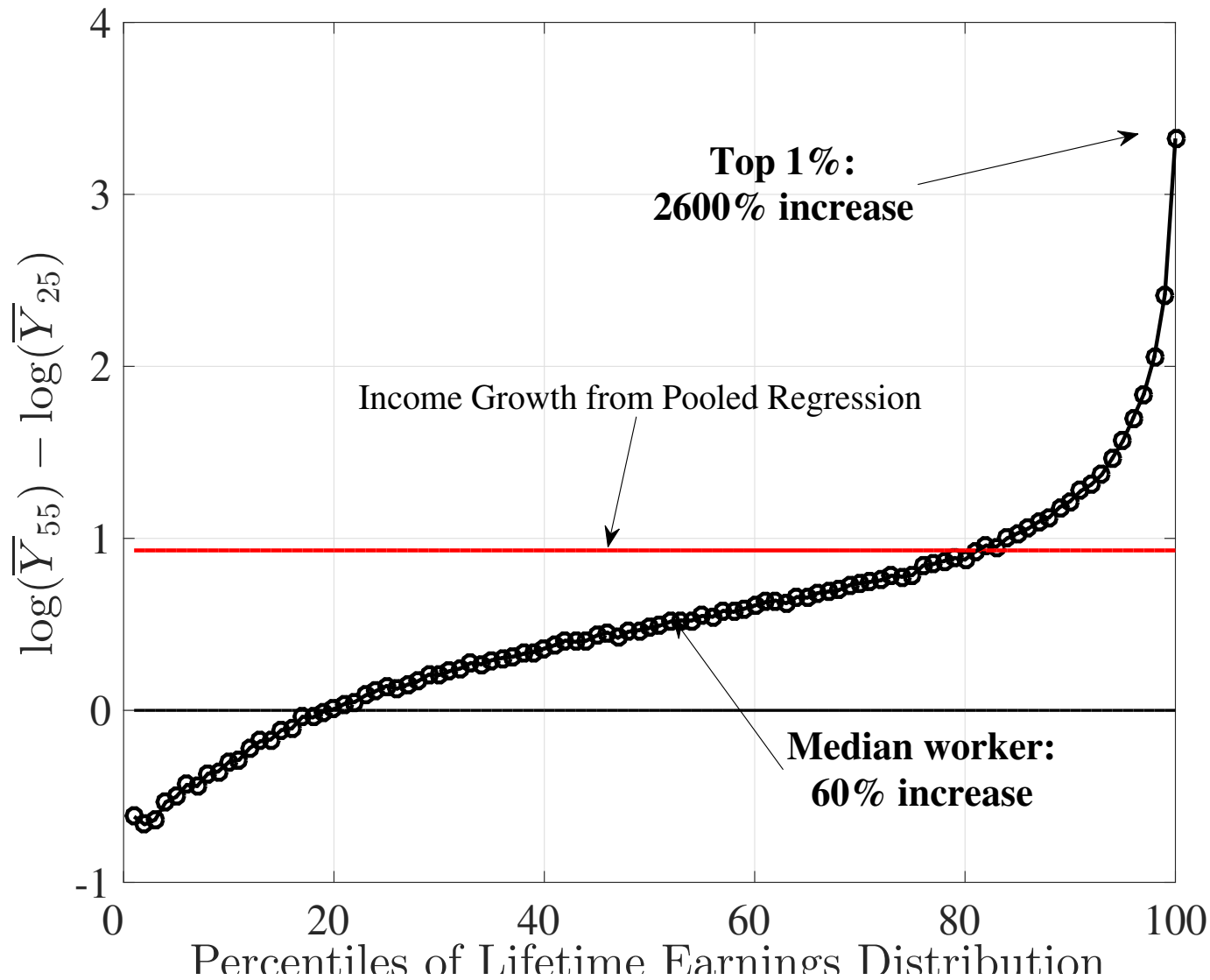
Little Lifetime Mobility

Salary Mobility across Colleges/Universities (Bachelor's Degree Only; 2016)



Life-Cycle Earnings Growth Rates

Guvenen, Karahan, Ozkan, and Song (2016)

