

Top Incomes and the Composition of Top Earners Evidence from Switzerland

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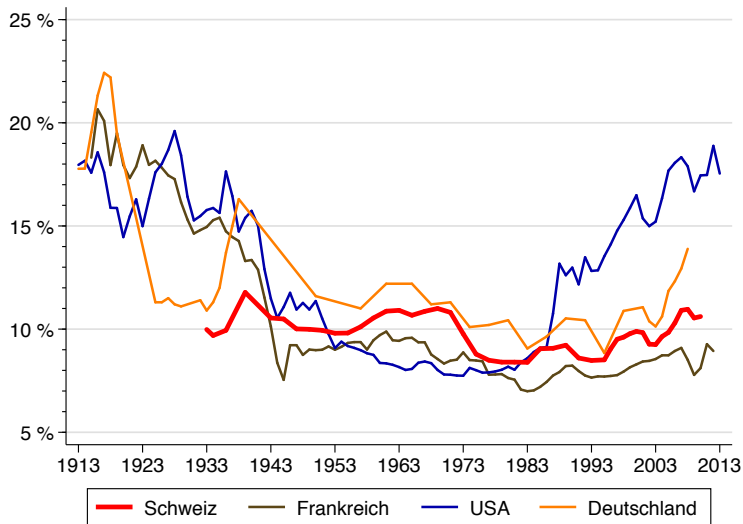
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Introduction

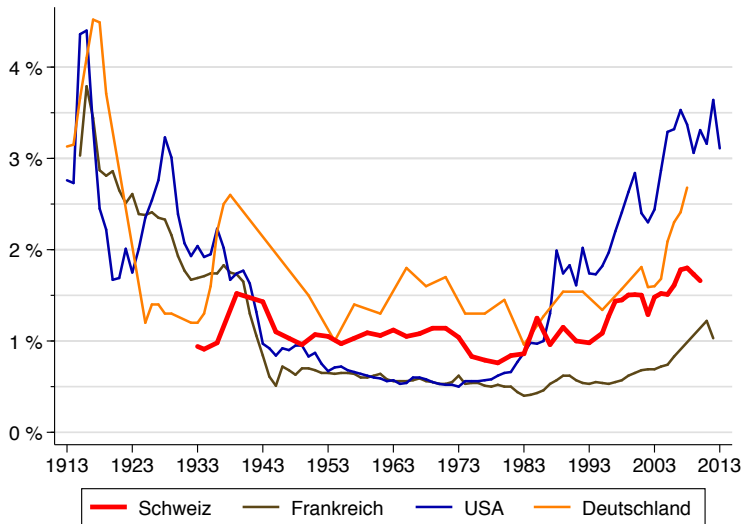
- 1 Top Income Shares in Switzerland
- 2 Composition of Top Earners in Switzerland, 1980-2012
 - Industries
 - Self-Employed
 - Foreigners
 - Gender Differences
- 3 Conclusions
- 4 Appendix: References and Data

