

Who Is a Top Earner and For How Long? Top Income Mobility in Switzerland

Isabel Z. Martínez

University of St.Gallen

First WID.world Conference
Paris

December 15 2017

Top Income Shares in Switzerland

Top 1% labor and total income shares



Source: Föllmi and Martínez (2016)

Introduction

- Top income shares only give a cross-sectional view of inequality
- What are the dynamics of the income distribution?
- How did life-time inequality change?

- Who are the top earners?
- gender, nationality, occupation, type of employment
- (Swiss) Tax data contains limited information about the taxpayers

Contribution

- Document the income mobility of top earners from 1981–2010 using social security data
- Provide a gender perspective on top earners
- Shed light on the role of foreigners and self-employed

Outline

1 Introduction

2 Data

3 Results

- Who are the Top Earners?
- Top Income Mobility
- Income Inequality

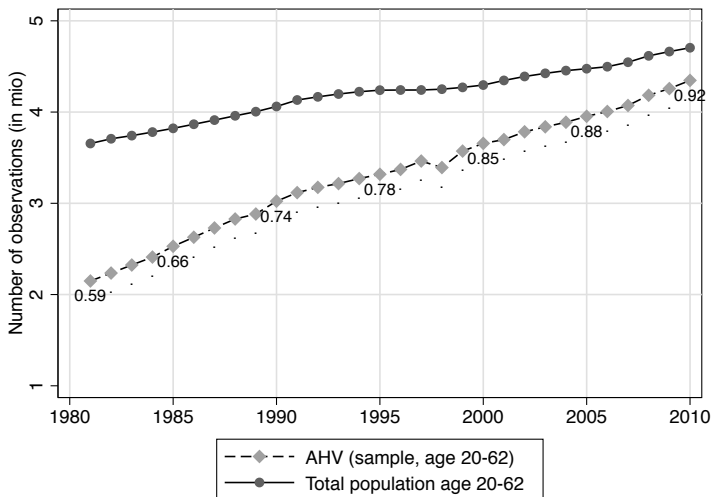
4 Conclusion and Outlook

Data: Matched Social Security - Census Data

- 2010 Census matched to social security annual earnings records in the years 1981–2010
- Sample: everyone who is present in 2010 and generated at least one SS entry between 1981–2010
- Individual earnings histories from employment and self-employment
- Characteristics: gender, age, country of birth, type of employment (employee vs self-employed), firm id, limited industry information, marital status history
- Missing SS Records in 1989, 1998, 2007

Data Coverage

- Sample: only individuals present in CH in 2010



Sample Selection

- Only those in the labor force
(positive income or unemployment benefits)
- Percentiles are always based on the distribution of this population, even when looking at subgroups like women, foreign born, self-employed etc.
- Sample grows older over time since only individuals present over a long time span can be studied