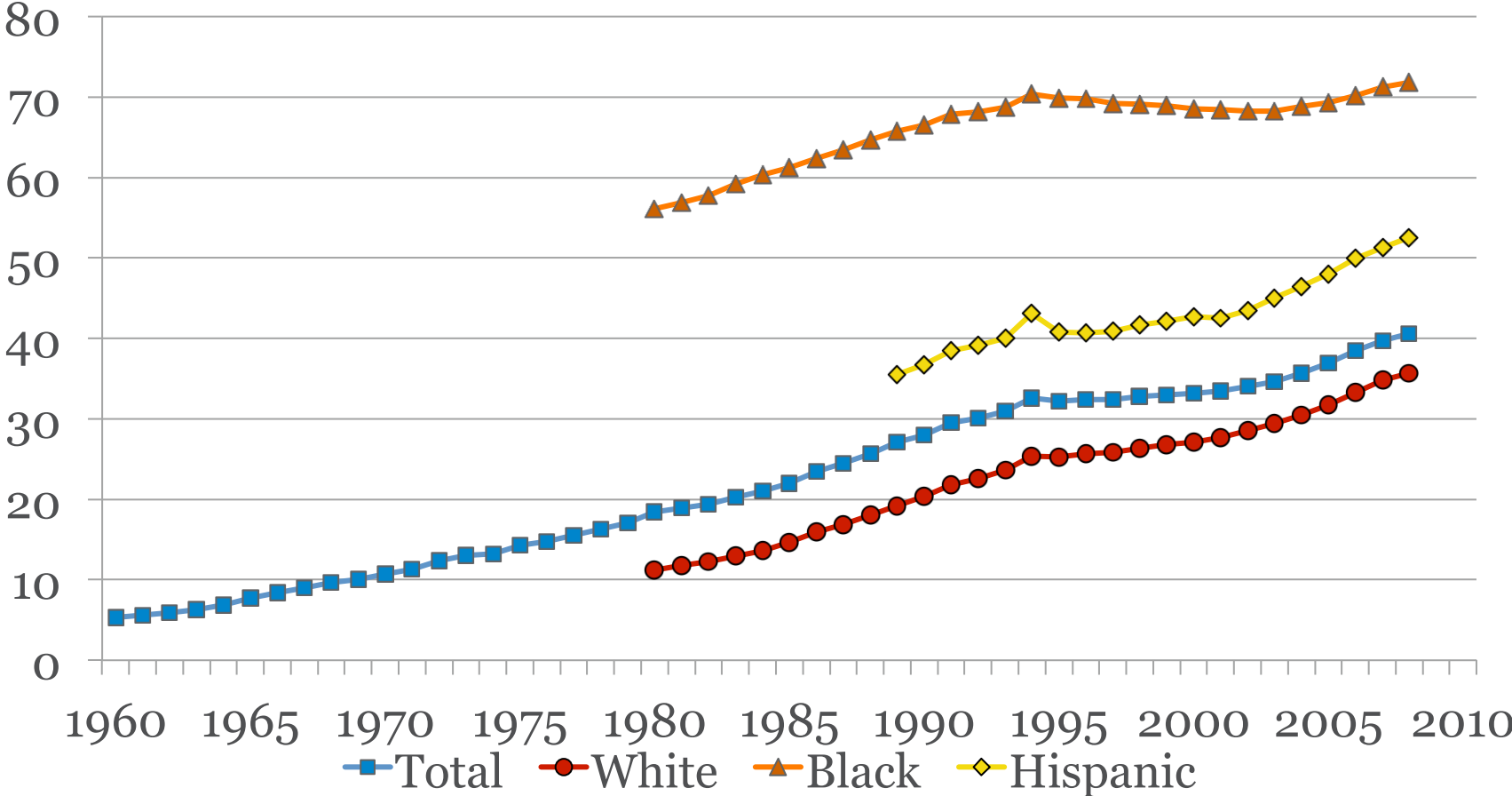


Key Lesson

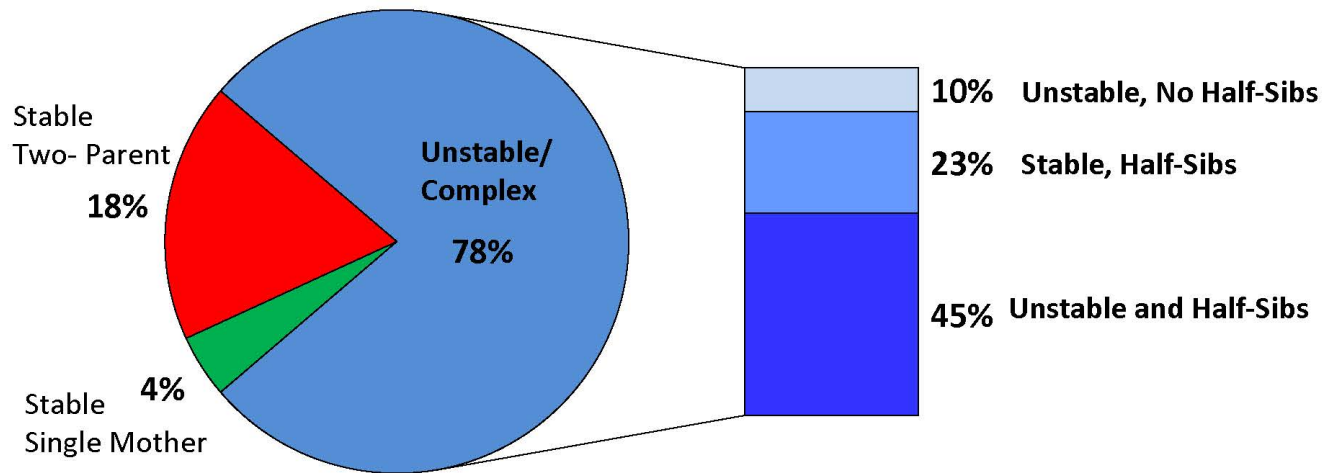
Important role for institutions, tax policy, education, financial and labor market regulations.

Rise in Family Instability: The Negative Feedback Loop

Rise in Single Motherhood



Children's Combined Experiences of Instability and Complexity in Fragile Families by 5th Birthday



Unstable: relationship between biological parents ends and/or relationship with new partner begins