Top 1% in International Comparison



Source: World Inequality Database www.wid.world

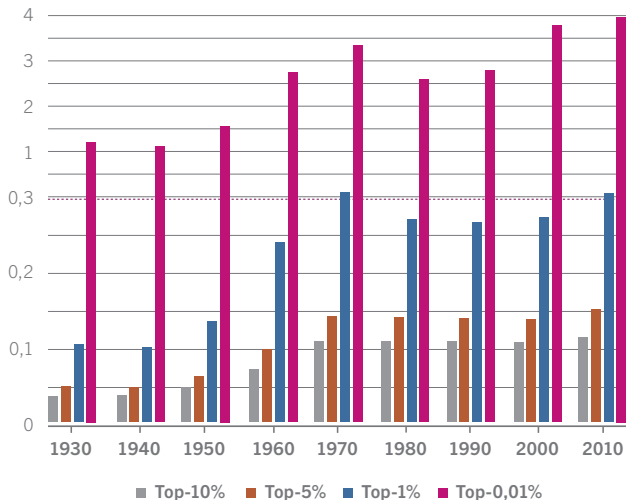
Top 0.01% in International Comparison



Source: World Inequality Database www.wid.world

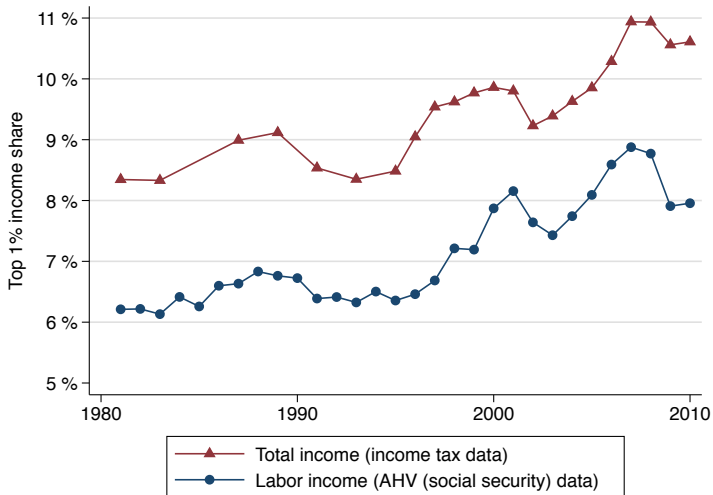
Entry Thresholds for Different Top Income Groups

(real values, in Million CHF)



Source: Föllmi and Martínez (2017a)

Top 1% Labor and Total Income Shares



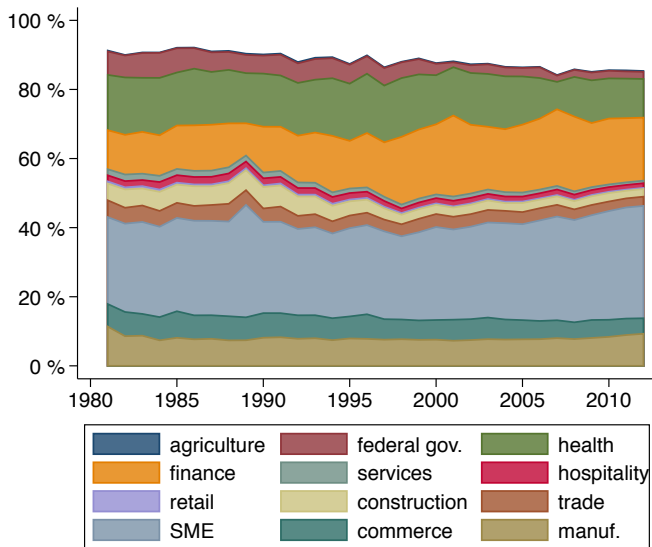
Source: Föllmi and Martínez (2017b)

[▶ permanent incomes](#)

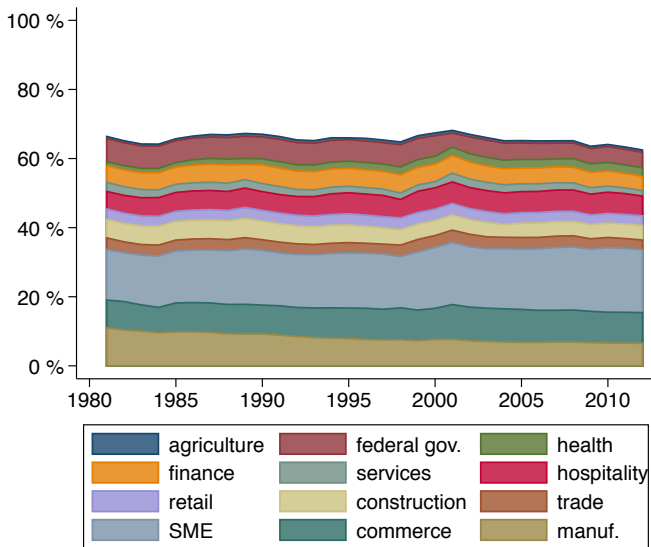
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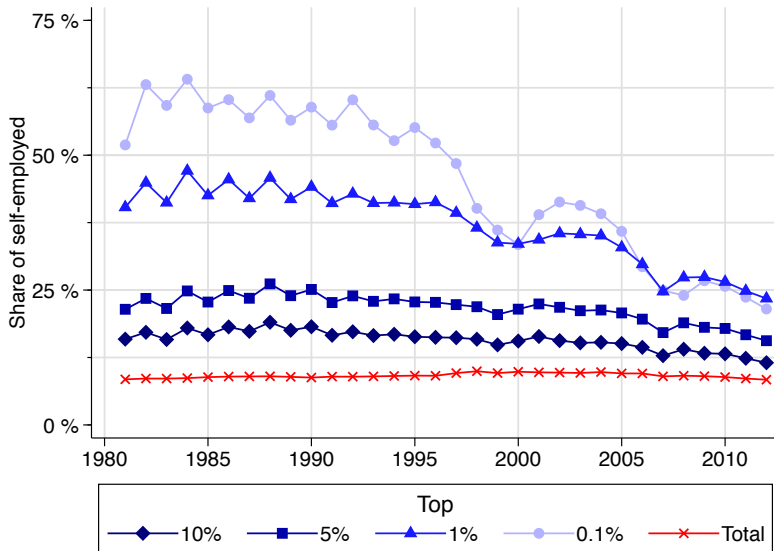
Industry Composition: Top 1%



