Levels and Long-Term Trends in Earnings Inequality:

Overcoming Current Population Survey Censoring Problems Using the GB2 Distribution

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Abstract

Over its history, the March Current Population Survey (CPS) has increasingly captured the upper tail of the distribution of all sources of income. This, together with time-consistency problems in top coding, means that users of both the public-use and restricted-access CPS will understate the level of wage earnings and income inequality in earlier years and overstate their growth over time. We address this problem by modeling the personal earnings of full-time, full-year workers using the generalized beta distribution of the second kind, calculating Gini coefficients from the estimated parameters, and comparing them with past findings.