

The Glass Ceiling and The Paper Floor: Gender Differences among Top Earners, 1981–2012*

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Abstract

We analyze changes in the gender structure at the top of the earnings distribution in the United States over the last 30 years using a 10% sample of individual earnings histories from the Social Security Administration. Despite making large inroads, females still constitute a small proportion of the top percentiles: the glass ceiling, albeit a thinner one, remains. We measure the contribution of changes in labor force participation, changes in the persistence of top earnings, and changes in industry and age composition to the change in the gender composition of top earners. A large proportion of the increased share of females among top earners is accounted for by the mending of, what we refer to as, the *paper floor* – the phenomenon whereby female top earners were much more likely than male top earners to drop out of the top percentiles. We also provide new evidence at the top of the earnings distribution for both genders: the rising share of top earnings accruing to workers in the Finance and Insurance industry, the relative transitory status of top earners, the emergence of top earnings gender gaps over the life cycle, and gender differences among lifetime top earners.

JEL Codes: E24, G10, J31.

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1 Introduction

The last three decades have seen tremendous changes in the distribution of earnings in the United States. Among these changes, two of the most well known are the increasing share of total earnings that accrues to top earners (i.e., individuals in the top 1 percent or top 0.1 percent of the earnings distribution) and the continued relative absence of females from this top earning group.¹ This latter phenomenon is commonly referred to as the *glass ceiling*, the emergence of which has spurred both debate over the appropriate policy response, as well as active research into its primary causes.² However, progress on both fronts has been hampered by a relative lack of good evidence on the gender structure at the top of the earnings distribution.³ Our goal in this paper is to provide this necessary empirical evidence on the glass ceiling, using newer and better data than has been previously available. In doing so, we also revisit several important questions about top earners of both genders: the dynamics of their earnings, their industry composition, their age and cohort composition, and the evolution of earnings for lifetime top earners.

Our interest in top earners is motivated by their disproportionately large influence on the aggregate economy. This influence operates through at least three channels. First, top earners are crucial economic actors. In the United States, individuals in the top 1 percent of the income distribution earn approximately 15% of aggregate before-tax income and pay about 40% of individual income taxes – more than one and a half times the amount paid by the bottom 90 percentiles – and 50% of all corporate income tax.⁴ Since this group includes virtually all high-level managers and executives of U.S. businesses (both public and private), top earners play a pivotal role in decisions about business investment, employment creation, layoffs, and international trade. Second, top earners are key political actors. Political scientists have argued that the increasing polarization of political discourse in the United States can be partly attributed to the rising influence of top earners, through political contributions that have in part been made possible by changes in campaign finance regulations since the 1970s.⁵ Third, since the group of top earners includes a large fraction of the economy’s top talent, understanding the distribution of top earners across gender,

¹See [Bertrand et al. \(2010\)](#) and [Gayle et al. \(2012\)](#) for recent attempts to measure the gender composition of top earners.

²The term “glass ceiling” was coined in the 1980s and is typically defined (for example, in [Federal Glass Ceiling Commission \(1995\)](#)) as an “unseen, yet unbreachable barrier that keeps minorities and women from rising to the upper rungs of the corporate ladder, regardless of their qualifications or achievements.”

³Existing evidence is based almost exclusively on nonrandom subsamples of top earners (CEOs and other top executives, billionaires from Forbes 400 lists, MBA graduates, etc.). We review this evidence below.

⁴Statistics are for 2010 from the [Congressional Budget Office \(2013, Table 3\)](#).

⁵See, for example, [Barber \(2013\)](#); [Baker et al. \(2014\)](#).

industries, and cohorts helps us to better understand the allocation of human capital in the economy.

The pivotal role of top earners has led to a burgeoning literature whose goal is to explicitly model the thick Pareto tail at the top end of the earnings distribution and then either evaluate alternative mechanisms that could give rise to top earners (e.g., [Gabaix and Landier \(2008\)](#), [Jones and Kim \(2014\)](#)), study the allocation of top talent across occupations (e.g., [Hsieh et al. \(2013\)](#)), or ask how to best design fiscal policy in the presence of influential top earners (e.g., [Saez \(2001\)](#); [Badel and Huggett \(2014\)](#); [Guner et al. \(2014\)](#); [Kindermann and Krueger \(2014\)](#)). Therefore, one goal of this paper is to provide the empirical evidence that this literature requires in order to address these issues – on gender differences, persistence, mobility, age, and industry composition, and on the life-cycle dynamics of top earners. The literature on optimal taxation of top earners has so far only considered the taxation of individuals; as this literature moves toward studying the taxation of families, evidence on gender differences among top earners of the type we provide will become essential.

Our data set is a 10% representative sample of individual earnings histories from the U.S. Social Security Administration. Several features of these data are well suited for our goals. The large number of observations enables us to study earnings within the top 1 percent, including the earnings of those at the very top, the 0.1 percent, as well as the characteristics of female top earners, who constitute only a small subset of top earners. The panel nature of the data set enables us to track the same individuals over time and, hence, to perform our analysis using both five-year average earnings as well as annual earnings. This is important because of the relatively low probabilities of top earners remaining in the top percentiles from year to year, as shown by [Auten et al. \(2013\)](#), and which we confirm and expand on. The presence of Employer Identification Numbers (EIN) from W2 forms enables us to obtain detailed industry information about each worker’s jobs, which we use to construct a novel industry breakdown that is particularly useful for understanding what top earners do. In particular, we separate workers in Finance and Insurance, Health services, Legal services, and Engineering from executives in other service industries. The long time span of our data (32 years) and the absence of attrition enable us to paint a sharper picture of how top earners’ earnings evolve over their life cycles than has been possible in previous work.

Our findings on gender differences speak to three broad themes: (i) trends in top earnings over the last three decades; (ii) the persistence and mobility of top earners; and (iii) the characteristics of top earners.

First, regarding recent trends in top earnings, we find that although large strides have been taken toward gender equality at the top of the distribution, very large differences between males and females still remain. Since 1981, the share of females among top earners

has increased by more than a factor of 3. Yet in 2012, the earnings share of females still comprised only 11% of the earnings of all individuals in the top 0.1 percent, and only 18% of the earnings of the top 1 percent. The glass ceiling is still there, but it is thinner than it was three decades ago. Moreover, among the top 0.1 percent, virtually all of the increase came in the 1980s and 1990s; the last decade has seen almost no further improvement. We decompose the rise in the share of females among top earners into a component that is due to changes in female participation in all parts of the distribution and find that these compositional effects play little role in explaining the observed trend. This finding reflects the fact that gender differences have narrowed much less in the bottom 99 percent of the distribution than in the top percentiles – the fraction of females in the bottom 99 percent increased from 43% in 1981 to 49% in 2012.

For top earners of both genders, after several decades of rising earnings, a leveling off has taken place during the last decade. Both the thresholds for membership and the average earnings of workers in the top percentiles have remained relatively flat since 2000. It is too soon to tell whether this represents a change in the increasing trend that has dominated the last half century (Kopczuk et al. (2010)), or whether it is a temporary flattening due to top earners suffering disproportionately large temporary falls in earnings during the 2000–2 and 2008–9 recessions (Güvenen et al. (2014b)).⁶

Second, regarding persistence and mobility at the top of the earnings distribution, we find substantial turnover among top earners. The frequency with which workers enter and exit the top earnings groups sounds a cautionary note to analyses of top earners that use only data from annual cross sections. This high tendency for top earners to fall out of the top earnings groups was particularly stark for females in the 1980s – a phenomenon we refer to as the *paper floor*. But the persistence of top earning females has dramatically increased in the last 30 years, so that today the paper floor has been largely mended. Whereas female top earners were once around twice as likely as men to drop out of the top earning groups, today they are no more likely than men to do so. Moreover, this change is not simply due to females being more equally represented in the upper parts of the top percentiles; the same paper floor existed for the top percentiles of the female earnings distribution, but this paper floor has also largely disappeared. We use a decomposition to show that this change in persistence accounts for a substantial fraction of the increase in the share of females

⁶See Section 3 and Appendix B for a reconciliation of this finding with results from other data sources and different samples that show a continued increase in the income share of the top 0.1 percent over this period. The difference in these findings is not due to our focus on wage and salary income as opposed to a broader measure: in Appendix B we show that the slowdown in the growth of top incomes is present for total income (including capital gains), except at the very top of the distribution (above the 99.99th percentile). Instead the difference in findings is mainly due to differences in the implied trends for the bottom 99 percent that arise because of the different units of analysis: individuals who satisfy a minimum earnings and age restriction, versus all tax units.

among top earners that we observe during the last three decades.

As the persistence of top earning women was catching up with men during this period, the persistence of top earning men was itself increasing, particularly after 2000. Throughout the 1980s and 1990s, the probability that a male in the top 0.1 percent was still in the top 0.1 percent one year later remained at around 45%, but by 2011 this probability had increased to 57%. When combined with our finding that the share of earnings accruing to the top 0.1 percent has leveled off since 2000, this implies a striking observation about the nature of top earnings inequality: despite the total share of earnings accruing to the top percentiles remaining relatively constant in the last decade, these earnings are being spread among a decreasing share of the overall population. Top earner status is thus becoming more persistent, with the top 0.1 percent slowly becoming a more entrenched subset of the population.

These findings concern short-run earnings dynamics, but for many questions about top earners (e.g., human capital accumulation or optimal taxation), long-run dynamics, as reflected in lifetime earnings, are the more relevant consideration. However, due to the previous lack of large, long panel data sets on earnings, little is currently known about lifetime top earners. We analyze how male and female lifetime top earners differ over the life cycle, where in the distribution these individuals start their working lives, and in which parts of the distribution they spend the majority of their careers. We find that within the top 1 percent of lifetime earnings, men and women display distinct lifecycle patterns, so that the gender gap between these groups is inverse U-shaped over the life cycle, increasing substantially in the 30s (presumably when some females' careers are interrupted for family reasons) and then declining toward retirement.

Third, regarding the characteristics of top earners, we find that the dominance of the finance and insurance industry is staggering, for both males and females: in 2012, finance and insurance accounted for around one-third of workers in the top 0.1 percent. However, this was not the case 30 years ago, when the health care industry accounted for the largest share of the top 0.1 percent. Since then, top earning health care workers have dropped to the second 0.9 percent where, along with workers in finance and insurance, they have replaced workers in manufacturing, whose share of this group has dropped by roughly half. Perhaps surprisingly, these changes in industry structure do not play much of a role in explaining either the level or the change in the share of females among top earners, because the industry composition of the top percentiles is very similar for males and females.

To gain insight into possible future trends for the glass ceiling, we end the paper by examining the age and cohort composition of top earners. Top earners are older than average and have become more so over time. In contrast with analyses of the gender structure of

corporate boards (e.g., [Bertrand et al. \(2012\)](#)), we do not find that female top earners are younger than male top earners. Entry of new cohorts, rather than changes within existing cohorts, account for most of the increase in the share of females among top earners. These new cohorts of females are making inroads into the top 1 percent earlier in their life cycles than previous cohorts. If this trend continues, and if these younger cohorts exhibit the same trajectory as existing cohorts in terms of the share of females among top earners, then we might expect to see further increases in the share of females in the overall top 1 percent in coming years. However, this is not true for the top 0.1 percent. At the very top of the distribution, young females have not made big strides: the share of females among the top 0.1 percent of young people in recent cohorts is no larger than the corresponding share of females among the top 0.1 percent of young people in older cohorts.

Our results on the glass ceiling relate to a large and active literature. However, the bulk of the existing empirical evidence has been relatively indirect and pertains to somewhat specialized subsets of top earners, such as CEOs and other executives, members of corporate boards, the list of billionaires compiled by *Forbes* magazine, or MBA graduates from a top U.S. business school (e.g., [Bell \(2005\)](#), [Wolfers \(2006\)](#), [Bertrand et al. \(2010\)](#), [Gayle et al. \(2012\)](#)). Although these analyses have revealed a wealth of interesting information, the extent to which their conclusions carry over to other top earning women is unknown. For example, [Wolfers \(2006\)](#) reports that over a 15-year period starting in the early 1990s, only 1.3% of ExecuComp CEOs were women. This is about about 10 times smaller than the share of women we find among the top 0.1 percent of earners in the 2000s.

Finally, this paper is also related to the literature initiated by [Piketty and Saez \(2003\)](#) that aims to understand the evolution of top earnings. More recently, [Parker and Vissing-Jørgensen \(2010\)](#) and [Guvenen et al. \(2014a\)](#) have studied the cyclicalities of top earnings. Our focus is on long-run trends rather than the cycle. [Kopczuk et al. \(2010\)](#), [Bakija et al. \(2012\)](#), and [Auten et al. \(2013\)](#) are related papers that also use large representative samples of individual-level data to study the trends and characteristics of top earners. [Brewer et al. \(2007\)](#) is a complementary paper that analyzes the characteristics of high income individuals in the United Kingdom. However, these papers do not focus on the glass ceiling or the paper floor.