Industry Composition: Full Economy

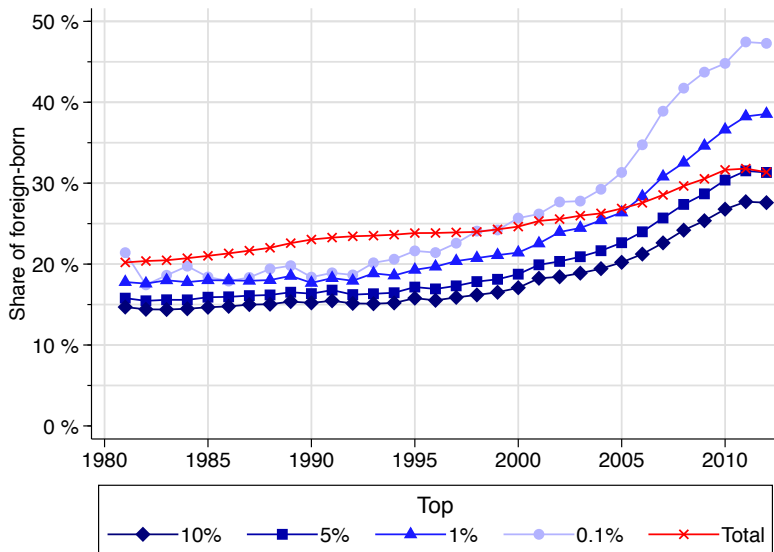


The Decline of the Entrepreneurs



► women

The Rise of the Foreign-Born

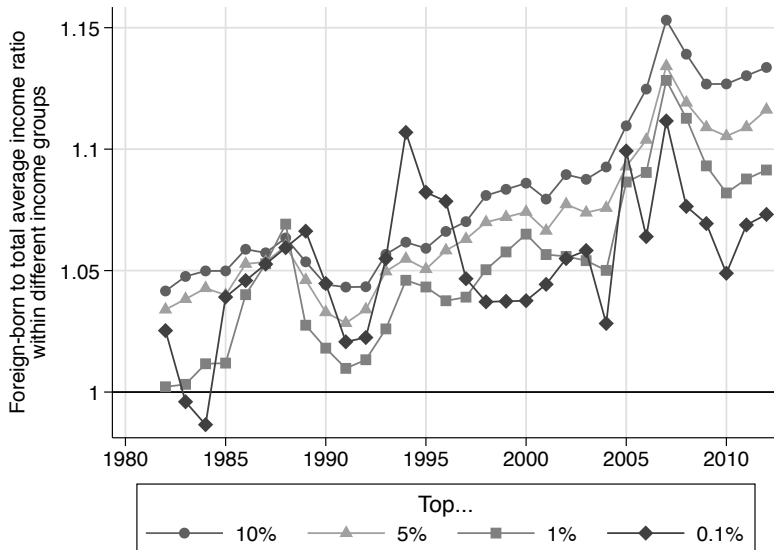


▶ women

▶ origin

Foreign-Born's Average Income by Percentile

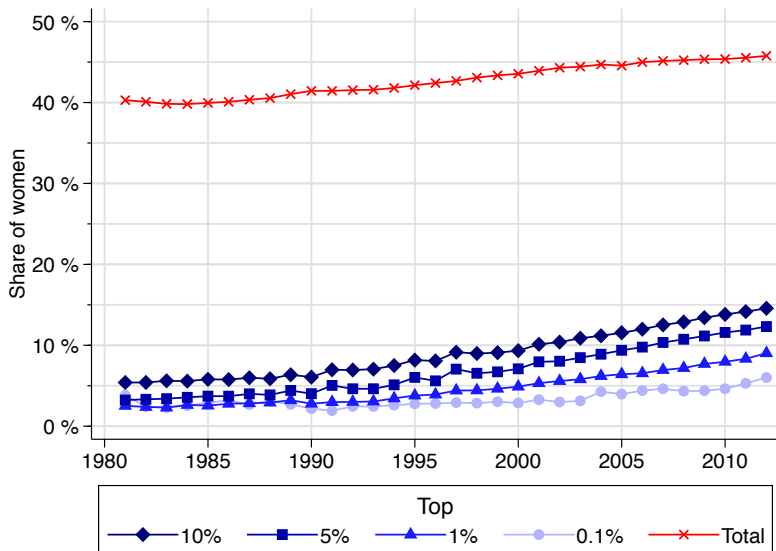
compared to total income in each percentile



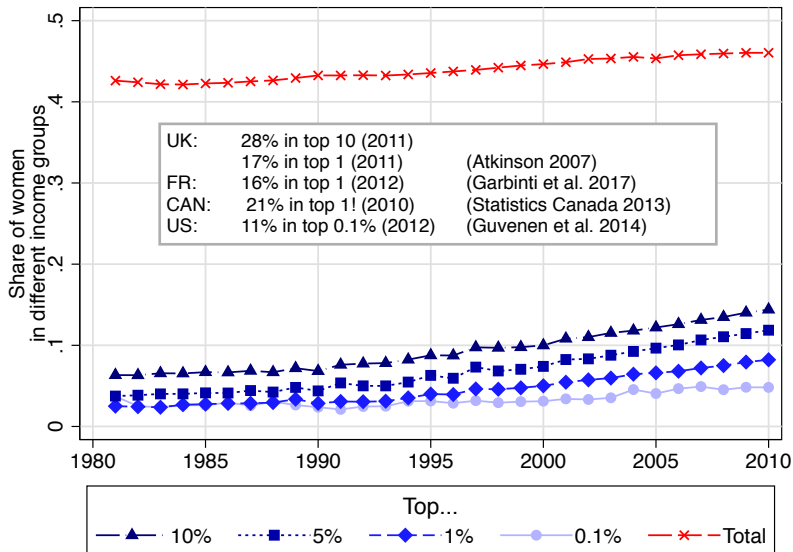
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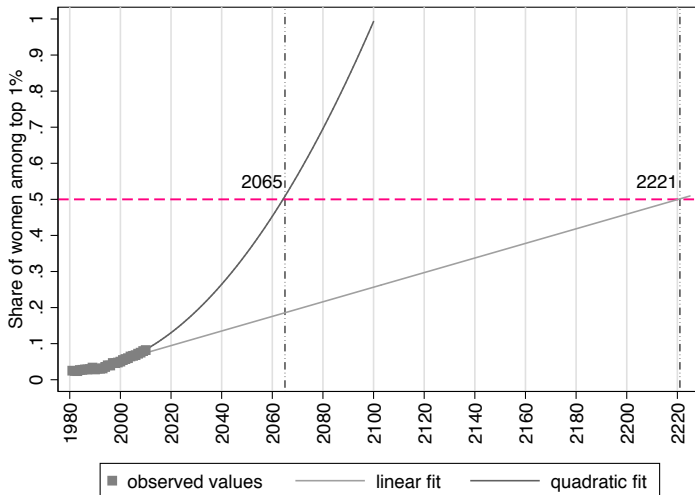
Share of Women among Top Earners



Share of Women among Top Earners



By When Will Women Have Caught-Up in the Top 1%?



France: 50% in 2102 (with linear projection)

► gap by age

► gap by decile

Conclusions I

Top incomes in Switzerland

- Increase since mid 1990s (but less than in U.S. or Germany)
- Increase in total incomes (incl. capital incomes, but capital gains excluded) *and* labor incomes
- Top earners mainly work in SME's, finance and health industries

Structural changes since mid 1990s

- Share of self-employed dropped by half
- Share of foreign-born doubled
- Share in finance increased government employees and health services declined

Conclusions II

Women

- Still strongly underrepresented; lower incomes
- Reasons:
 - Part time work, career development (Sandberg, 2013)
 - Motherhood penalty (Kleven et al., 2019)
 - Gender roles, implicit biases (Bohnet, 2016)
 - ...

Thank you.