▶ Coverage by age

▶ Age distribution

Outline

1 Introduction

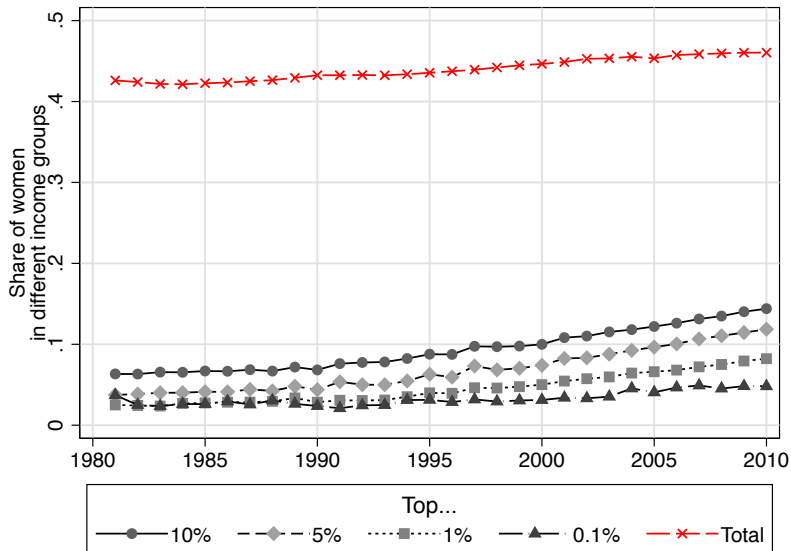
2 Data

3 Results

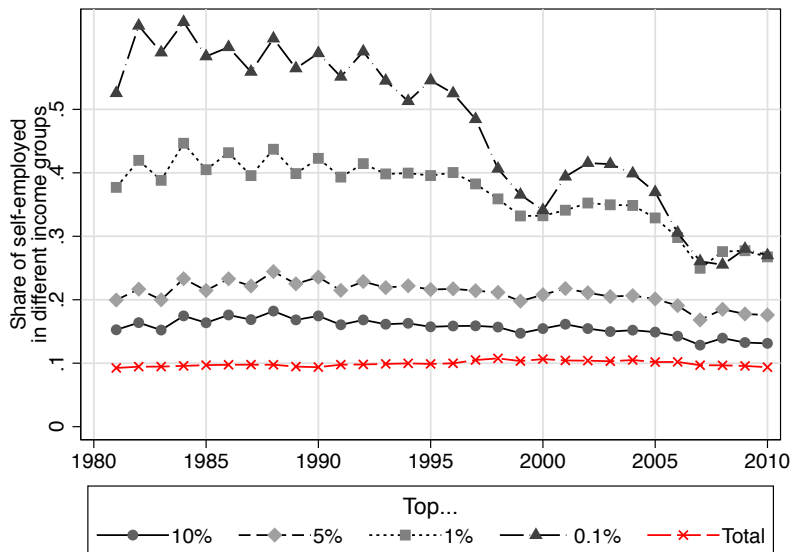
- Who are the Top Earners?
- Top Income Mobility
- Income Inequality

4 Conclusion and Outlook

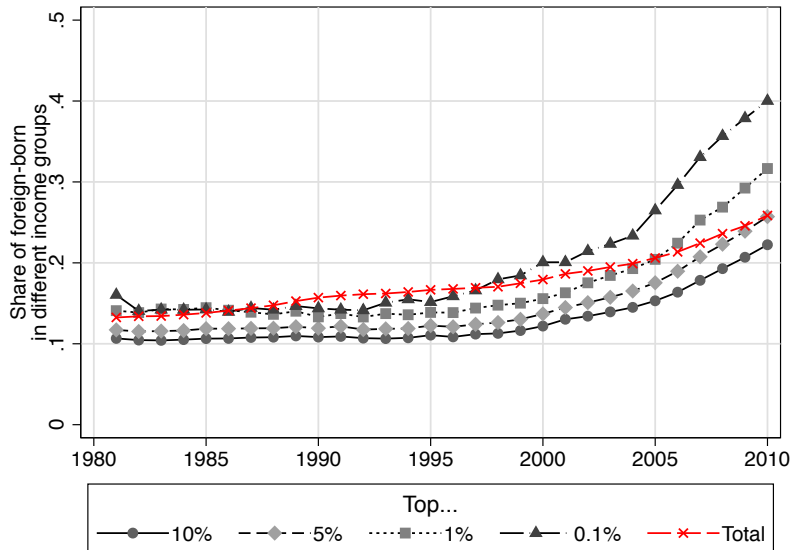
Share of Women among Top Earners



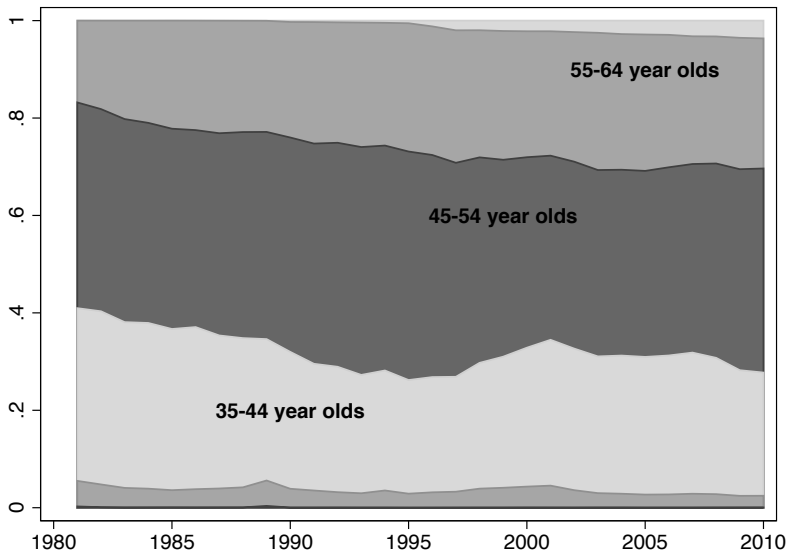
Share of Self-Employed among Top Earners



