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

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# Summary

1. Measure trends in male earnings volatility from 1970 to 2016.
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)
  4. LEHD 1998-2016 (Mckinney and Abowd 2020).
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.

