An integrated approach for top-corrected Ginis

Maria Metzing*¹ and Charlotte Bartels†²

¹Deutsches Institut für Wirtschaftsforschung (DIW) – Mohrenstraße 58 10117 Berlin (Mitte), Germany
²German Institute for Economic Research (DIW) – Germany

Abstract

Household survey data provide a rich information set on income, household context and demographic variables, but tend to under report incomes at the very top of the distribution. Tax record data offer more precise information on top incomes at the expense of household context details and incomes of non-filers at the bottom of the distribution. We combine the benefits of the two data sources and develop an integrated approach for top-corrected Gini coefficients where we impute top incomes in survey data based on information from tax data on the upper end of the income distribution. Thereby, we can produce top-corrected Ginis reflecting the inequality of living standards of the entire population, in contrast to the established top-corrected Gini approach which is restricted to inequality of tax income over tax units. Top-corrected Ginis produce higher inequality estimates in those European countries that exclusively rely (Germany, UK) or have relied (Spain) on interviews for the provision of EU-SILC survey data.

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*Speaker
†Corresponding author: cbartels@diw.de