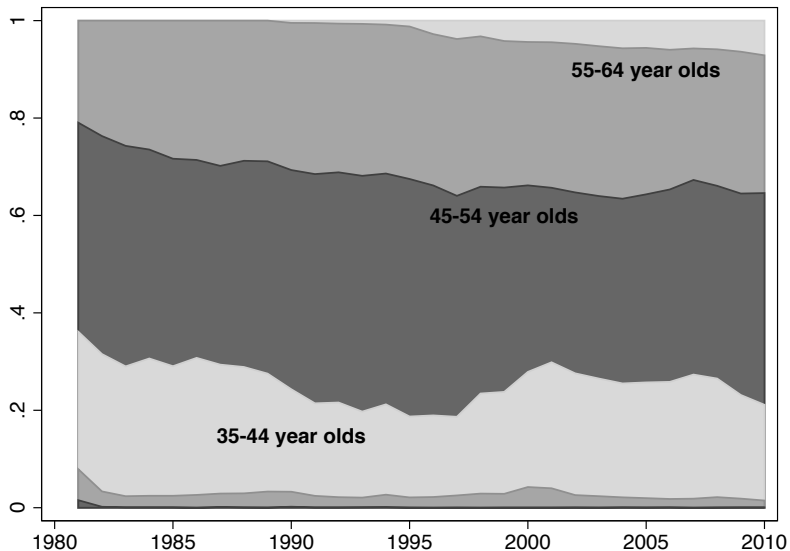
Share of Foreign-Born among Top Earners



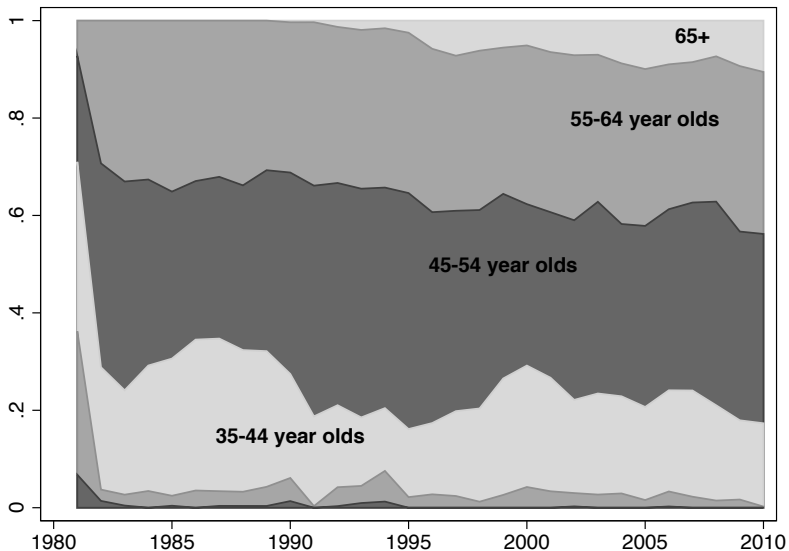
Age-Profile of the Top 1%



Age-Profile of the Top 0.1%



Age-Profile of the Top 0.01%



Outline

1 Introduction

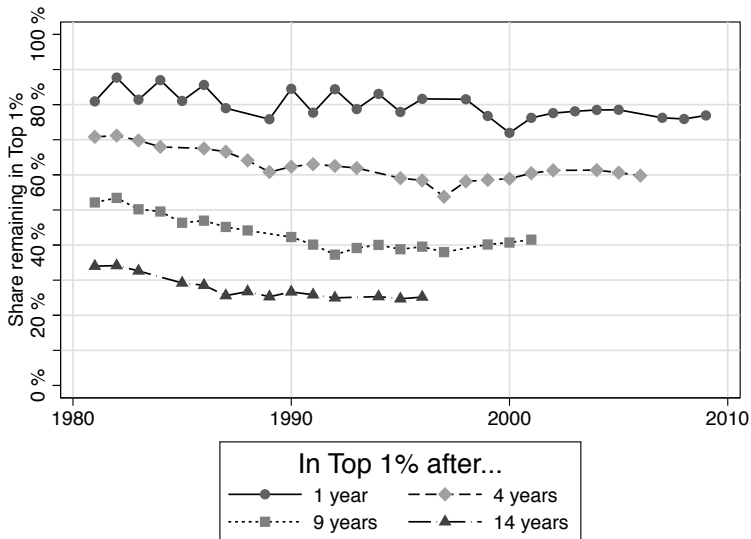
2 Data

3 Results

- Who are the Top Earners?
- **Top Income Mobility**
