Earnings Dynamics in Germany

Ana Sofia Pessoa (University Bonn)

30 April 2021
Bundesbank Household Finance Conference 2021

- Explore tax data (Taxpayer Panel)
- Focus on working age males
- Address three questions related to earnings dynamics

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1. **How does the distribution of earnings changes depend on age and income level?**

2. **How does the persistence of earnings changes depend on their sign, size, and income level?**

3. **How much insurance do families and the welfare system provide?**

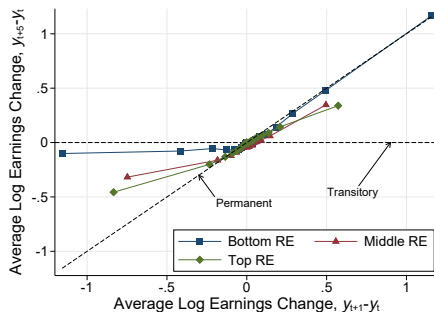**Figure 1:** Third and Fourth Moments of One-Year Earnings Changes
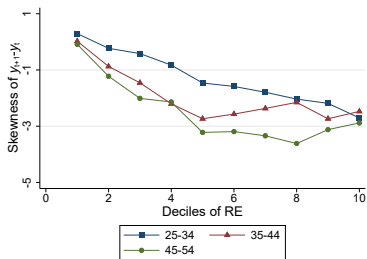

(a) Skewness
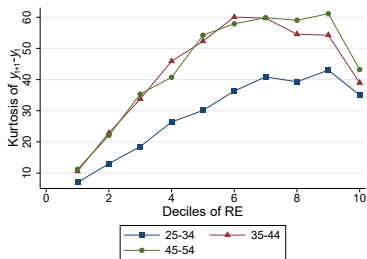
(b) Kurtosis

- The distribution is negatively skewed and has excess kurtosis
- More skewed and higher kurtosis for older and richer
- Distribution of hours and wages are also skewed and leptokurtic

Figure 2: Persistence of Five-Year Labor Earnings Changes

- Positive changes are mostly permanent
- Negative changes are transitory for the bottom and permanent for the top workers

Figure 3: One-Year growth of Household Income
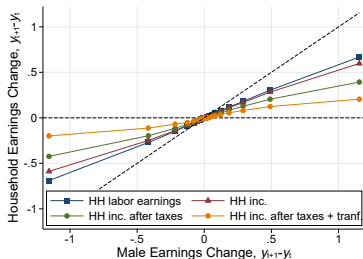
(a) Bottom RE Deciles

(b) Top RE Deciles

- Income pooling attenuates the impact of individuals changes at the household level
- The welfare system provides significant insurance to the bottom workers

- Earnings changes feature strong deviations from normality and linearity

- Find rich earnings dynamics over the life-cycle and income distribution

- Bottom earners receive significant insurance from the welfare system

- Family and government insurance can attenuate deviations from normality and state-dependencies

Thank you!
sofia.pessoa@uni-bonn.de