Complex: one or more parents has children by a different partner

Source: Tabulated by Dr. Laura Tach from Waves 1-4 of the Fragile Families & Child Wellbeing Survey, a nationally representative sample of children born in the late 1990s in cities with populations of 200,000 or more. Fragile Families are defined as biological parents who were unmarried at time of birth.



Key Lesson

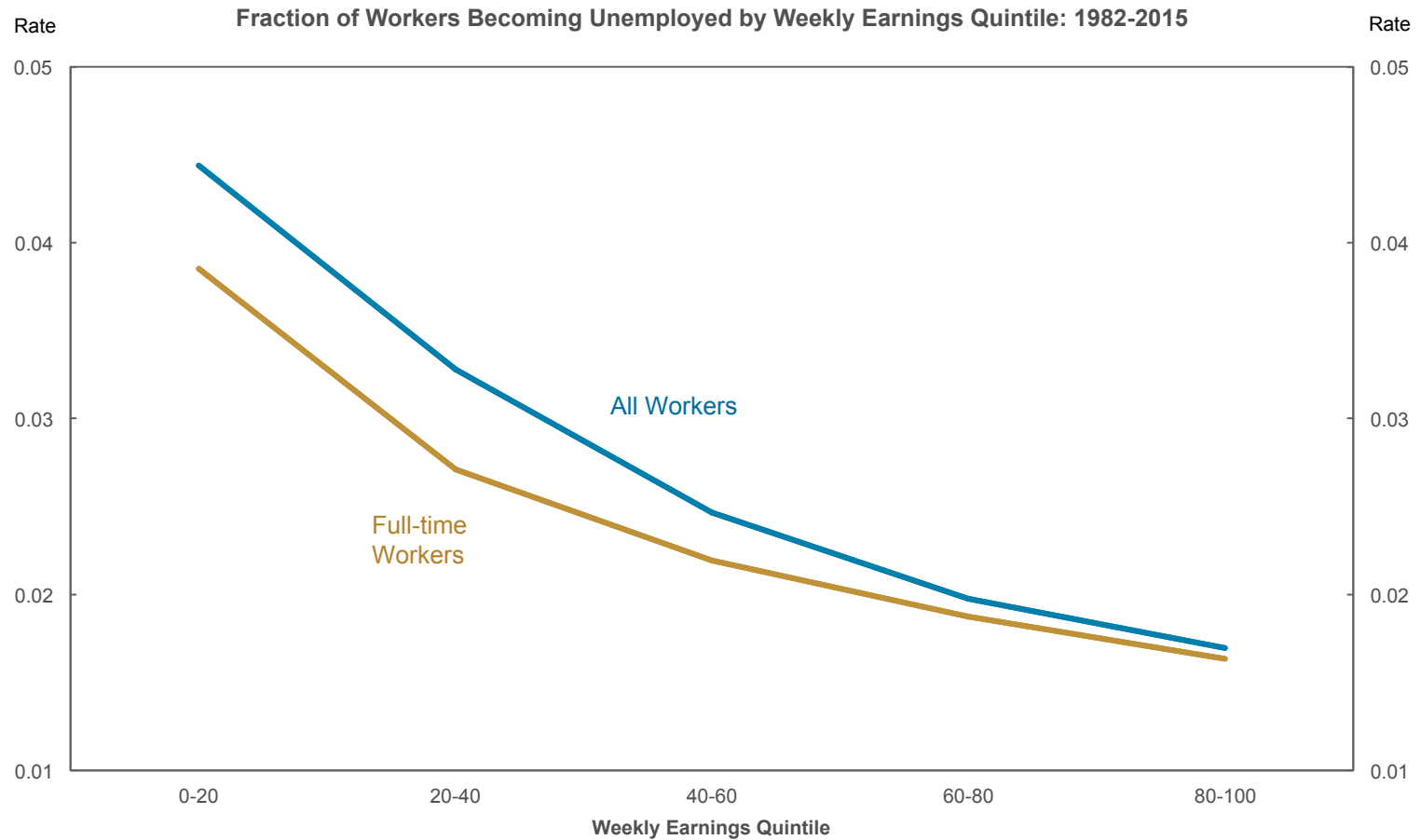
Any strategy to improve mobility must include the *family contexts* into which children are born and raised.