2 Data

Data set. We use a confidential panel data set of earnings histories from the U.S. Social Security Administration (SSA) covering the period 1981 to 2012.⁷ The data set is constructed by drawing a 10% representative sample of the U.S. population from the SSA’s Master Earnings File (MEF). The MEF is the main record of earnings data maintained by the SSA and contains data on every individual in the United States who has a Social Security number (SSN). The data set contains basic demographic characteristics, including date of birth, sex, race, type of work (farm or nonfarm, employment or self-employment), employee earnings, self-employment taxable earnings, and the Employer Identification Number (EIN) for each employer, which we use to link industry information. Employee earnings data are uncapped (i.e., there is no top-coding) and include wages and salaries, bonuses, and exercised stock options as reported on the W-2 form (Box 1). The data set grows each year through the addition of new earnings information, which is received directly from employers on the W-2 form.⁸ For more information on the MEF, see [Panis et al. \(2000\)](#) and [Olsen and Hudson \(2009\)](#). We convert all nominal variables into 2012 dollars using the personal consumption expenditure (PCE) deflator. For an individual born in year c , we define their age in year t as $t - c$, which corresponds to their age on December 31 of that year.

To construct the 10% representative sample from the MEF, we select all individuals with the same last digit of (a transformation of) their SSN. Since the last four digits of the SSN are randomly assigned to individuals, this generates a nationally representative panel. The panel tracks the evolution of the U.S. population in the sense that each year, 10% of new individuals who are issued SSN numbers enter our sample, and those who die each year are eliminated (determined through SSA death records).

Sample Selection. For the analyses in Sections 3, 4, 7, and 8, in each year t we select all individuals in our baseline 10% sample who satisfy the following two criteria:

1. The individual is between 25 and 60 years old.

⁷The data set contains earnings information going back to 1978. However, prior to 1981 the data are of poorer quality due to inconsistencies in complying with the switch from quarterly to annual wage reporting by employers, mandated by the SSA (see [Olsen and Hudson \(2009\)](#) and [Leonesio and Del Bene \(2011\)](#)). For large parts of the population, most of these reporting errors can be corrected. However, these methods do not work well for very high-earning individuals, who are the focus of this paper.

⁸The MEF also contains earnings information on self-employment income for sole proprietors (i.e., income reported on form Schedule SE; see [Olsen and Hudson \(2009\)](#) for more information); however, these data are top-coded at the taxable limit for Social Security contributions prior to 1994. Because of this top-coding, we focus our main analysis on wage and salary data. In Appendix H, we verify the robustness of our findings to the inclusion of self-employment income for the period 1994-2012.

2. The individual has annual earnings that exceed a time-varying minimum threshold. This threshold is equal to the earnings one would obtain by working for 520 hours (13 weeks at 40 hours per week) at one-half of the legal minimum wage for that year. In 2012, this corresponded to annual earnings of \$1,885.

We impose these selection criteria in order to focus on workers with a reasonably strong attachment to the labor market and to avoid issues that arise when taking the logarithm of small numbers. These criteria also make our results comparable to the literature on earnings dynamics and inequality, where imposing age and minimum earnings restrictions is standard (see, e.g., [Abowd and Card \(1989\)](#), [Juhn et al. \(1993\)](#), [Meghir and Pistaferri \(2004\)](#), [Storesletten et al. \(2004\)](#), and [Autor et al. \(2008\)](#)).

The MEF contains a small number of extremely high earnings observations each year. To avoid potential problems with outliers, we cap (winsorize) observations above the 99.999th percentile of the distribution of earnings for individuals who satisfy the above two selection criteria in a given year. From 1981 to 2012, the mean and median 99.999th percentiles across years were both \$11.5 million, and the maximum was \$25.4 million in 2000.

We report results using two definitions of earnings: annual earnings and five-year average earnings. The former definition provides us with a snapshot of top earners in a given year, but this group is likely to include some workers whose high earnings were a one-off event (e.g., due to large onetime bonuses or other windfalls). Such workers would not be considered as top earners under the latter definition, which by construction focuses on individuals with more stable membership of the top earnings percentiles. Studying top earners based on five-year average earnings is feasible because of the panel dimension of our data.

For the analysis using annual earnings, in each year $t = 1981, \dots, 2012$ we assign all individuals who satisfy the two selection criteria to either the top 0.1 percent, second 0.9 percent or bottom 99 percent based on their earnings in year t . For the analysis using five-year average earnings, we construct a rolling panel for each year $t = 1983, \dots, 2010$ that consists of all individuals who satisfy the two selection criteria in at least three of the years from $t - 2, \dots, t + 2$, including the most recent year $t + 2$. For each of these individuals, we compute their average annual earnings over the years $t - 2, \dots, t + 2$ that they satisfy the selection criteria. We then assign individuals to either the top 0.1 percent, second 0.9 percent or bottom 99 percent based on these five-year average earnings. For both definitions of earnings, we keep all individuals in the top 0.1 percent and second 0.9 percent of the distribution, and we take a 2% random sample of individuals in the bottom 99 percent.

In [Section 6](#), we also analyze 30-year average earnings, which we refer to as lifetime earnings. For the analysis in that section, we restrict attention to cohorts of individuals from ages 25

to 54 and include individuals in the sample if they satisfy the two selection criteria above for a minimum of 15 years during that 30-year period. In Appendix C, we also report results for cohorts of individuals from ages 30 to 59.

Privacy. To avoid possible privacy issues, we do not report any statistics for demographic cells (for example, a given industry/gender/year/income group) with fewer than 30 individuals. Thanks to the large sample size, such cells are rarely encountered.

The remaining sections of the paper analyze gender differences among top earners along a number of dimensions. But in order to first provide some context for the differences and similarities between male and female top earners, we begin in Section 3 with a brief summary of recent trends for all individuals at the top of the earnings distribution.

3 Recent Trends in Top Earnings

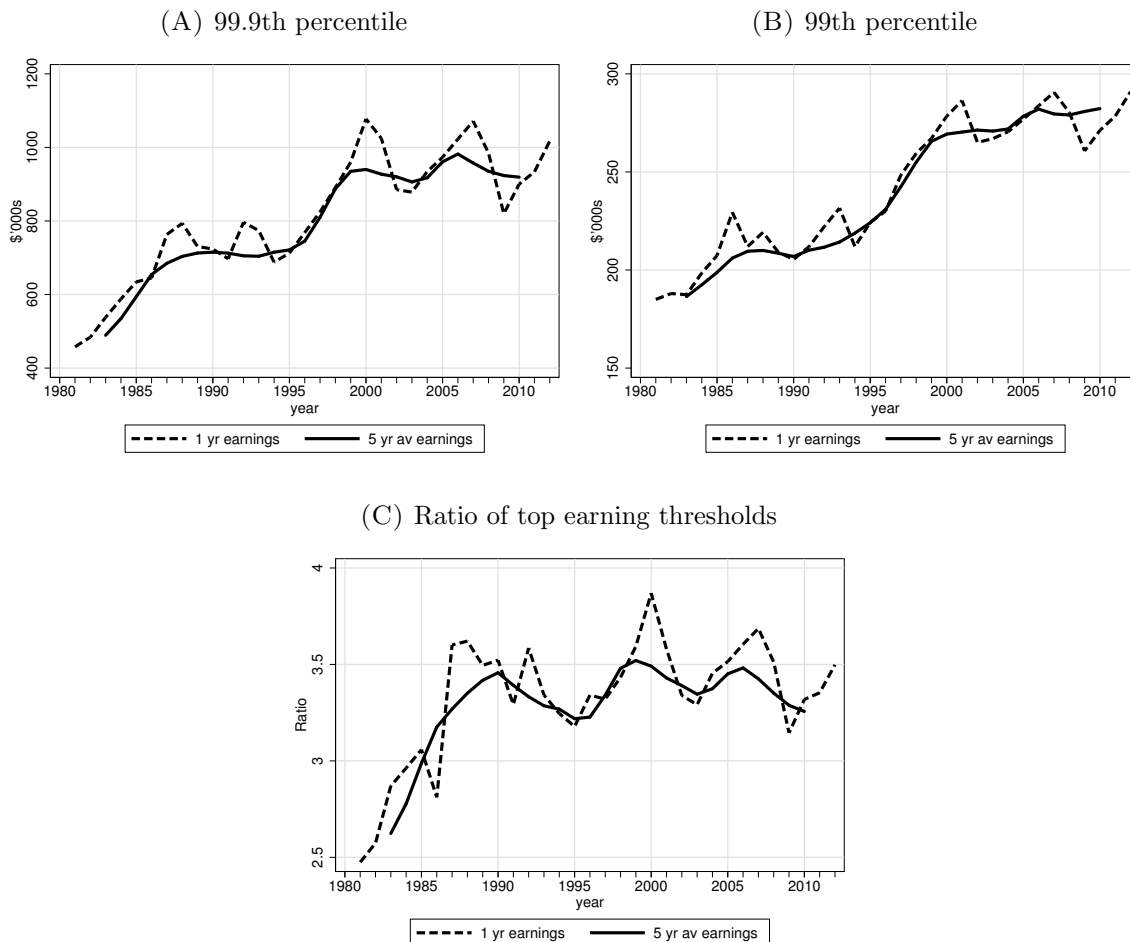
In 2012, a worker had to earn at least \$1,018,000 to be included in the top 0.1 percent of the earnings distribution and at least \$291,000 to be included in the top 1 percent. For the most recent five-year period covered by our data, 2008–12, a worker needed to have average earnings above \$918,000 to be included in the top 0.1 percent, and above \$282,000 to be in the top 1 percent. For comparison, in 2012 the mean and median annual earnings in our data were \$51,000 and \$35,000; for average earnings over the five-year period 2008–12, the mean and median were \$53,000 and \$38,000.⁹

These thresholds have increased substantially since 1981 but have been essentially flat over the last decade, with most of the increase taking place in the first half of the 1980s and the second half of the 1990s. The trends have been similar for the 0.1 percent threshold (Figure 1A) and the 1 percent threshold (Figure 1B), using either annual earnings or five-year average earnings. The tapering off in the growth of top-earning thresholds since 2000 is likely to be in part due to the 2001 and 2008–9 recessions hitting top earners disproportionately hard.

The trends in these top-earning thresholds are not unique to our particular measure of income (wage and salary earnings from W-2 forms), nor to our particular choice of sam-

⁹As described in Section 2, our earnings data comprise only wage and salary income reported on W-2 forms. According to Statistics of Income (SOI) data from the Internal Revenue Service (IRS), in 2011, wage and salary income accounted for 45.6% of total income (excluding capital gains) for the top 0.1 percent of taxpaying units, 62.3% for the second 0.4 percent, and 77.0% for the next 0.5 percent. The next biggest component of income is entrepreneurial income, which consists of profits from S corporations, partnerships, and sole proprietorships (Schedule C income). In 2011, this accounted for 28.6% of income for the top 0.1 percent of tax units, 28.4% for the second 0.4 percent, and 16.7% for the next 0.5 percent.

FIGURE 1 – Top earning thresholds

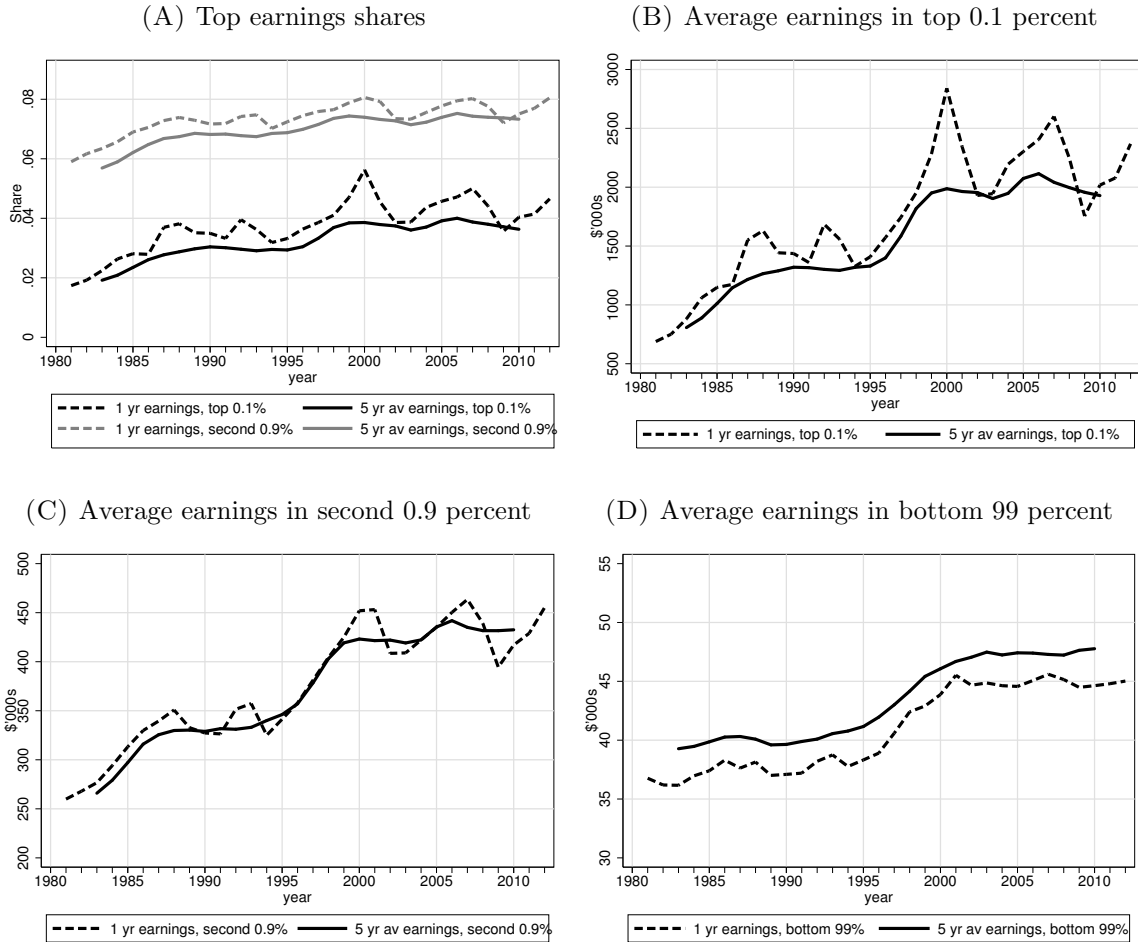


ple. In Appendix B, we plot the corresponding trends for the 99.9th percentile and 99th percentile, under various definitions of income, using our data and data from aggregate tax records. For all definitions of income, we see a significant tapering off in the growth of the top-earning thresholds during the last decade.