Comments and questions welcome:
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Appendix: References and Data

References I

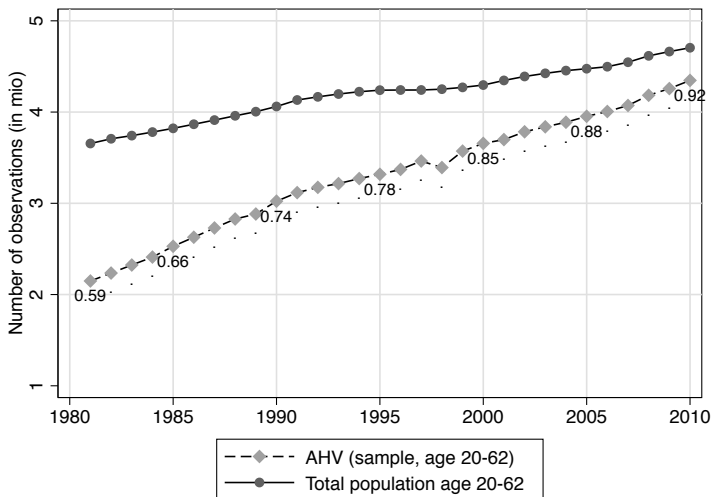
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- **and** — , “Volatile Top Income Shares in Switzerland? Reassessing the Evolution Between 1981 and 2010,” *The Review of Economics and Statistics*, 2017, 99 (5), 793–809.
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Data: Matched Social Security - Census Data

- 2010 Census (STATPOP) matched to social security annual earnings records (AHV) in the years 1981–2010
- Sample: everyone who is present in 2010 and generated at least one AHV 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), limited industry information (through compensation office-ID), marital status history
- Missing AHV Records in 1989, 1998, 2007

Data Coverage

- Sample: only individuals present in CH in 2010

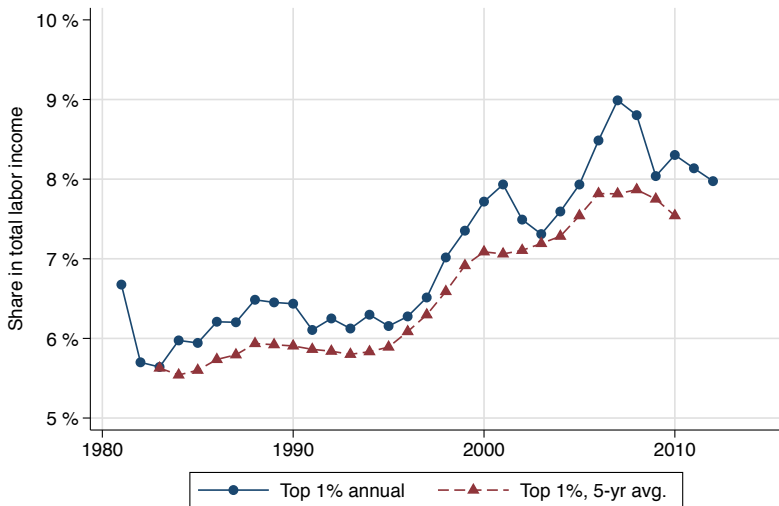


Sample Selection

- Individuals aged 25 or more
- Only those in the labor force
(positive labor income or unemployment benefits $>$ p2 of annual income distribution)
- Percentiles always based on the distribution of this population, even when looking at subgroups like women, foreign born, self-employed etc.

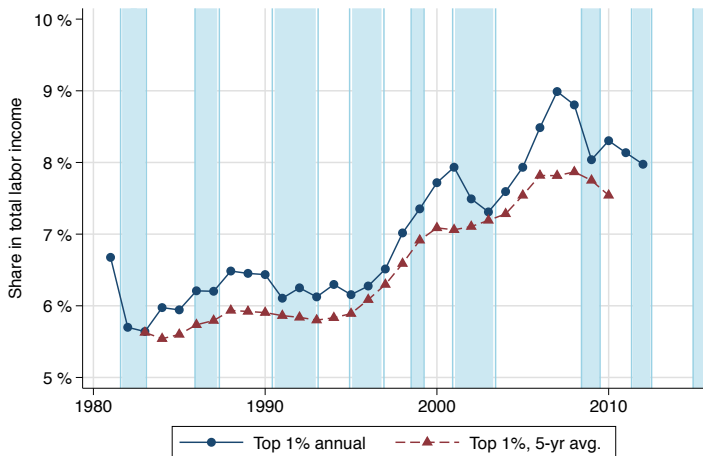
Appendix: Additional Material

Top Income Shares - Annual vs. Permanent Incomes



Percentile shares computed with pshare (Jann, 2015).