A Few Other Observations

Unemployment Risk Highly *Uneven*

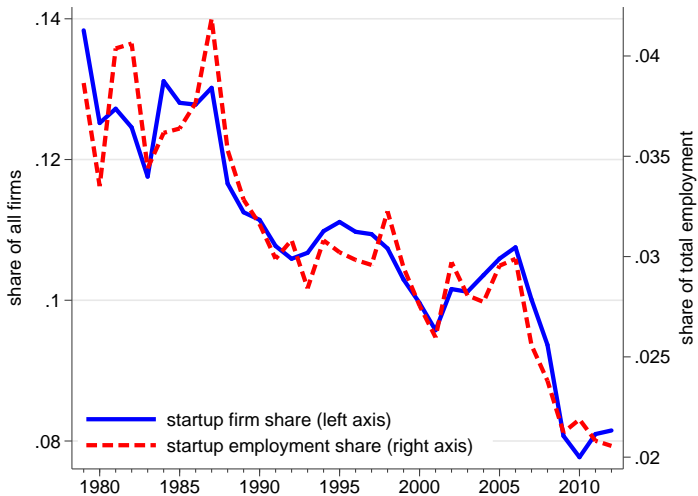
Unemployment risk higher for low-wage workers

Data: CPS

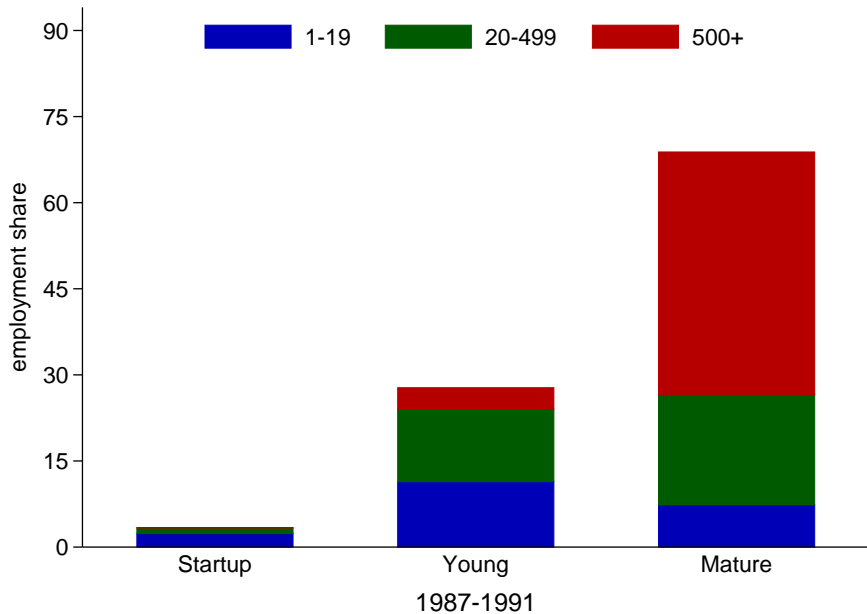