Inequality within the top percentiles, as measured by the ratio of the 99.9th percentile to the 99th percentile, has been flat (or even slightly declining) since the late 1980s. For five-year average earnings, the ratio peaked at around 3.5 in 1997-2001 and was around 3.25 in 2008–12. For annual earnings there was an isolated peak in 2000, most likely due to payouts related to the information technology boom pushing up earnings at the very top of the distribution.¹⁰ The trend in this ratio (which is displayed in Figure 1C) suggests

¹⁰Consistent with this hypothesis, the 2000 peak in annual earnings for the 99.9th percentile is particularly prominent in the engineering sector (which, according to our definition, includes technology companies; see Section 7) and is much less prominent in other sectors.

FIGURE 2 – Average earnings among top earners



that inequality in labor earnings within the very top of the distribution has not risen as dramatically as it has in other parts of the distribution during the past 25 years.

Top earnings inequality is commonly measured as the share of total earnings that accrues to workers in the top percentiles (e.g., [Piketty and Saez \(2003\)](#)). In our data, the recent trend in this measure of inequality (Figure 2A) is similar to the trend in top earnings thresholds. For five-year average earnings, the shares have been roughly constant since the late 1990s, at around 7% for earners in the second 0.9 percent, and at around 4% for earners in the top 0.1 percent. For annual earnings, the shares are about 1 percentage point higher.

Average earnings in each part of the distribution have also followed similar qualitative trends over this time period, with most of the increase in average earnings occurring in the late 1990s (and in the early 1980s for the top 1 percent) and with relatively little earnings growth in the last decade. However, there are large quantitative differences in the earnings

growth experienced by the three groups. Focusing on five-year averages, the growth in average earnings from the period 1981–85 to the period 2008–12 was 139% for the top 0.1 percent (Figure 2B), 63% for the top 1 percent (Figure 2C), and only 22% for the bottom 99 percent (Figure 2D).

The trends in Figure 2 clearly illustrate the dramatic differences between the recent earnings growth experienced by workers at the top of the earnings distribution compared with the growth experienced by those in the bottom 99 percent. Yet they leave many important questions unanswered. In the remaining sections of the paper, we address some of these questions, starting first with the question of how equally females have shared in the rise of earnings at the top of the distribution.

4 Cracks in the Glass Ceiling? Gender Composition of Top Earners

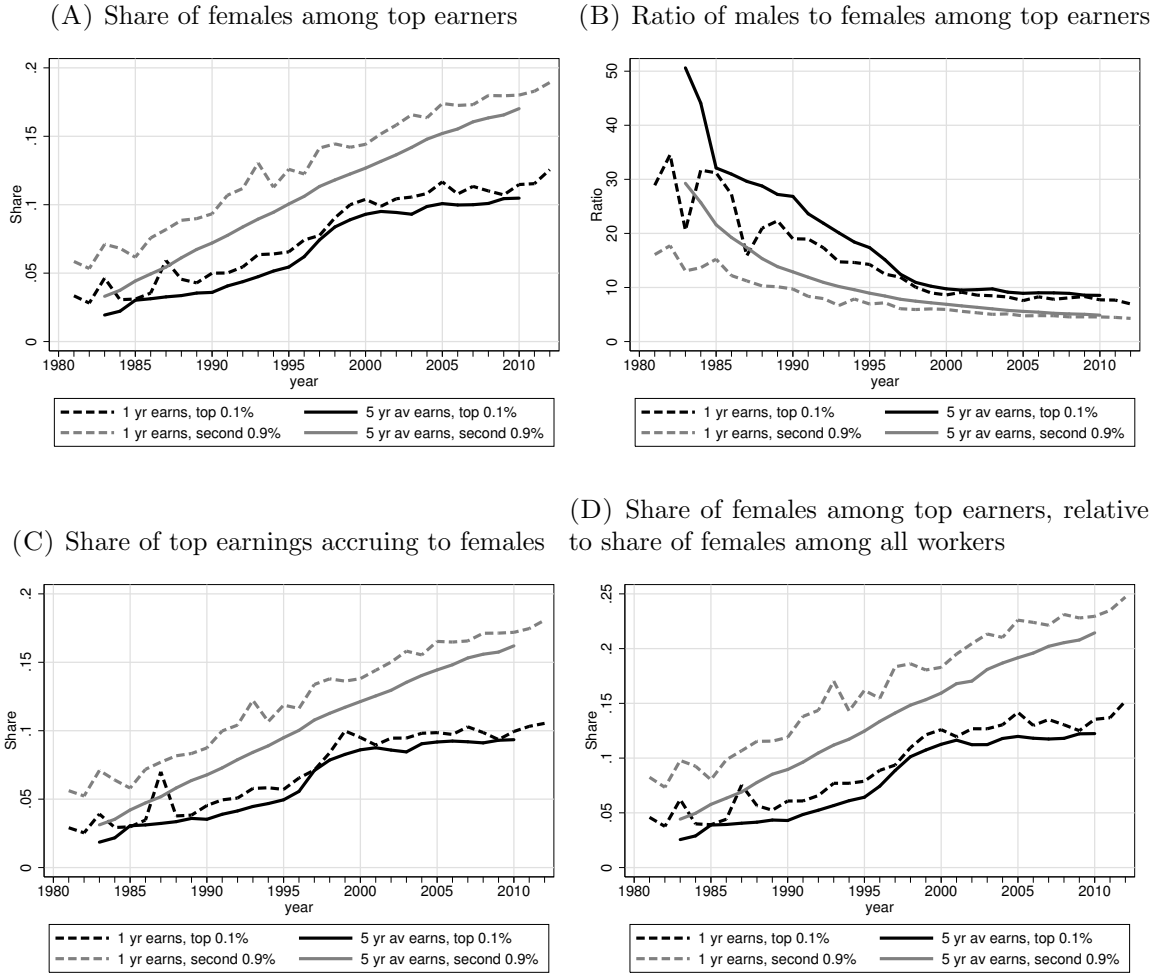
We measure gender differences among top earners in two ways. First, we examine the gender composition of the top earners in the overall distribution of earnings. Second, we compare the earnings of the highest earning females with those of the highest earning males.

4.1 Gender Composition of Overall Top Earners

A striking increase in the share of females among top earners has taken place since the early 1980s, as illustrated by the trends shown in Figure 3A. In 1981–85, females constituted just 1.9% of the top 0.1 percent of earners based on average earnings over this five-year period and just 3.3% of the second 0.9 percent of earners. In contrast, by 2008–12 the corresponding shares of females had risen to 10.5% and 17.0%, respectively. The magnitude of this change is even more striking when expressed in terms of the number of men for every woman in the top percentiles (Figure 3B). In 1981–85, there were 50.6 men for every one woman in the top 0.1 percent of earners, whereas in 2008–12 there were 8.5 men for every woman. Among the second 0.9 percent of earners, in 1981–85 there were 29.3 men per woman, whereas in 2008–12 there were 4.9 men per woman.

The rising fraction of females among top earners has also translated into a corresponding rise in the share of top earnings that accrues to females. This can be seen in Figure 3C, which shows that the share of top earnings that accrues to females has risen almost as rapidly as the fraction of females in these groups, suggesting that the women who have entered the top percentiles are not disproportionately concentrated toward the bottom of

FIGURE 3 – Gender composition of top earners



the top earner groups – which would have implied a slower growth in the earnings share than in the population share.

Moreover, the increased representation of females among top earners is not simply a reflection of a higher female labor force participation rate in the overall earnings distribution. From the period 1981–85 to the period 2008–2012, the share of females in the bottom 99 percent of earners increased from 44.0% to 49.2% (see Appendix D for the full time series). So, in principle, part of the trends in Figures 3A, 3B, and 3C could be due to this broader trend. But comparing the probability that a *working* woman is in a top earnings group, with the corresponding probability for a *working* man,¹¹ suggests that this effect is small. Although the ratio of these probabilities is well below 1 (which is its expected value if

¹¹We define individuals to be working if they satisfy the age and minimum earnings criteria described in Section 2.

TABLE 1 – Decomposition of change in share of females among top earners

	Annual earnings		Five-year earnings	
	Top 0.1%	Second 0.9%	Top 0.1%	Second 0.9%
Change	0.09	0.13	0.09	0.14
Fraction due to:				
- gender comp. of labor force	7%	9%	7%	7%
- gender comp. of top percentiles	93%	91%	93%	93%

Notes: Change for annual earnings is from 1981 to 2012. Change for five-year earnings is from the period 1981–85 to the period 2008–12. See Appendix A for details of decomposition.

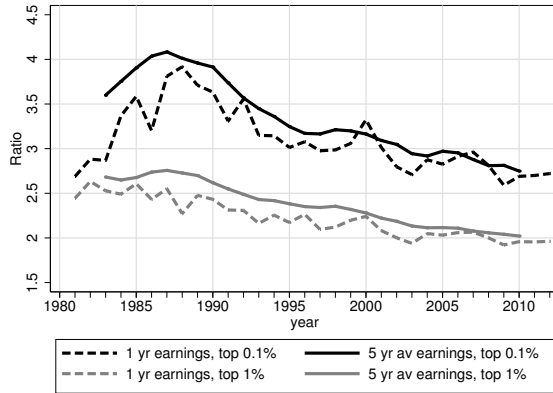
men and women satisfying our selection criteria were equally represented in all parts of the earnings distribution), the ratio has risen substantially, from 0.026 in the period 1981–85 to 0.122 in the period 2008–12 for the top 0.1 percent (Figure 3D).

This conclusion is confirmed by a formal decomposition of the change in the share of females in top percentiles into a component that is due to the changing gender composition of the overall labor force and a component that is due to the changing gender composition of top percentiles, beyond the change in the overall distribution. Full details of the methodology underlying the decomposition are contained in Appendix A. The results of the decomposition, reported in Table 1, imply that only 7% to 9% of the increase in the female share of top percentiles is due to changes in the overall female share of workers.

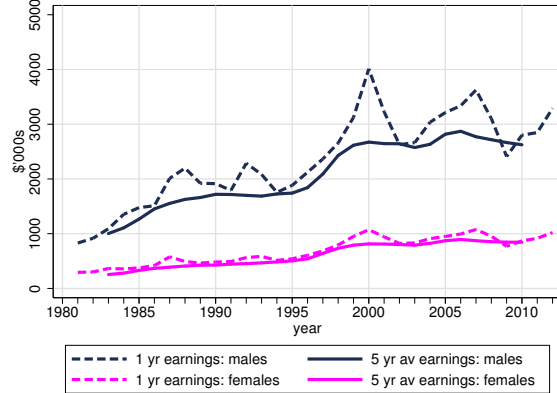
So far, the description of our empirical findings has painted a glass-half-full picture of recent trends in gender differences among top earners: females have made substantial inroads toward gender equality at the top. Today a working female is over four times more likely to be in the top 0.1 percent of the earnings distribution than a working female was three decades ago (Figure 3D). Yet, with the same data, it is also easy to paint a glass-half-empty picture of these trends: despite the dramatic transformation of the gender composition of top earners, women are still vastly underrepresented at the top of the earnings distribution. Almost no increase in the share of females among the top 0.1 percent of earners has occurred over the last decade (Figure 3A). Even in 2012, a working woman was only 12.2% as likely to be in the top 0.1 percent of the earnings distribution as a working man was (Figure 3D), and the shares of females in the top percentiles were below 15% for the top 0.1 percent, and below 20% for the second 0.9 percent (Figure 3C).