- Income Inequality

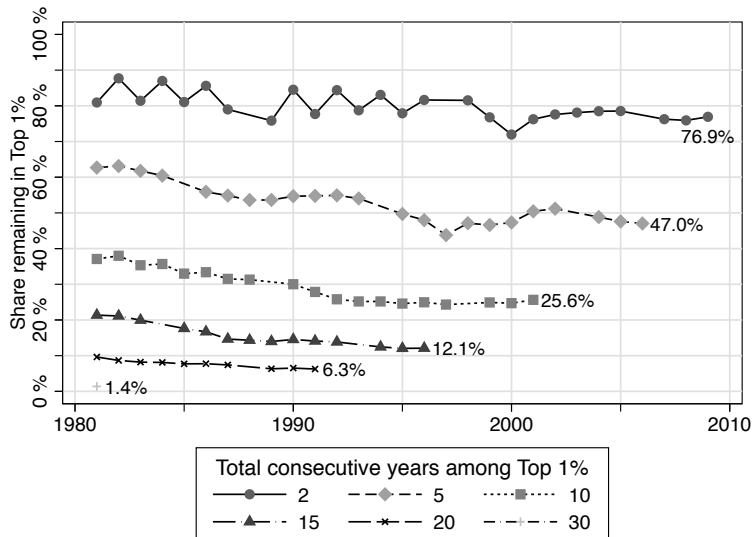
4 Conclusion and Outlook

Repeated Presence among Top 1%



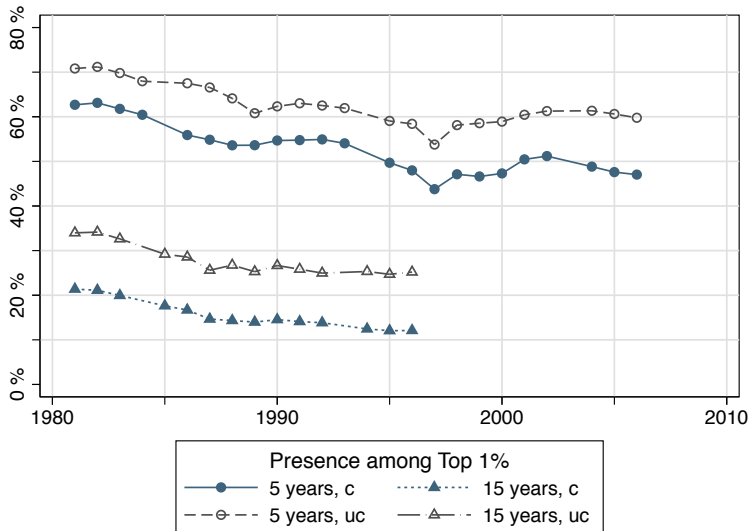
Note: Analysis *unconditional* on being among the top 1% every year.

Constant Presence among Top 1%

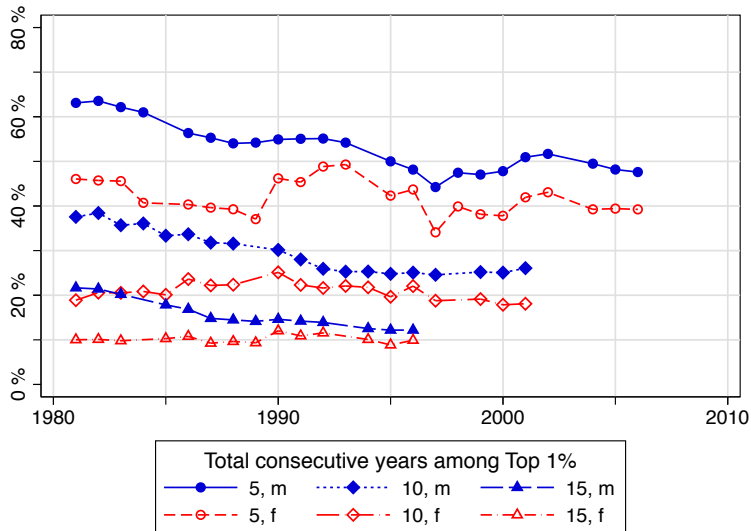


Note: Analysis *conditional* on being among the top 1% every year.

