

Race & Gender Differences in the Experience of Earnings Inequality, 1995 to 2010

Markus Schneider
University of Denver

In this paper, I investigate whether the Gini coefficient is the appropriate measure of inequality to capture the changes in the US earnings distribution over the past two decades. Comparing the trends in a variety of inequality measures that differ in their sensitivity to changes in different parts of a distribution shows that the particular changes in the distribution of earnings in the US from 1991 to 2009 are under-represented by changes in the Gini. Growing inequality was almost exclusively driven by a greater share of earnings accruing to the very upper tail of the earnings distribution over these two decades. While the Gini increased only modestly, another measure of inequality that is more sensitive to changes in the upper tail of the distribution - the half coefficient of variation squared - shows a significant and substantial increase in inequality. For this period, the half coefficient of variation squared offers a much more appropriate measure of inequality because it is more sensitive to where the relevant changes in the earnings distribution were occurring. All inequality measures used in this study were calculated by fitting a Dagum distribution to the earnings data and calculating each measure from the fitted pdf. Other authors have shown that this method can produce a time-consistent series for inequality measures that helps correct for top-coding and changes in top-coding procedures.