Wage Inequality and Mobility in Germany – Evidence from a Comparison of Administrative and Survey Data

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Abstract

Over the last decade, research based on administrative data became more and more popular, especially in labor economics. Large sample sizes and the accuracy of the contained information are seen as advantages of this type of data. During the same time most big household surveys have started to increase their samples to ensure coverage also of specific subpopulations. Compared to administrative data, survey data contain much more information and cover more topics but at the cost of small sample sizes. However, this raises the general question of comparability of thus data sources.

In this paper, we analyze the impact of the choice of the dataset on the estimation of trends in wage inequality and wage mobility in Germany. In particular, we compare results based on administrative data from the Sample of Integrated Labor Market Biographies (SIAB) with results based on the SOEP. In the context of wage analyses, SIAB data provides the opportunity to analyze specific subgroups due to the large sample size, but contains only wage observations up to the social security contribution limit. On the other hand, SOEP offers uncensored data over the full wage distribution but for a significant smaller number of individuals. In addition the SOEP is confronted with item non-response which may bias results.

The aim of this paper is, to analyze if wage inequality and mobility show similar trends in both datasets in general and for selected sub-groups. A special focus is on the population above the social security contribution limit given that international literature argues that most part of increasing inequality can be attributed to top income earners. First results for the years 2000–2010 show that inequality trends – e.g., the 80-20-ratio, the Gini or MLD coefficient – are very similar for German full-time employed men. However, for full-time employed men with a foreign nationality the inequality trends based on the SIAB show a straight increase while the SOEP figures tend to be rather stable over time. Our findings can be seen as basis for guidelines which dataset – subject to the research question – is better suited for the empirical analyses.

Keywords: Inequality, Mobility, Wage Level and Structure, Wage Differentials, SOEP, SIAB

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