FIGURE 4 – Male top earners versus female top earners

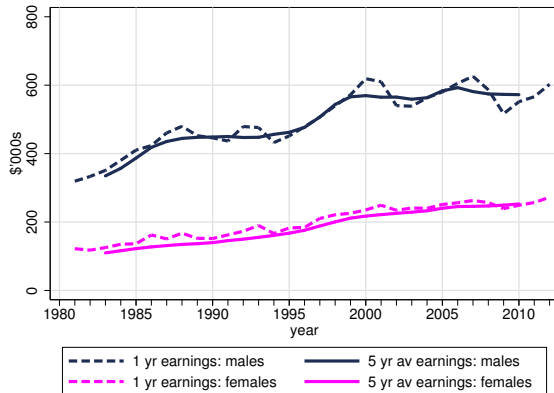
(A) Ratio of male to female top earning thresholds



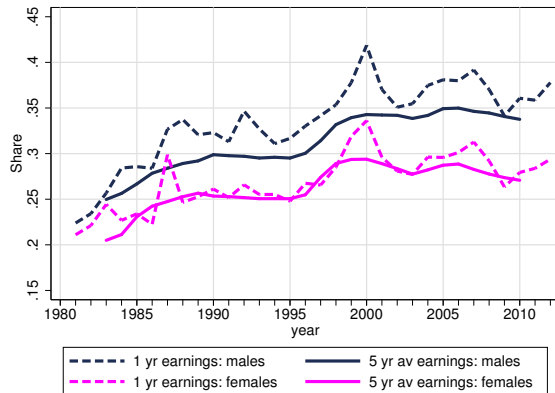
(B) Average earnings among top 0.1 percent of males and top 0.1 percent of females



(C) Average earnings among second 0.9 percent of males and second 0.9 percent of females



(D) Share of top 0.1 percent earnings in top 1 percent earnings for males and females



4.2 Top Earning Males Versus Top Earning Females

In the previous section, we measured gender inequality among top earners by comparing the earnings of males and females in the top percentiles of the overall earnings distribution. In this section, we consider an alternative approach in which we compare the earnings of the highest earning males with those of the highest earning females. Rather than impose the same threshold for males and females, this alternative approach defines top earners using different thresholds for males and females, based on gender-specific earnings distributions.

In 2012, men had to earn roughly twice as much as women in order to be included in the top 1 percent of their respective gender-specific earnings distributions and nearly three times as much in order to be included in the top 0.1 percent of their distributions. Comparing

the relative trends in these top earnings thresholds for males and females suggests that, by this metric, a substantial closing of the top earnings gender gap has also occurred, but as with the findings from overall top earners, large differences remain. These trends can be seen in Figure 4A, in which we plot the ratio of the 99th and 99.9th percentiles of the male earnings distribution to the corresponding percentiles of the female earnings distribution. For five-year average earnings, the ratio for the top 0.1 percent peaked in the late 1980s at around 4.1 and has declined monotonically since then to reach a level of 2.75 for the period 2008-12. This means that whereas two decades ago, a man at the 99.9th percentile of the male distribution earned over four times as much as a woman at the same percentile of the female distribution, today such a man earns less than three times as much as such a woman.

Although the gender differences in top earnings thresholds have narrowed in recent years, the gap between the average earnings of top male earners and top female earners has actually widened. This widening is evident in Figure 4B, which shows the average earnings of the top 0.1 percent of males and the top 0.1 percent of females, and in Figure 4C, which shows the average earnings for the second 0.9 percent of males and the second 0.9 percent of females.

These two seemingly contradictory views of trends in the gap between the top ends of the gender-specific distributions – thresholds versus average earnings – can be reconciled by observing that inequality within the top 1 percent, as measured by the earnings share of the top 0.1 percent in the top 1 percent, is higher for males than for females and has remained relatively constant since the late 1990s (Figure 4D).

5 A Paper Floor? Gender Differences in the Likelihood of Staying at the Top

Membership in the top percentiles of earners in any given year requires either moving to these percentiles from the rest of the distribution or remaining in the top percentiles after having been there in the past. Hence, to fully understand gender differences among top earners, it is important to also understand the dynamics of earnings for top earners and how mobility differs for males and females. However, measuring differences in the rate at which males and females move in and out of the top percentiles requires the use of panel data, and data limitations have meant that much of the existing literature on top earners is restricted to looking at the composition of top earners in a given cross section.¹² In this section, we use the panel dimension of our data to fill this gap in the literature, starting

¹²There are, however, some exceptions. [Kopczuk et al. \(2010\)](#) and [Auten et al. \(2013\)](#) also document transition probabilities among top percentiles over one-, three-, and five-year horizons. However, neither of these papers studies gender differences in mobility nor mobility within the top 1 percent.

TABLE 2 – Transition probabilities across percentiles of earnings distribution

Panel A: Annual earnings, one-year transitions				
	Top 0.1%	Second 0.9%	Bottom 99%	Exit Sample
Top 0.1%	0.57	0.31	0.07	0.05
Next 0.9%	0.04	0.65	0.27	0.04
Second 99%	< 0.01	< 0.01	0.91	0.08
Panel B: Five-year earnings, five-year transitions				
	Top 0.1%	Second 0.9%	Bottom 99%	Exit Sample
Top 0.1%	0.40	0.22	0.06	0.32
Second 0.9%	0.05	0.46	0.24	0.25
Bottom 99%	< 0.01	< 0.01	0.72	0.27

Notes: One-year transition probabilities refer to the period 2011-12. Five-year transition probabilities refer to the period 2003-7 to the period 2008-12.

with the mobility of top earners overall and then examining gender differences in persistence and how these differences contribute to the trends highlighted in Section 4.

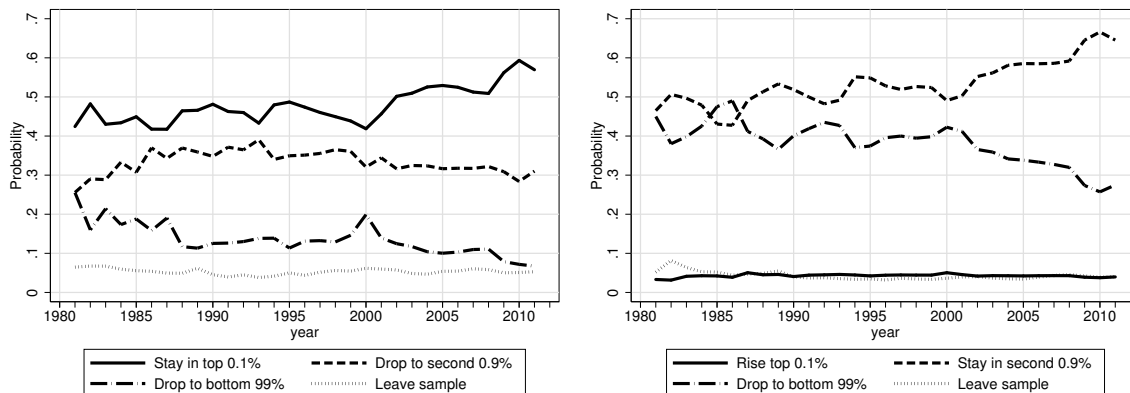
5.1 Mobility of Overall Top Earners

We measure the mobility of top earners by examining the transition probabilities in and out of the three earnings groups (top 0.1 percent, second 0.9 percent and bottom 99 percent) over one-year and five-year periods. In Table 2 we report such transition matrices for the most recent periods covered by our data. For annual earnings, these are one-year transition probabilities between 2011 and 2012, and for five-year earnings these are five-year transition probabilities between the period 2003-7 and the period 2008-12.

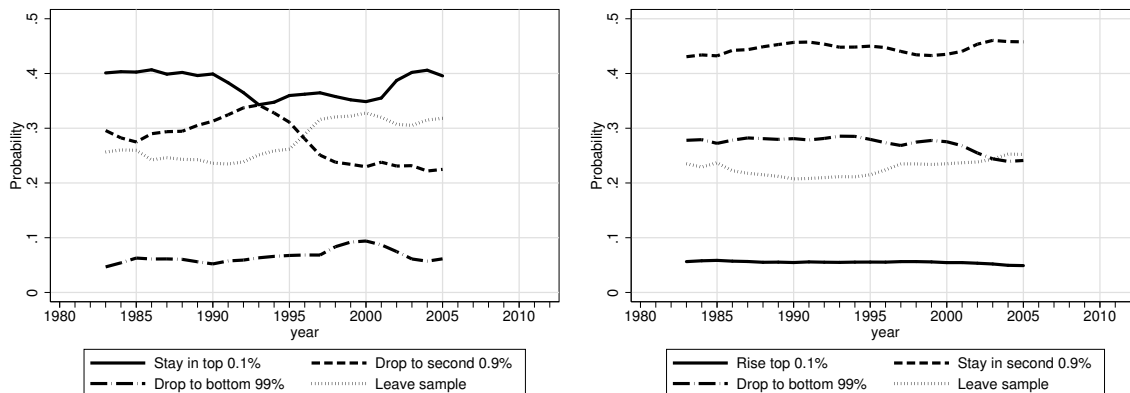
Membership of top earning groups is a relatively transitory state. As shown in Table 2, only 57% of workers in the top 0.1 percent of the annual earnings distribution in 2011 were still in the top 0.1 percent one year later, whereas 31% had dropped to the second 0.9 percent and 7% had dropped out of the top 1 percent altogether. In addition, 5% of workers left our sample, either through aging out of the 25- to 60-year age range or by failing to meet the minimum earnings criteria. For workers in the second 0.9 percent of the distribution of annual earnings in 2010, 69% were still in the top 1 percent (of which 4% had moved up to the top 0.1 percent) and 27% had dropped down to the bottom 99 percent. Conditional on remaining in the sample, the five-year transition probabilities based on five-

FIGURE 5 – Transition probabilities in and out of top percentiles of earnings distribution

(A) One-year transition prob. for annual earnings, (B) One-year transition prob. for annual earnings, top 0.1 percent second 0.9 percent



(C) Five-year transition prob. for five-year earnings, top 0.1 percent (D) Five-year transition prob. for five-year earnings, second 0.9 percent



Notes: These figures show the probability that a top earner based on average earnings over the period $t - 2, \dots, t + 2$ is a top earner based on average earnings over the period $t + 3, \dots, t + 7$.

year average earnings generate patterns of mobility that are very similar to those based on annual earnings. However, there is a much larger probability of exiting the sample through aging, because of the five-year, rather than annual, horizon. The relative lack of persistence of top earning status suggests that looking at top earners at a point in time gives at best a partial picture of the composition of top earners over longer horizons. We return to this point in Section 6, where we study top earners over 30-year periods.

Despite the relatively transitory nature of being a top earner, membership in the top earning groups has become substantially more persistent in recent years, particularly for one-year transitions using annual earnings. This change is illustrated clearly in Figure 5, which shows the historical trends for the transition probabilities in Table 2. Throughout the 1980s and

1990s, a worker in the top 0.1 percent in a given year had a probability of around 45% of still being in the top 0.1 percent in the following year. But since 2000, this probability has steadily risen, reaching over 57% in 2011 (Figure 5A). For individuals in the second 0.9 percent of the annual earnings distribution, the pattern is similar: in the 1980s and 1990s the probability of remaining in the second 0.9 percent was around 50%, the probability of dropping to the bottom 99 percent was around 40%, and the probability of rising to the top 0.1 percent was around 5%. Over the last decade, the probability of staying in the second 0.9 percent has risen to nearly 70%. This change is mostly accounted for by a large reduction in the probability of dropping to the bottom 99 percent, from 40% to under 30% (Figure 5B). Transition probabilities for five-year average earnings over five-year horizons, which are displayed in Figures 5C and 5D, show qualitative trends similar to the one-year transition probabilities based on one-year earnings, but the magnitude of the changes is smaller.

The increase in the persistence of top earning status over the past decade sheds light on the leveling off during this period of the annual top earning thresholds and annual top earner shares, shown in Figure 1 and Figure 2. Although the total fraction of earnings that accrues to the members of the top 0.1 percent or top 1 percent in a given year has remained constant since 2000, the increased persistence implies that a smaller fraction of the population is being included as members of these groups. Hence, top earners are slowly being entrenched as a more persistent subset of the population than they were in the past. This observation highlights the benefits of studying top earners through the lens of individual panel data.

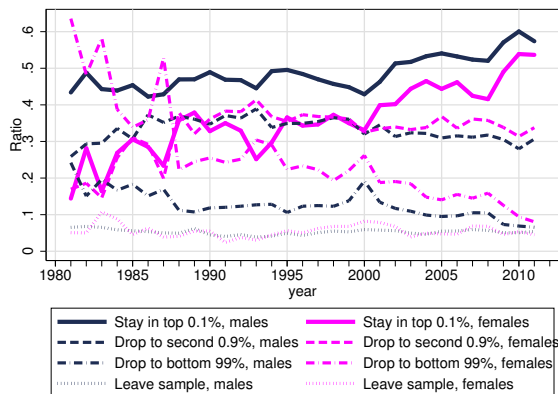
5.2 Gender Differences in Mobility

The trends in mobility of top earners differ markedly between males and females. In the early 1980s, there was a distinctive paper floor for female top earners: the probability of a female in either top-earning group dropping into the bottom 99 percent within one year was extremely high. In 1981 this probability was 64% for women in the top 0.1 percent and 74% for women in the second 0.9 percent. However, for men these probabilities were much lower: 24% for the top 0.1 percent and 43% for the top 1 percent. This is the essence of the paper floor: not only were women vastly underrepresented among top earners, but even those who did have high earnings were much more likely than men to drop out of the top earnings groups within a year.