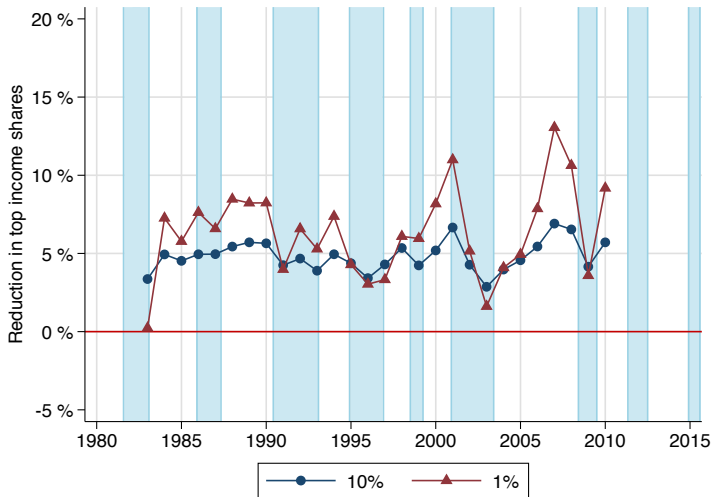
Increases in Top Incomes Are Pro-Cyclical



Blue bars: recessions according to OECD based Recession Indicators for Switzerland, retrieved from FRED, Federal Reserve Bank of St. Louis.

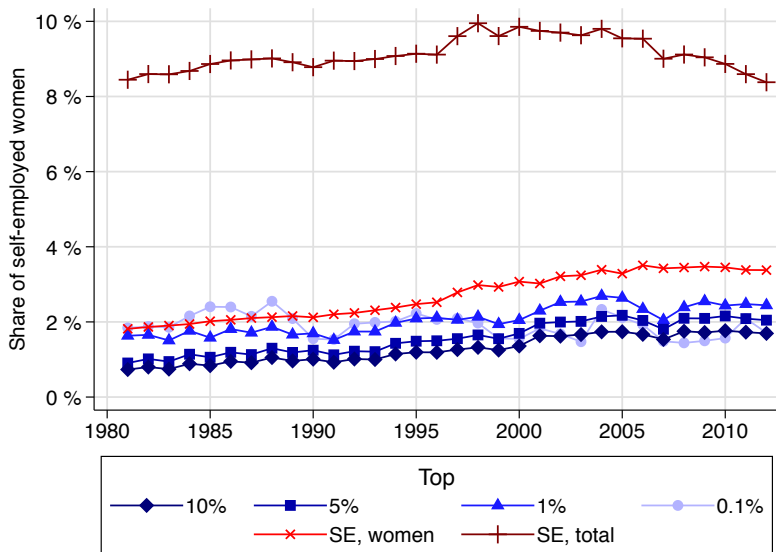
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Transitory Incomes Strongly Pro-Cyclical

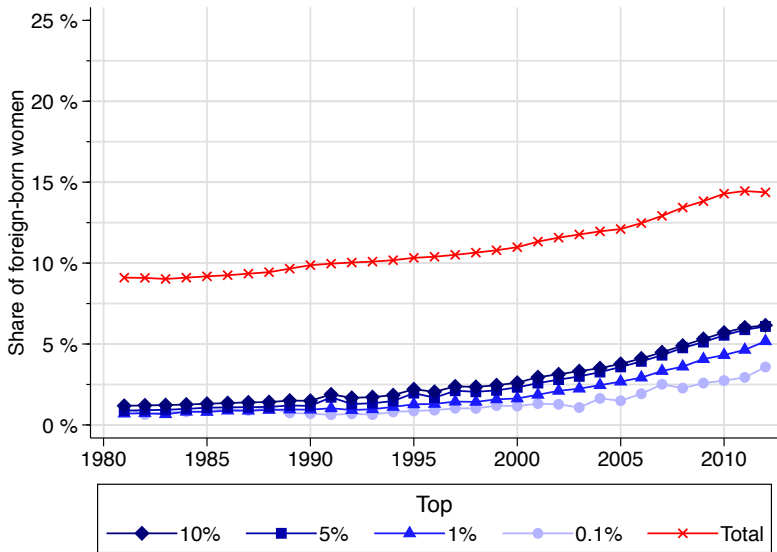


Blue bars: recessions according to OECD based Recession Indicators for Switzerland, retrieved from FRED, Federal Reserve Bank of St. Louis.