Decline in Entrepreneurship

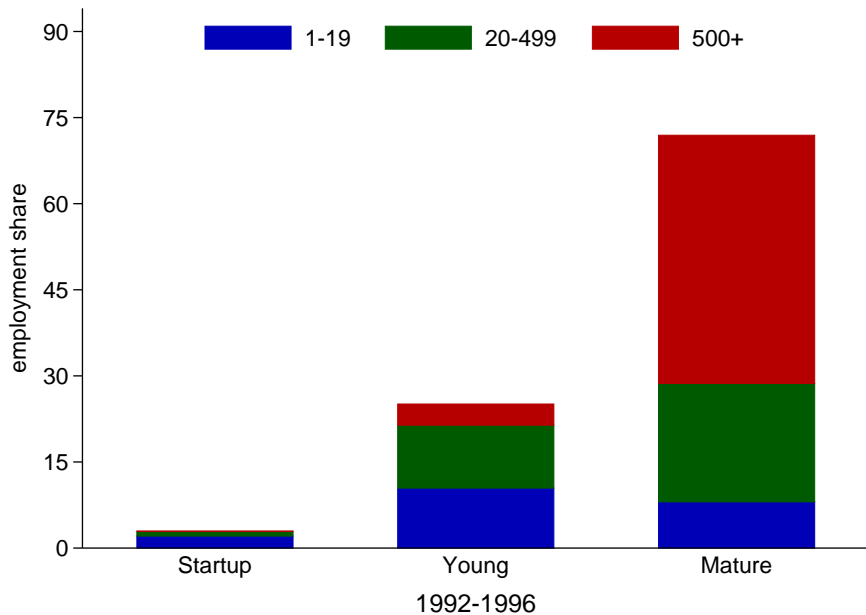
Startup rate decline in U.S. 1979-2012



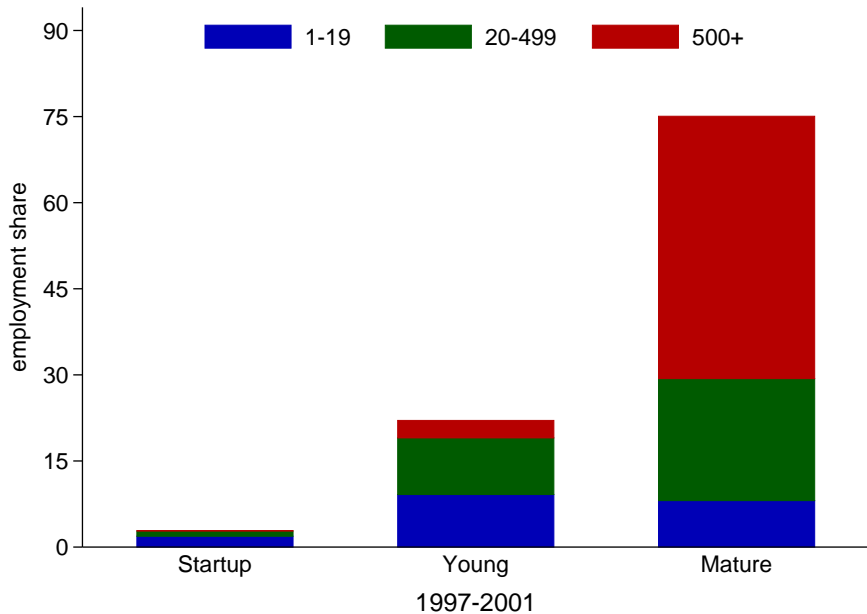
Employment share by size and age, 1987-1991