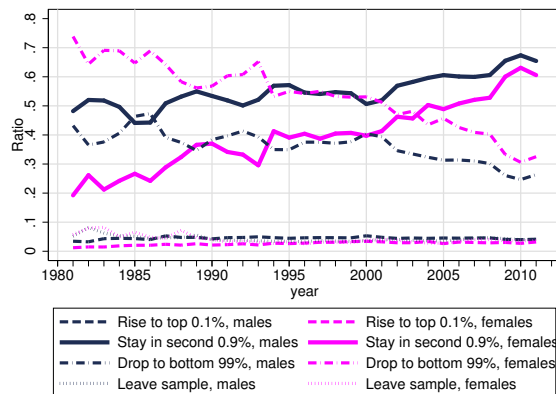
However, the last three decades have seen a steady mending of the paper floor. This mending can clearly be seen from the trends in Figure 6, which show the time path of transition probabilities separately for males and females in the top percentiles of the overall earnings distribution. The probability of females dropping out of the top percentiles has

FIGURE 6 – Transition probabilities in and out of top percentiles of earnings distribution, by gender

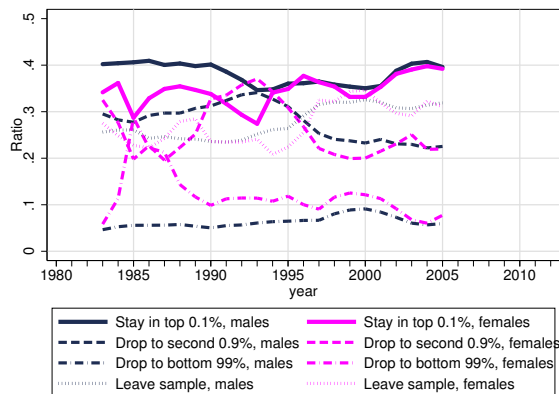
(A) One-year transition probabilities for annual earnings, top 0.1 percent



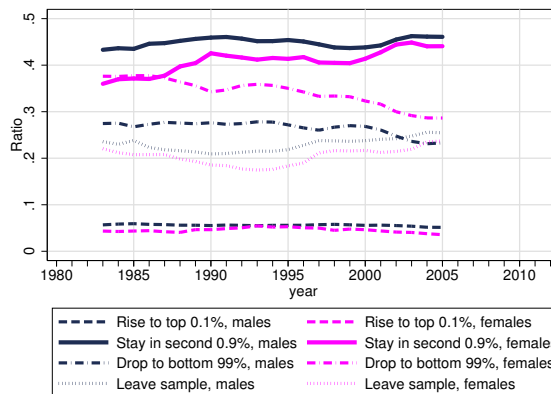
(B) One-year transition probabilities for annual earnings, second 0.9 percent



(C) Five-year transition probabilities for five-year earnings, top 0.1 percent



(D) Five-year transition probabilities for five-year earnings, second 0.9 percent



Notes: These figures show the probability that a top earner based on average earnings over the period $t - 2, \dots, t + 2$ is a top earner based on average earnings over the period $t + 3, \dots, t + 7$, separately for male top earners (blue) and female top earners (pink).

fallen so sharply that today the gender gap in persistence has almost disappeared. In 2011, the probability that a woman in the top 0.1 percent dropped to the bottom 99 percent one year later was 8.1%, compared with 6.6% for males; and the probability that a woman in the second 0.9 percent dropped to the bottom 99 percent one year later was 32%, compared with 26% for males. Conversely, the probability that a woman in the second 0.9 percent moved up to the top 0.1 percent the following year more than doubled, from 1.2% in 1981 to 3.2% in 2011, whereas the corresponding probability for a man in the second 0.9 percent has increased only slightly over the same period, from 3.4% to 4.1%.

TABLE 3 – Decomposition of change in share of females among top earners

	Annual earnings	
	Top 0.1 percent	Second 0.9 percent
Change in female share	0.10	0.14
Fraction due to:		
- change in transition probabilities	43%	58%
- existing differences and persistence	57%	42%

Notes: Change in female share is for the period 1982-2012 rather than 1981-2012, since the decomposition requires an initial period in order to compute initial transition probabilities. See Appendix A for details.

In principle, the sharp increase in the probability that a female in the top 0.1 percent is still in the top 0.1 percent one or five years later may simply reflect the possibility that females are becoming more evenly distributed within the top 0.1 percent, whereas in the past they were bunched just above the 99.9 percent threshold. If this were the case, then mean reversion in earnings would naturally lead to an increasing probability of women remaining in the top 0.1 percent. Two pieces of evidence suggest that this is not what is driving these findings. First, the increasing persistence of top earner status is also apparent when we instead classify workers as top earners based on gender-specific earnings distributions (see Appendix E). The probability that a woman who was in the top 0.1 percent of the female earnings distribution is still in the top 0.1 percent one or five years later has increased sharply over the last 30 years, whereas the trend in the corresponding probabilities for males has been much flatter. Second, the ratio of the earnings share of females in the top 0.1 percent to the population share of females in top 0.1 percent has barely changed over this period (see Figure 3), suggesting that there has not been a dramatic change in the average position of females within the top 0.1 percent. In fact, for both annual earnings and five-year average earnings, the ratio of the average earnings of females to the average earnings of males in the top 0.1 percent of the overall earnings distribution has remained constant over the last 30 years, whereas the corresponding ratio for the second 0.9 percent of the earnings distribution has actually decreased.

The dramatic increase in the persistence of female top earners has been an important factor in accounting for the rise in the share of females among top earners. To measure the contribution of changes in transition probabilities to the closing of the top earnings gender gap, we decompose the change in the gender composition of each top earning group into a component that is due to different trends in the transition probabilities in and out of the top percentiles for males versus females, and a component that is due to pre-existing

differences in the transition probabilities in and out of the top percentiles for males versus females. We describe our procedure for implementing this decomposition in Appendix A. The former component measures the contribution of changes in persistence to the overall change in gender composition, whereas the latter component measures the change in gender composition that would have taken place absent any changes in the transition probabilities over this period.¹³

The decomposition, which is reported in Table 3, shows that 43% of the increase in the share of females among the top 0.1 percent, and 58% of the increase among the second 0.9 percent, is due to the fact that females are now less likely to drop out of the top percentiles than they were in the past and so receive high earnings for longer periods of time. The remainder of the increase is due to new females entering the top earning percentiles.

6 Top Earners for Life? Gender Differences among Lifetime Top Earners

Our analysis has so far focused on gender differences among top earners in a given one-year or five-year period. In this section, we turn our attention to gender differences among top earners over a much longer period, 30 years, whom we refer to as lifetime top earners. Our main reason for adopting a lifetime perspective is the sizable transitory component in top earnings implied by the mobility analysis in Section 5. Moreover, our reliance on first-order Markov transition matrices, which is standard in the literature, may mask richer life-cycle effects and longer-run dynamics that characterize the earnings trajectories of top earners.

One solution would be to explicitly model the earning dynamics for workers in the top percentiles. However, this is beyond the scope of this paper and would take us too far from our main goal of understanding gender differences in top earners. Instead, by measuring lifetime earnings directly, we can observe the cumulative impact of these earnings dynamics and life-cycle trends with a single statistic. Our goals in this section are thus (i) to measure the fraction of lifetime top earners that are female, (ii) to understand how lifetime top earners differ from others in terms of the life-cycle evolution of their earnings, and (iii) to examine how the timing of earnings over the life cycle differs between male and female

¹³Conceptually, the fraction of females in the top percentiles can change even if the transition matrix stayed constant, simply because of an earlier change in the transition matrix and the fact that it takes time for the implied Markov process to reach its new stationary distribution. Additionally, the fraction of females can change because of further changes in the transition matrix relative to the transition matrix for men. We perform this decomposition only for one-year transition probabilities using annual earnings, because the overlapping nature of the five-year analysis makes an analogous decomposition for five-year earnings difficult.

lifetime top earners. Because of the need for data on the full earnings histories of top earners for this type of analysis, the existing literature offers little in the way of answers to these questions.

We categorize people based on their earnings over the 30 years between ages 25 and 54. Since our data cover the period 1981 to 2012, we have lifetime earnings information for three cohorts of workers.¹⁴ We have chosen to focus on 30-year earnings, since this length balances the objectives of a long horizon that approximates a working life with the need to combine multiple cohorts in order to have a sufficiently large number of individuals in the top 0.1 percent of lifetime earners. To construct lifetime earnings for the 25 to 54 age range, we first select all individuals from the 1956, 1957, and 1958 birth cohorts who satisfy the minimum earnings criteria described in Section 2 for a minimum of 15 years.¹⁵ We then compute each individual’s total earnings over this age range and classify these individuals as in either the top 0.1 percent, the second 0.9 percent, or the bottom 99 percent of the distribution of lifetime earnings for individuals in these cohorts.

6.1 Lifetime Top Earners Overall

For the 1956–58 cohorts, the threshold for membership in the lifetime top 0.1 percent was just over \$19.1 million (see Table 4). This is equivalent to average annual earnings of around \$635,000, which is smaller than the average threshold for membership in the top 0.1 percent based on annual earnings over the same period, \$812,000. The threshold for membership in the lifetime top 1 percent was \$6.5 million, equivalent to average annual earnings of \$215,000, which is smaller than the average annual threshold of \$242,000.

Lifetime top earners have high total earnings both because they work for a greater number of years and because they have faster earnings growth than workers in the bottom 99 percent. The top 1 percent of lifetime earners work an average of 2.5 years longer than the bottom 99 percent, but those in the top 0.1 percent work on average half a year less than those in the second 0.9 percent (Table 4).¹⁶ However, these differences in the number of years worked are insignificant when compared with the differential average earnings growth experienced by the three earnings groups conditional on working, shown in Figure 7A. The higher average

¹⁴In Appendix C, we report analogous figures and tables for average earnings over the 30 years from ages 30 to 59. Those results yield essentially the same conclusions as those for the 25- to 54-year age range.

¹⁵Recall that the threshold for satisfying the minimum earnings criterion is equal to the earnings one would obtain by working for 520 hours (13 weeks at 40 hours per week) at one-half of the legal minimum wage in that year.

¹⁶Here, we define individuals as working in a given year if they meet the minimum earnings criterion in that year. Due to our imposed selection criteria, all individuals in the sample worked for a minimum of 15 out of the 30 years.

TABLE 4 – Lifetime earnings top earnings statistics

	<u>Top 0.1%</u>	<u>Second 0.9%</u>	<u>Bottom 99%</u>
<u>30-year earnings thresholds:</u>			
- 99.9th percentile (\$'000s)	19,052		
- 99th percentile (\$'000s)		6,459	
Mean 30-year earnings (\$'000s)	33,874	9,552	1,197
Median 30-year earnings (\$'000s)	26,524	8,625	969
Mean no. working years	27.9	28.3	25.7
<u>Mean fraction of working years in age-specific:</u>			
- top 0.1 percent	33%	4%	0%
- next 0.9pct	36%	38%	0%
- bottom 99 percent	31%	58%	99%