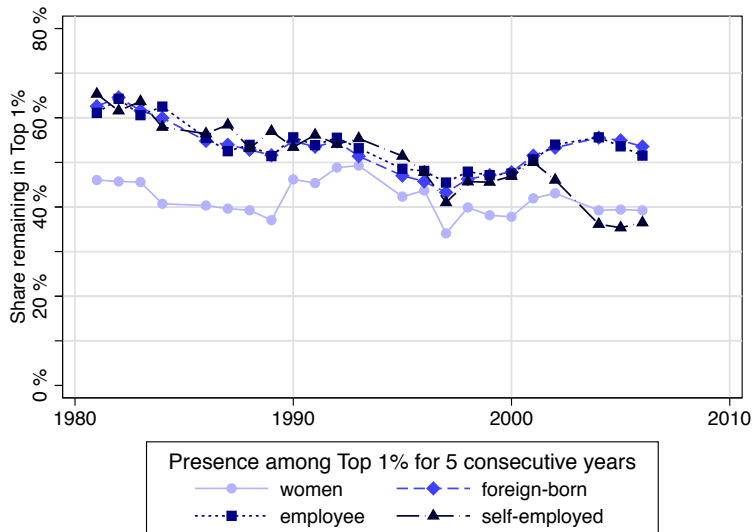
Constant vs Repeated Presence among Top 1%



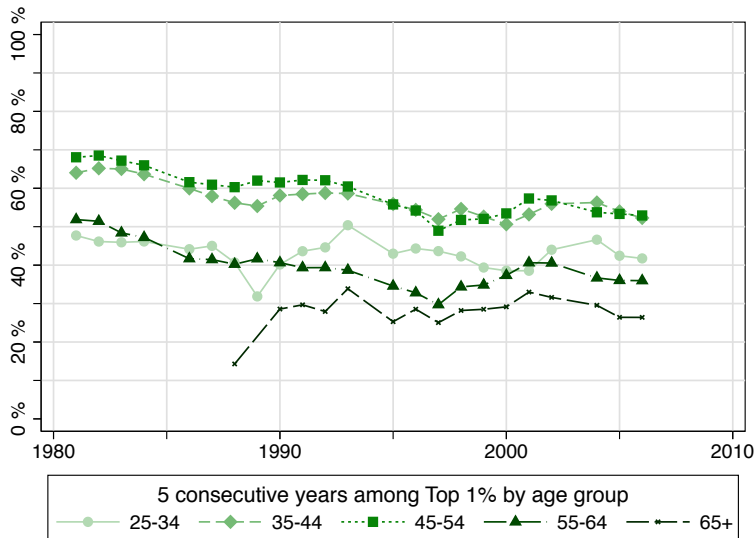
Persistence of Men and Women among the Top 1%



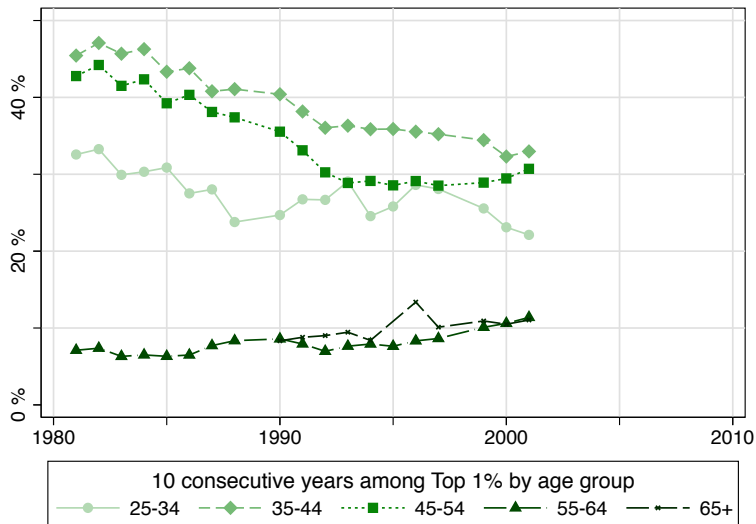
Persistence of Different Subgroups among the Top 1%