Share of Self-Employed Women among Top Earners

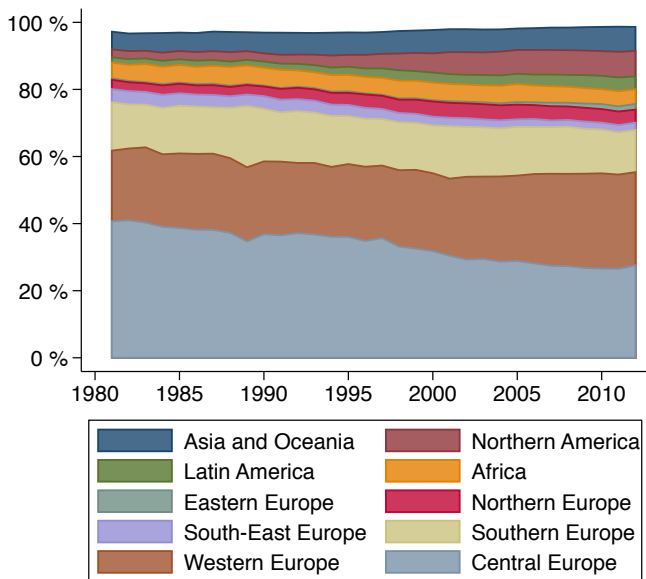


Share of Foreign-Born Women among Top Earners



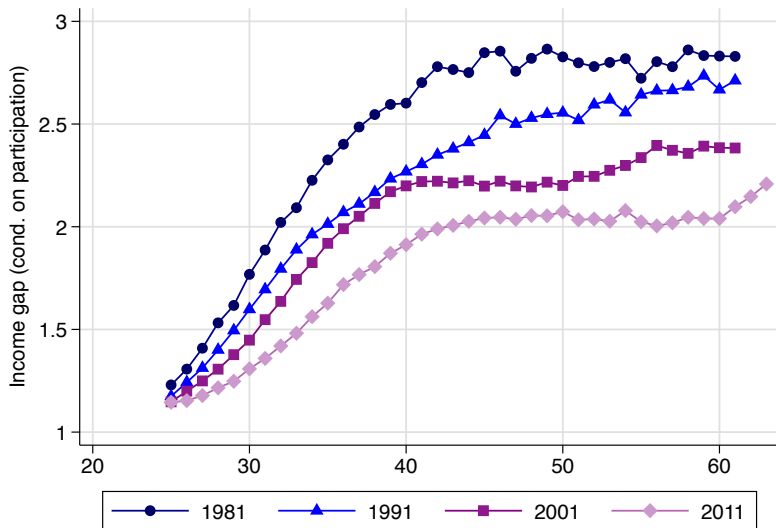
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Foreign-Born's Country of Origin within the top 1%



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Gender Income Gap by Age

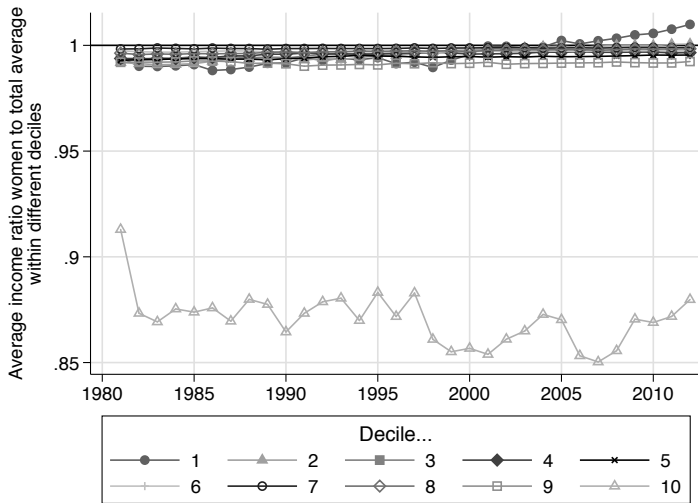


Note: Women's legal retirement age was increased from 62 to 64 between 2001 and 2005

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Women's Average Income by Decile

compared to total income in each decile



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