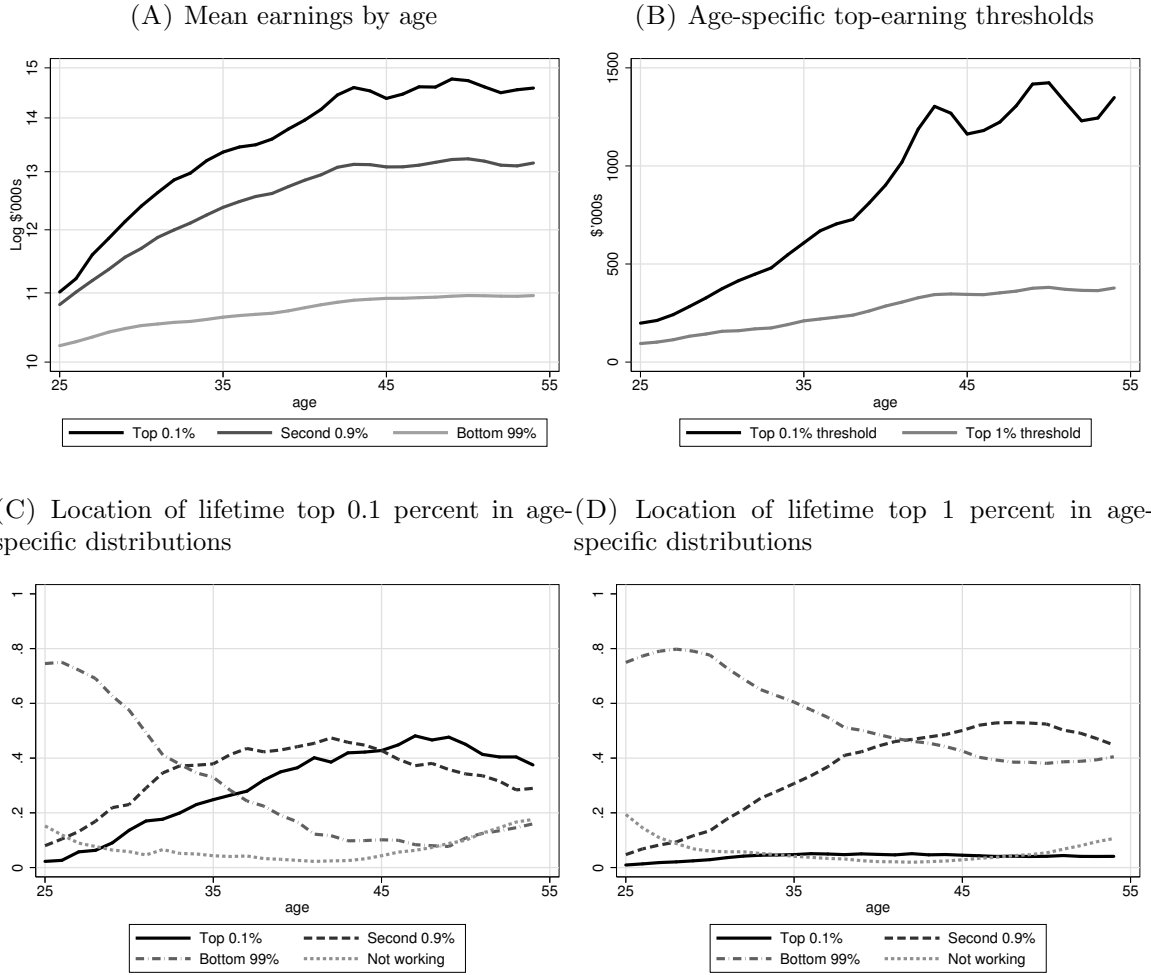
earnings growth for individuals in the top percentiles takes place entirely between the ages of 25 and 43, after which average earnings are constant for all three groups of workers. Hence, lifetime top earners tend to be workers who experience particularly high earnings growth over the first half of their careers.¹⁷

How closely related are lifetime top earners to annual top earners? This question is important, since although cross-sectional earnings data are more readily available than data on lifetime earnings, for many economic questions lifetime earnings are a more relevant statistic. As we explain below in Section 8, the age distribution of top earners is strongly skewed toward older ages (Figure 11A and Figure 11B). This means that very few lifetime top earners have earnings in the top 1 percent of the annual earnings distribution during the first half of their careers. Hence, in order to track the earnings paths of lifetime top earners, it is useful to ask whether they are top earners with respect to their own cohort in a given year, rather than with respect to all workers in that year.

To this end, in each year that he/she is working, we categorize each worker as in either the top 0.1 percent, second 0.9 percent, or bottom 99 percent of the age-specific distribution of earnings for workers in these three cohorts. The thresholds for membership in each of these groups at each age are displayed in Figure 7B, and show that the gap between the top 0.1 percent and the rest of the top 1 percent starts out relatively small and then widens from

¹⁷Since we follow workers from only three cohorts, the age patterns that we document naturally confound time and age effects. In ongoing work, we have examined gender gaps in lifetime earnings for individuals in the full distribution of earnings using a smaller 1% sample that goes back to 1957. In those data, we can observe multiple cohorts and hence separate out time and age effects. The results of that analysis lead us to strongly believe that these patterns are more likely to reflect age effects than time effects.

FIGURE 7 – Age profiles by 30-year top earning groups



Notes: Figures refer to individuals from the 1956, 1957, and 1958 birth cohorts. Age-specific top-earning thresholds and groups are computed using only these three cohorts.

ages 25 to 43.

When compared with members of their own cohort, lifetime top earners and annual top earners are two very different groups. Typical members of the lifetime top 0.1 percent spend nearly one-third of their working years in the bottom 99 percent of their cohort’s annual earnings distribution. The remaining two-thirds of their working years are on average split evenly between the top 0.1 percent and the second 0.9 percent of earners. The second 0.9 percent of lifetime earners spend over half of their working years as members of the bottom 99 percent of annual earnings and only 4% of their time in the top 0.1 percent. The average breakdown of working years for lifetime top earners in each annual earnings group is shown in the bottom three rows of Table 4.

The disconnect between annual top earners and lifetime top earners is particularly salient early in the working life. This can be seen in Figure 7C and Figure 7D, which show, respectively, the fraction of the lifetime top 0.1 percent and second 0.9 percent at each age that are in the within-cohort annual top 0.1 percent, second 0.9 percent, and bottom 99 percent, as well as the fraction that are not working. At young ages, well over half of both groups of lifetime top earners are in the bottom 99 percent, and even during the peak earnings years during the mid-40s, around 40% of the second 0.9 percent of lifetime top earners are in the bottom 99 percent of their within-cohort distribution. This pattern of earnings growth – starting low and rising rapidly – is consistent with the predictions of models of human capital accumulation in the presence of heterogeneity in abilities (see, e.g., Ben-Porath (1967), Guvenen and Kuruscu (2010), and Huggett et al. (2011)). Consequently, identifying individuals as annual top earners may give at best a very noisy signal about their long-term prospects as lifetime top earners.

6.2 Gender Differences in Lifetime Top Earners

Since the individuals in the top percentiles of the earnings distribution based on short horizons are possibly a very different group of individuals compared with those that are in the top percentiles based on lifetime earnings, gender differences among annual or five-year top earners may or may not be informative about gender differences among lifetime top earners. In this section, we investigate these differences by measuring gender differences among lifetime top earners directly. Analogously to our analysis of gender differences in Section 4, we approach the measurement of lifetime top earner gender gaps from two perspectives. First, we compare males and females in the top percentiles of the overall lifetime earnings distribution. Second, we compare males and females classified as top earners with respect to their gender-specific lifetime earnings distribution.

Gender Composition of Overall Lifetime Top Earners

For the 1956–58 cohorts, about 12% of the top 0.1 percent of lifetime earners were females (Panel A of Table 5). This compares with an average female share of the top 0.1 percent of annual earners for this period of 8%. The fraction of the second 0.9 percent of lifetime earners who were females was 13%, which was also the average female share of the second 0.9 percent of earners over this period.

Within the top 0.1 percent, average lifetime earnings are higher for males than females: there is a 17 basis point difference in the log mean and a 7 basis point difference in the log median. For the second 0.9 percent, these differences are both around 5 basis points.

TABLE 5 – Gender differences among lifetime top earners

	<u>Top 0.1%</u>	<u>Second 0.9%</u>	<u>Bottom 99%</u>
<u>Panel A: Overall top earners</u>			
Female worker share	12%	13%	48%
Female earnings share	10%	12%	38%
Log mean gender gap	0.17	0.05	0.43
Log p50 gender gap	0.07	0.06	0.46
No. working years gender gap	0.45	-0.05	1.09
<u>Panel B: Gender-specific top earners</u>			
Male threshold (\$'000)	24,471	8,387	
Female threshold (\$'000)	9,324	3,838	
Log mean gender gap	1.08	0.85	0.48
Log p50 gender gap	0.99	0.83	0.47
No. working years gender gap	-0.19	-0.21	1.13

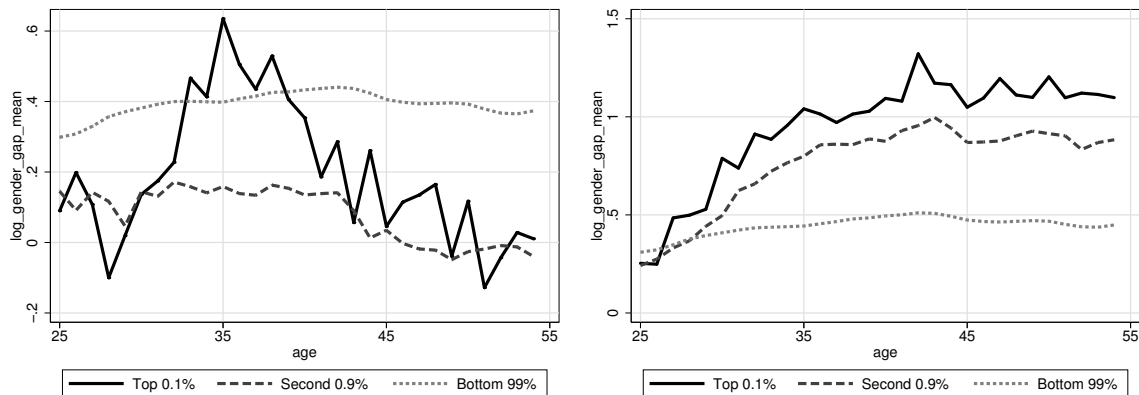
In Figure 8A, we plot the gender gap based on annual earnings at each age for the overall lifetime earning groups. For example, the solid line shows the difference between the log of mean annual earnings for males in the top 0.1 percent of the lifetime earnings distribution and the log of mean annual earnings for females in the top 0.1 percent of the lifetime earnings distribution. The figure clearly illustrates that the gender gap among top earners is largest during the 30s. This finding is consistent with the hypothesis explored in [Bertrand et al. \(2010\)](#), that career interruptions for family reasons explain a substantial portion of the top earnings gender gap.

Lifetime Top Earning Males Versus Lifetime Top Earning Females

The thresholds for membership in the top 0.1 percent and top 1 percent of male lifetime earners are over twice as large as those for membership in the corresponding percentiles of female lifetime earners (Panel B of Table 5). Moreover, the gender gaps between the tops of the respective lifetime earnings distribution are large: around 100 basis points in the log mean for the top 0.1 percent, and around 85 basis points in the log mean for the second 0.9 percent. These compare with a gap of under 0.5 for the bottom 99 percent. These large gender gaps at the top are not driven by a few top earning males, since the gaps in the log median lifetime earnings are very similar to the gaps in the means. Nor are the gaps being driven by females spending more time not working: in fact, on average the lifetime top earning females have a slightly higher number of working years than the lifetime top earning males. Figure 8B shows that these large gender gaps evolve gradually over the first half of

FIGURE 8 – Gender gap among 30-year top earners by age

(A) Mean gender gap, overall lifetime top earners (B) Mean gender gap, gender-specific lifetime top earners



Notes: Figures refer to individuals from the 1956, 1957, and 1958 birth cohorts. Age-specific top-earning thresholds and groups are computed using only these three cohorts.

the working life. At age 25 the average gender gap in the top percentiles is actually slightly lower than in the bottom 99 percent, but the gap gradually rises and remains constant after around age 35.

7 Where Is the Glass Thinner? Industry Composition of Top Earners

The trends in the gender composition of top earners, as well as the changes in the mobility of women in and out of the top percentiles that have partly fueled these trends, may in part be due to differential changes in the observable characteristics of male workers versus female workers over this period. In this section and the next, we return our focus to top earners based on annual and five-year earnings and examine gender differences in two potentially important characteristics that are observed in our data: the industry in which individuals work and the individual’s age. Our goal is to ascertain whether there are certain industries in which women have made greater inroads into the top percentiles and how much of the increased female share of top earners is due to an increased presence of women in industries that have higher representation at the top of the distribution, as opposed to an increased share of women among the top earners within given industries.

To address these questions, we use the SIC code assigned to the EIN that is associated with each worker’s main source of earnings. Based on these SIC codes, we construct the

TABLE 6 – Aggregating industries

Aggregated Industry	Included SIC Codes
1 Engineering	7370-7379, 3570-3579 (computers) 8711 (engineering services)
2 Health services	80
3 Legal services	81
4 Management, Accounting, Business Consulting	3660-69, 8700, 8712-8729, 8741-8749
5 Other Services	7000–8999 except 737, 781-84, 80, 81, 87
6 Finance, Insurance	60, 61, 62, 63, 64, 66, 67
7 Wholesale trade	50, 51
8 Retail trade	52–59
9 Transportation, Communication	40, 41, 42, 43, 44, 45, 47, 48
10 Durable Manufacturing	24, 25, 30, 31, 32, 33, 34, 37, 38, 39 35 (except 357), 36 (except 366)
11 Nondurable Manufacturing	20, 21, 22, 23, 26, 27, 28
12 Construction and Real Estate	15, 16, 17, 65
13 Commodities and Mining	2911, 46, 49, 10, 11, 12, 13, 14

Notes: SIC codes 781-784 and 79 correspond to “Hollywood, Artists, and Professional Sportsmen.” We include workers in this category as part of “Other Services” in order to avoid privacy issues.