5-year Continuous Presence among the Top 1% by Age



10-year Continuous Presence among the Top 1% by Age



Outline

1 Introduction

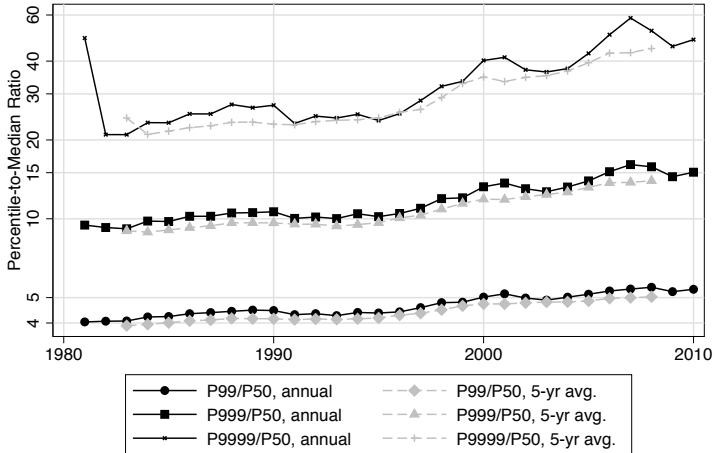
2 Data

3 Results

- Who are the Top Earners?
- Top Income Mobility
- Income Inequality

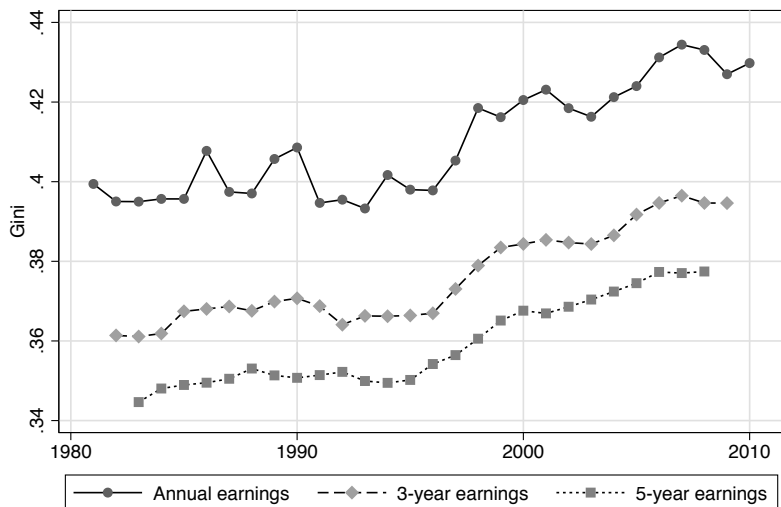
4 Conclusion and Outlook

Top-Percentile to Median Income Ratios



Gini of Annual and Multi-year Earnings

Mobility did not counteract the overall increase in inequality



Conclusion and Outlook

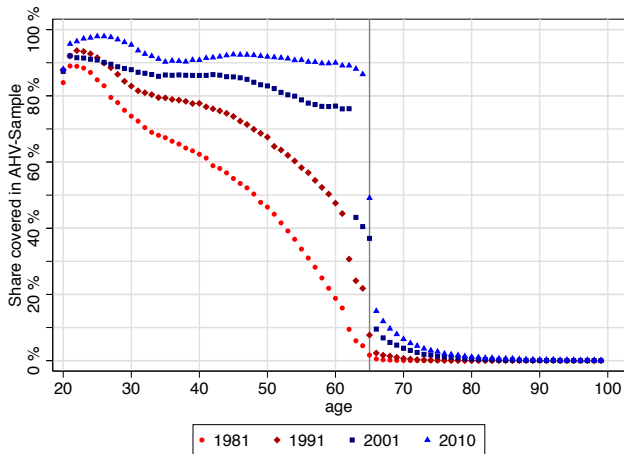
- Women are still strongly underrepresented among Swiss top earners: 1 out of 12 top 1% earners was female in 2010
- Top income mobility rose in the 1980s and 1990s but has remained stable afterwards
- The rise in top income mobility happened for men
- Income mobility did not increase enough to counteract rising income inequality
- International comparisons difficult, no unified framework
 - determine a set of measures
 - agree on data requirements (survey vs. registers)
 - a (top) income mobility database?
- Dynamic view of inequality *complementary* to cross-sectional inequality analysis

Thank you.