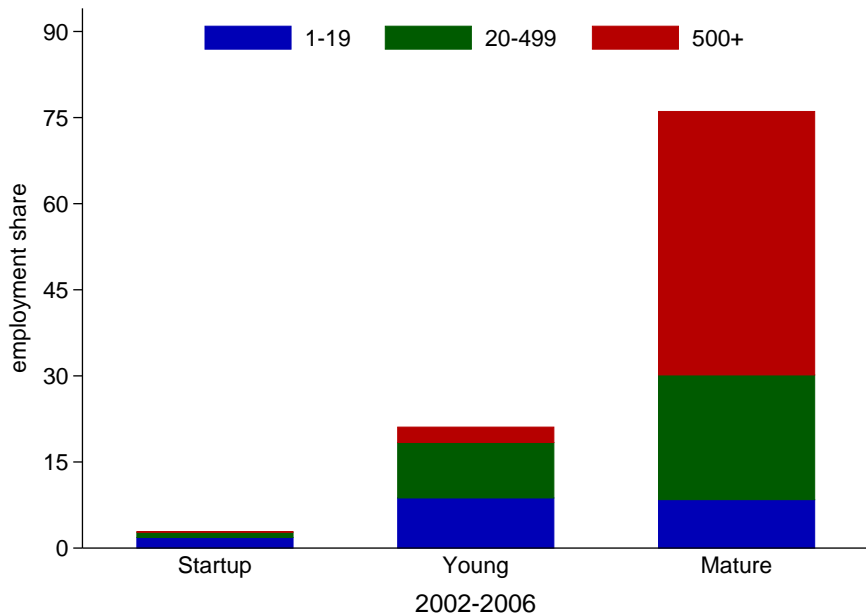
Employment share by size and age, 1992-1996



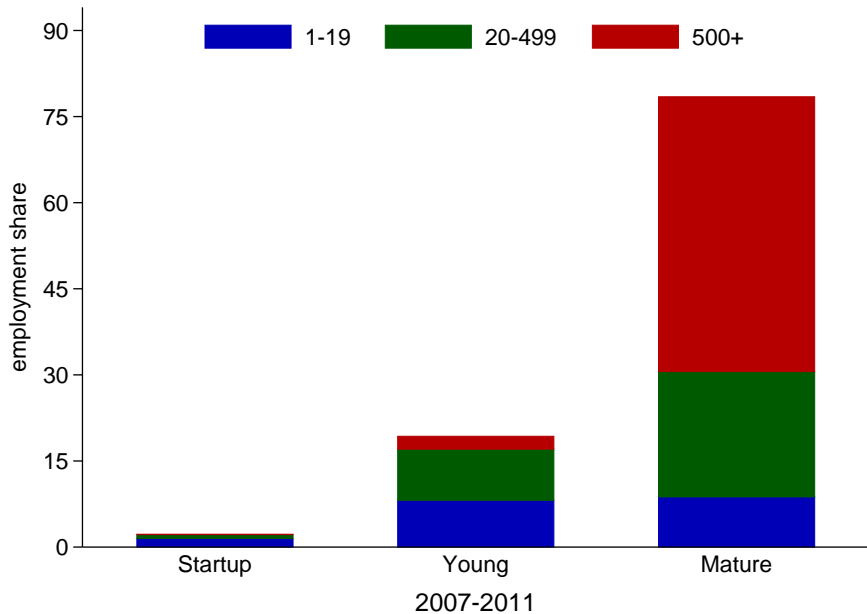
Employment share by size and age, 1997-2001



Employment share by size and age, 2002-2006



Employment share by size and age, 2007-2011



What is Next?

Data

We need to have a complete picture of:

- labor market experience (earnings, unemployment, employers)
- family structure
- household balance sheet
- consumption
- wealth

of households in the economy

Lot of progress in gathering data about the dispersion of economic outcomes

- NYFED: Consumer Credit Panel (CCP), Survey of Consumer Expectations (SCE), TCB's HWOL Vacancy Data



Models

We need to develop models with differences in

- labor market experience (earnings, unemployment, employers)
- family structure
- balance sheet
- consumption and wealth

to better understand

- how aggregate stabilization policies affect different types of households
- how more targeted policies could be developed

Lot of progress in developing heterogenous-agent models with realistic features

- labor supply considerations
- bringing consumer and firm heterogeneity together