13 industry groups listed in Table 6. Our logic in combining SIC codes into industry groups in this way is to group together businesses in which top-earning workers are likely to perform similar tasks, despite their potentially disparate SIC codes. Typically, SIC codes are grouped based on 1-digit or 2-digit classifications. But such classifications are intended to group industries by the type of goods they produce, rather than by the type of work that their employees do. For example, the 1-digit SIC classification places a computer hardware company (such as Apple, Dell, or Hewlett-Packard) under Durable Manufacturing (SIC 357: Industrial machinery and equipment), while placing a computer software company (such as Google, Microsoft, or Oracle) under Business Services (SIC 737: Computer programming, data processing, and other data related services) and an engineering consulting company under Engineering, Accounting, Research Management, and Related Services (SIC 8711: Engineering services). Under our classification, workers at the businesses listed above are all included as part of Engineering, top-earning workers at these firms likely have similar roles. Thus, our industry grouping should be interpreted as lying somewhere between an industry and an occupational classification, when compared with the typical SIC industry classification. Table 6 contains a full crosswalk between SIC codes and our 13 industry

groups. In Appendix F we report the SIC codes of selected large U.S. companies.

We assign each individual to the industry that corresponds to the SIC code of their main employer in year t (i.e., the employer that contributes to the largest share of their annual earnings). For five-year average earnings, we define their industry as the SIC code of their main employer in the most recent year $t + 2$. To minimize the number of figures in the main text, in this section we only report results based on five-year average earnings. The analogous figures using annual earnings can be found in Appendix F, and they yield similar conclusions.

7.1 Industry Composition of All Top Earners

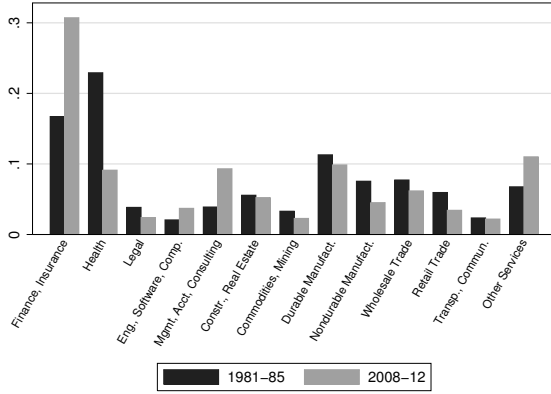
Finance and Insurance is by far the most highly represented industry among the highest earners. For the five-year period 2008–12, 31% of individuals in the top 0.1 percent worked for employers in the Finance and Insurance industries, and these workers received 32% of the earnings of all individuals in the top 0.1 percent. Among the second 0.9 percent of workers, Health services is the most highly represented industry, in terms of both numbers of workers and share of earnings, with Finance and Insurance a close second. Together these two industries accounted for 33% of workers in the second 0.9 percent in 2008–12 and accounted for 34% of the earnings of the second 0.9 percent. The population shares and earning shares of each of the 13 industry groups among top earners in 2008–12 can be seen as the grey bars in Figure 9A and Figure 9C (top 0.1 percent), and in Figure 9B and Figure 9D (second 0.9 percent).

Interestingly, the industry share of top earners has not always looked his way. In the early 1980s, employers in the Health services industry represented a larger share of top earners than Finance and Insurance, in terms of both number of workers and total earnings. In addition, employers in Manufacturing, particularly those in Durable Manufacturing, had a very strong presence at the top of the earnings distribution. Hence, over the last three decades, the major change in the industry composition of top earners has been the rise in earnings in the Finance and Insurance industry, offset by a relative decline in the earnings of the highest paid doctors and, to a lesser extent, a relative decline for the highest earners employed by manufacturing firms. These changes can be seen in the panels of Figure 9 by comparing the solid black bars, which show the population and earnings shares of each industry group among top earners in 1981–85, with the grey bars, which show the corresponding shares in 2008–12.

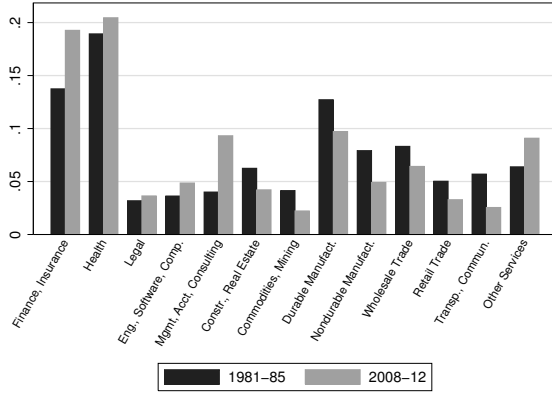
Finance and Insurance not only is the industry in which top earners are most likely to work, but also is the industry that is most heavily composed of top earners. For example,

FIGURE 9 – Industry composition of top earners, five-year average earnings

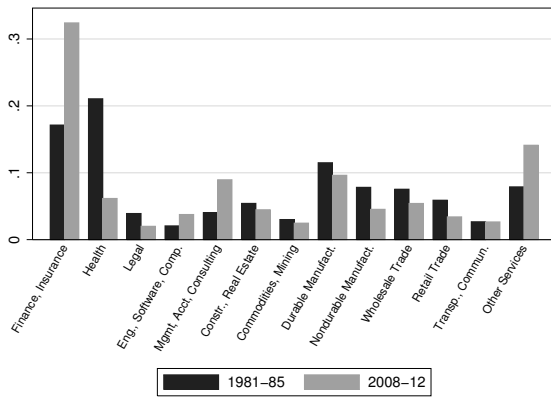
(A) Population shares, top 0.1 percent



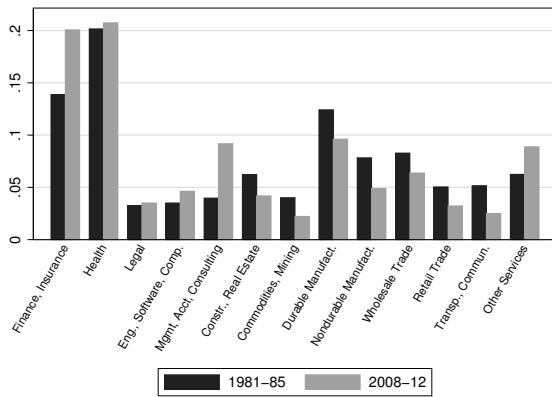
(B) Population shares, second 0.9 percent



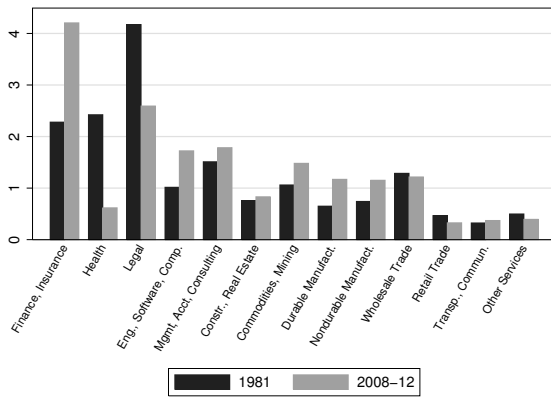
(C) Earnings shares, top 0.1 percent



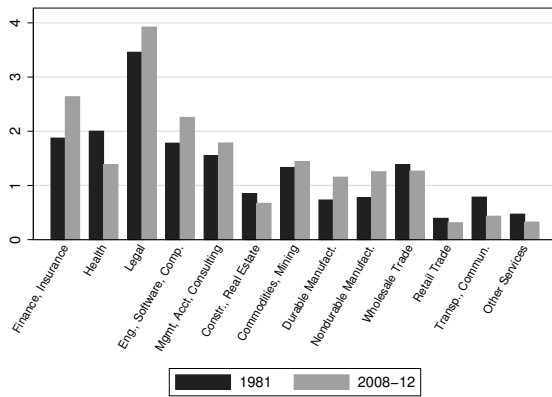
(D) Earnings shares, second 0.9 percent



(E) Population shares, top 0.1 percent relative to bottom 99 percent



(F) Population shares, second 0.9 percent relative to bottom 99 percent



in 2008–12, a worker in the top 0.1 percent of the earnings distribution was over four times as likely to be working in Finance and Insurance as a worker in the bottom 99 percent of the earnings distribution. This too was not always the case: in the early 1980s, a worker in the top 0.1 percent was only around twice as likely to be working in Finance and Insurance as one in the bottom 99 percent. Instead, in the 1980s the industry with the highest relative likelihood of being in the top 0.1 percent was Legal services, for which the ratio has dropped from 4.2 to around 2.6. These changes can be seen in Figure 9E, which shows how the share of each industry in the top 0.1 percent relative to the share of that industry in the bottom 99 percent, has changed between the period 1981–85 and the period 2008–12. For the second 0.9 percent, Legal services was, and still are, the industry with the highest representation relative to its representation in the bottom 99 percent (Figure 9F).

7.2 Gender Differences in Industry Composition

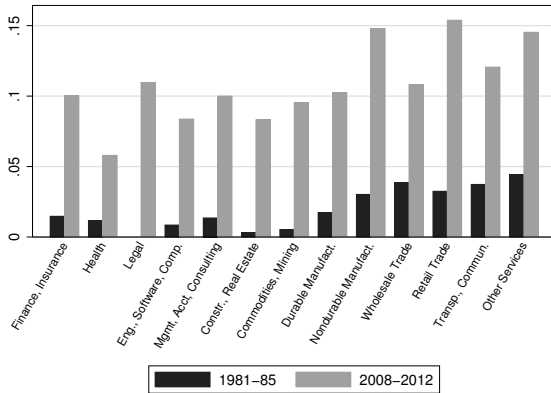
Surprisingly little variation can be seen across industries in the gender composition of overall top earners. In 2008–12, the share of females varied from 6% in Health services to just under 15% in Nondurable Manufacturing and Retail Trade for the top 0.1 percent (Figure 10A), and from just over 10% in Construction and Real Estate to 24% in Nondurable Manufacturing for the second 0.9 percent (Figure 10B). Thus, although some variation can be seen across industries, today there is no single industry, or subset of industries, in which top earning females are disproportionately absent. Thirty years ago, however, the share of females among top earning workers in Retail Trade and Other Services was substantially higher compared with other industries.

The similarity across industries in terms of the gender composition of top earners suggests that the large increase in the overall representation of females at the top of the earnings distribution is not due to females disproportionately moving into high earning industries like Finance and Health services. Moreover, the industry composition of top earners in the most recent five-year period 2008–12, shown in Figures 10C and 10D, is almost identical for males and females, suggesting that the remaining gender differences among top earners are not due to an underrepresentation of females at the top of any one industry, but rather are an across-the-board phenomenon.

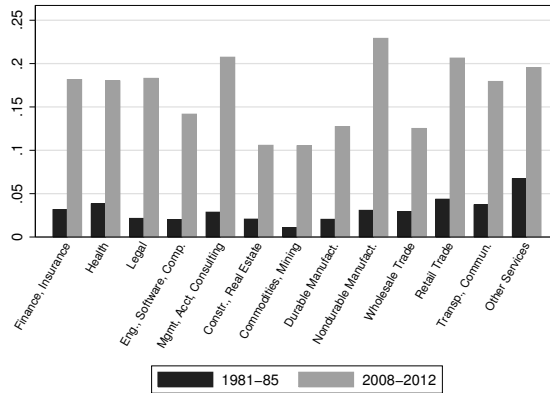
The conclusion that gender differences in industry shares do not play a role in understanding changes in the gender composition of top earners is confirmed by a formal decomposition. In Appendix A, we explain our procedure for decomposing the change in the gender composition of top earners into (i) a component that is due to changes in the industry composition of working females across the entire earnings distribution; (ii) a component that is due to changes in the industry composition of top earners of both genders; and (iii) a component

FIGURE 10 – Top earners by industry and gender, five-year average earnings

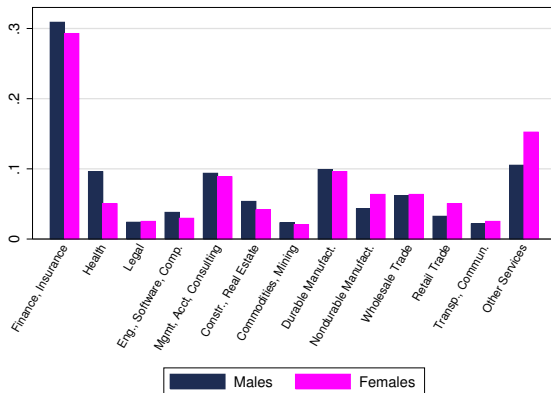
(A) Share of females by industry within top 0.1 percent



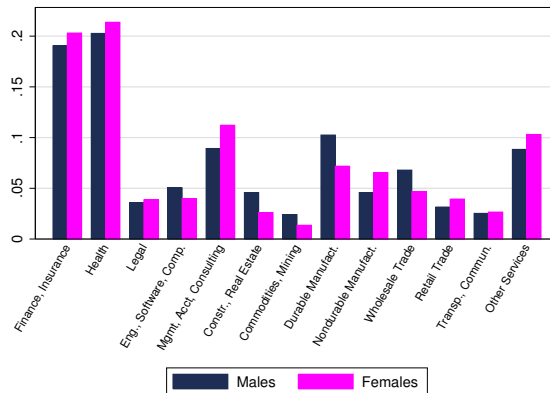
(B) Share of females by industry within top 0.9 percent



(C) Industry shares by gender within top 0.1 percent, 2008-12



(D) Industry shares by gender within second 0.9 percent, 2008-12



that is due to changes in the gender composition of top earners within industries. The results of the decomposition, which are reported in Table 7, show that industry composition plays no role whatsoever in accounting for the increased representation of females at the top of the distribution. In fact, the contribution of the first two components is negative, suggesting that on average over this period there was a shift of the industry composition of working females toward industries that are slightly underrepresented in the top percentiles, and a shift of the industry composition of top earners toward industries with less female representation.