Comments and questions welcome:
isabel.martinez@unisg.ch

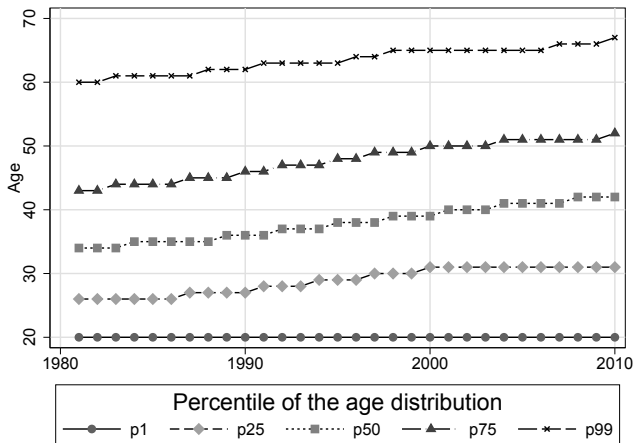
Appendix

Share covered by age and year



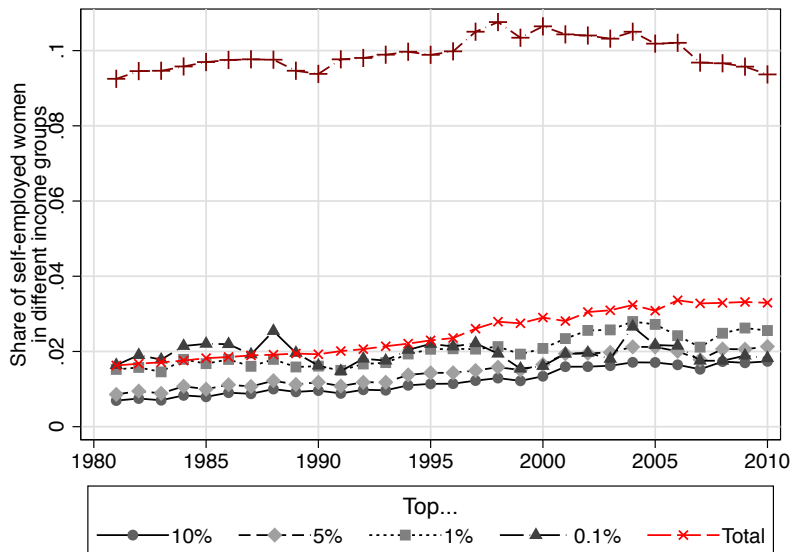
▶ back

Age distribution of the sample

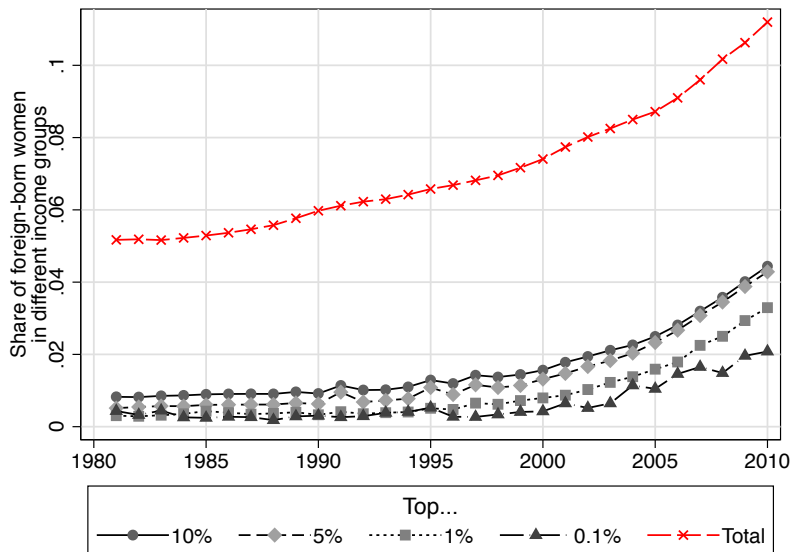


▶ back

Share of Self-Employed Women among Top Earners



Share of Foreign-Born Women among Top Earners



References I

Föllmi, Reto and Isabel Martínez, “Volatile Top Income Shares in Switzerland? Reassessing the Evolution Between 1981 and 2010,” *The Review of Economics and Statistics*, 2016. forthcoming.