Discussion of Reconciling Trends in Male Earnings Volatility: Findings from a Group Project of Six Data Sets

Joseph G. Altonji
Yale University and NBER
Summary


2. 4 papers, 6 data series
1. PSID, 1970-2016 (Moffitt-Zhang)
2. CPS linked to SSA. 1(Ziliak-Hokayem-Bollinger.)
3. SIPP linked to SSA 1984-2014, 1980-2014 (Carr, Moffit & Weiner)

3. Common analytical framework, sensitivity checks
   a) variance of 1 or 2 year log earnings change or arc % change
      a) Trends in percentiles similar pattern
   b) Sample: men 25-59, Trim top and bottom 1%, work both years, residuals around age profile
   c) Sensitivity to sample composition
      • Attrition
      • Earnings level distribution,
      • 0 hours in 1 year, part year workers
      • Immigrants, household heads only, other differences
      • Trimming based on % versus fixed floor.
   d) Sensitivity to use of imputed data
Main Findings

• Volatility rose in 70s and 80s
  • Primarily PSID evidence.
  • SIPP, SIPP-GSF do not show much of a trend in the 80s.

• Basically flat after 1990, with recession related fluctuations
  • Surprising level of agreement across admin and survey data after key, sensible, data adjustments are made
  • CPS: Dropping “hot deck” imputed CPS earnings cases is key (over 40%!!).
    • Reassuring that SSA data show little difference between CPS imputed and non-imputed cases.
  • Survey data has fewer low earnings observations than admin data.
    • Level of volatility in SIPP-GSF is much higher than in SIPP, although trend is similar.
    • Reweighting both SIPP and SIPP-GSF to the PSID earnings distribution reduces the volatility gap
Key Lessons About Data

• Imputed CPS data should not be used for dynamic analyses

• But trends in representativeness of PSID is second order for volatility analysis

• Missing left tail of earnings level distribution in survey data biases volatility measures down. Modest effect on trends.

• Use % trim rather than fixed earnings floor
Suggestions for Summary Paper

• Provide “best estimate” of the path in volatility
• Give more emphasis to percentiles of earnings change distribution in summary paper and project papers.
  • Easier to think about a .3 log change than a variance.
Research Agenda

• More focus on women
• Volatility of an individuals’ *family* income
  • PSID
  • SIPP, SIPP-GSF?
  • IRS tax records
• Use additional data sets to assess 1970-1990 volatility trend
  • CPS-Der? Marched CPS?
Move beyond univariate statistics and earnings modelling (as Robert suggests)

• No information about specific sources of variation or their relative importance
  • key for policy questions: e.g. social insurance
  • Key for thinking about whether explanations are technological, reflect changes in employer/employee relationship, or reflect changes in labor supply behavior
    • Some consideration of employment status, hours versus wage rates
  • Matched Survey and administrative data is key.