Although the last three decades have seen significant changes in the industry composition of top earners overall, these changes have been relatively similar for males and females and do not account for the changes in the gender structure of top earners over this period.

TABLE 7 – Decomposition of change in share of females among top earners

	Annual earnings		Five-year earnings	
	Top 0.1%	Second 0.9%	Top 0.1%	Second 0.9%
Change in share	0.09	0.14	0.09	0.14
Fraction due to:				
- ind. comp. of females in labor force	-3%	-2%	-1%	0%
- ind. comp. of top earners	5%	5%	5%	6%
- female share of top earners within ind	98%	97%	96%	94%

Notes: Change for annual earnings is 1981-2012, and change for five-year earnings is 1983-2010 (centered five-year groups).

8 Looking Upward? Gender Differences in Top Earnings by Age

Since earnings growth at young ages is a key driver of earnings later in life, we can gain insight into possible future paths for gender differences among top earners by examining how top earnings gender gaps vary by age. Hence, in this section we divide the population of 25- to 60-year-olds into five-year age groups and study both the age distribution of top earners as well as the composition of top earners among individuals of a given age. Our goals are to ascertain whether top earning gender gaps already exist at the time of entry into the labor market or whether they emerge slowly as a cohort ages, and to measure how much of the increase in the share of females among top earners is due to shifts in the gender composition of recently entered cohorts versus changes that have occurred within older cohorts. To keep the presentation of the results manageable, in this section we only report our findings for five-year average earnings. The analogous figures for annual earnings lead to similar conclusions and are contained in Appendix G.¹⁸

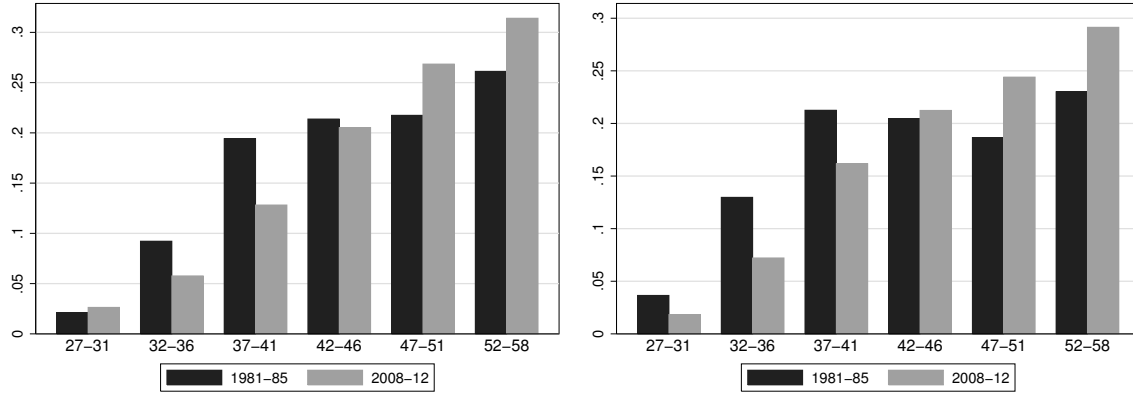
8.1 Age and Gender Composition of Top Earners

Relative to the average age of the workforce, top earners are old and have become more so since the 1980s. For earnings over the five-year period 2008–12, 58% of the individuals in the top 0.1 percent were ages 47 to 58 in 2010 (we measure an individual’s age in the middle of the five years used to construct average earnings), and 21% were ages 27 to 41.

¹⁸We analyze five-year earnings for five-year age groups. We denote each group by their age in the middle of the five-year period. So, for example, the 27-31 age group over the period 2008-12 refers to average earnings during this period for individuals who were ages 27-31 in 2010.

FIGURE 11 – Age distribution of workers, five-year average earnings

(A) Age distribution of individuals in top 0.1 per-cent (B) Age distribution of individuals in second 0.9 percent



Notes: Age labels in figures refer to center year of five-year age ranges. For example, 27-31 refers to the five-year age ranges 25-29, 26-30, ... 29-33.

By contrast, for earnings over the five-year period 1981–85, only 48% of individuals in the top 0.1 percent of the earnings distribution were ages 47 to 58 in 1983, and more than 31% were below 40. This aging of top earners can clearly be seen in Figure 11A, which shows the fraction of top earners in each five-year age bin for these two five-year periods. A similar pattern and trend is evident among the second 0.9 percent of earners (Figure 11B), as well as for the share of top earnings that accrues to individuals of different age groups.

This large change in the age composition of top earners is a possible source of changes in the gender composition of top earners. Since top earners overall have become older, if female workers were on average initially older than male workers, then this would generate an increase in the share of females among top earners. In 1981–85, working females were indeed slightly older than males, although the difference is small. The aging of the labor force over this period was more pronounced for females than males, which could also generate an increase in the share of females among top earners (see Appendix G for figures illustrating these features of the data). Thus, a plausible conjecture is that part of the increased share of females among top earners is due to compositional effects related to the aging of the workforce.

Indeed, a formal decomposition confirms that around 12% to 17% of the increased share of females among top earners is due to age differences across males and females. In Appendix A, we explain our procedure for decomposing the change in the gender composition of top earners into (i) a component that is due to changes in the age composition of top earners relative to the age composition of the bottom 99 percent; (ii) a component that is due to

TABLE 8 – Decomposition of change in share of females among top earners

	Annual earnings		Five-year earnings	
	Top 0.1%	Second 0.9%	Top 0.1%	Second 0.9%
Change in share	0.09	0.13	0.09	0.14
Fraction due to:				
- age comp. of top earners	10%	6%	11%	6%
- age comp. of females in labor force	6%	8%	6%	6%
- top earners within females given age	84%	86%	83%	88%

Notes: Change for annual earnings is 1981-12, and change for five-year earnings is 1983-10 (centered five-year groups).

differential changes in the age composition of men and women among workers in all parts of the earnings distribution; and (iii) a component that is due to changes in the fraction of females among top earners in a given age range. The results of the decomposition, which are reported in Table 8, indicate that 6% to 11% of the increase is due to the first component, 6% to 8% is due to the second component and 83% to 88% is due to the third component.

8.2 Gender Composition of Age-Specific Top Earners

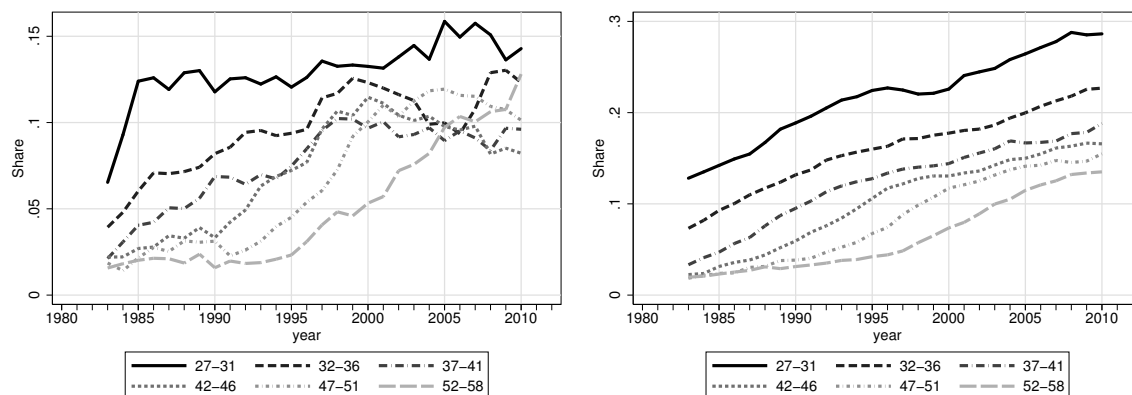
Since there are so few young workers among the overall top earners, it is informative to study the gender composition of top earners at each age, both for learning about the way in which top earnings gender gaps evolve over the working life and for making guesses at the future path of top earnings gender gaps.

The thresholds for membership in the top percentiles of each age-specific earnings distribution are much higher for older workers than for younger workers. For the five-year period 2008–12, workers who were ages 27-31 in 2010 would have needed to earn an average of at least \$303,000 per year in order to be included in the top 0.1 percent of their age group, and workers who were ages 52-58 in 2009 would have needed to earn an average of at least \$1,153,000 over the same period to be included in the top 0.1 percent of their age group. For membership in the top 1 percent, these thresholds were \$136,000 for ages 22-31 and \$342,000 for ages 52-58.

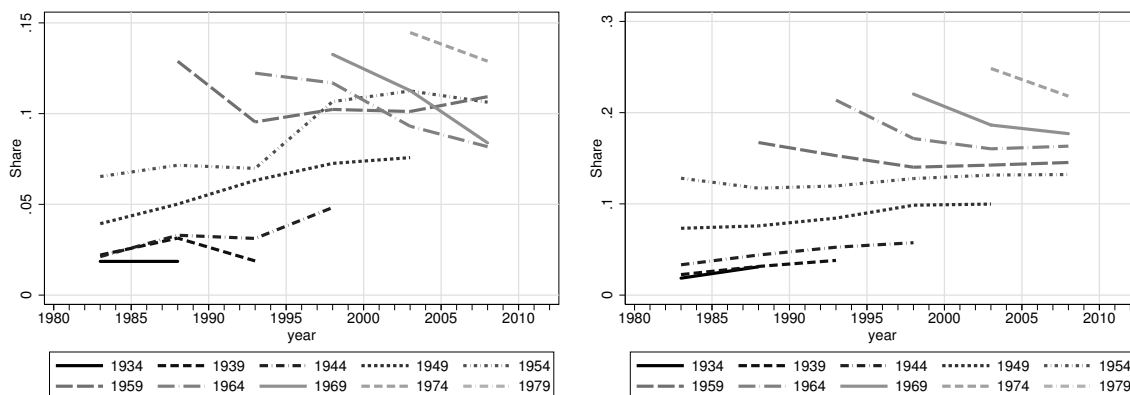
Since the early 1980s, these thresholds for membership in the age-specific top percentiles have increased for all age groups but have increased more sharply for older workers. The ratio of the 99.9th percentile of the five-year average earnings distribution for workers ages 52-58 to the 99.9th percentile for workers ages 27-31 was 3.0 in 1981–85 and had increased

FIGURE 12 – Female population shares by age group and cohort, five-year average earnings

(A) Share of females among top 0.1 percent, by age group (B) Share of females among second 0.9 percent, by age group



(C) Share of females among top 0.1 percent by cohort (D) Share of females among second 0.9 percent by cohort



to 3.8 by 2008–12. See Appendix G for the full time series of top-earning thresholds for each age group.

The share of females among the top 0.1 percent and second 0.9 percent of earners in a given age group, shown in Figure 12A and Figure 12B respectively, is substantially higher for younger workers. However, in recent years, the share of females among the top 0.1 percent of young workers has increased substantially less than the share of females among the top 0.1 percent of older workers. This is in contrast to the second 0.9 percent, for which there has been a steady increase in the share of females among top earners of all age groups. Hence, the data show very different trends for the gender composition of young workers in the second 0.9 percent versus those in the top 0.1 percent of the earnings distribution. Whereas the share of females among the second 0.9 percent of workers ages 27-31 increased

by more than one-third between the period 1993–97 and the period 2008–12 (from 22% to 29%), the share of females among the top 0.1 percent of workers ages 27-31 barely changed over the same period (from 12% to 14.0%).

Viewing these same trends from a cohort perspective rather than an age perspective reveals a striking observation about the source of the increased female share of top earners: almost all of the increase has come from the entry of successive cohorts with higher proportions of females among top earners at all ages, rather than from an increase in the female share within existing cohorts. This can be seen most clearly for the second 0.9 percent in Figure 12D, which plots the same data as in Figure 12B, but connects the data for individuals from the same birth cohorts rather than individuals of the same age. Almost no increase has occurred in the share of females among the second 0.9 percent of workers within cohorts, and the female shares for the more recent cohorts have actually declined as these cohorts have aged. However, a striking increase has occurred in the gender composition of top earners across cohorts. The same trends are evident for the top 0.1 percent (Figure 12C), with the exception of the 1948 and 1953 birth cohorts, which were unique in that the female share increased as these cohorts aged.

If new cohorts continue to follow life-cycle trends for top earner gender shares that are similar to those cohorts just older than them, then these figures imply that we may expect to see a continued increase in the share of females in the second 0.9 percent of earners in the next decade, but perhaps a leveling off of the share of females in the top 0.1 percent. On the other hand, if these younger cohorts turn out to have trajectories for top earnings shares that mirror more closely those of the baby boomer cohorts, the share of females may continue to rise even at the very top of the earnings distribution.

9 Conclusions

Although we have intentionally remained relatively descriptive in this paper, our findings potentially have important implications for a number of aspects of the U.S. economy. Therefore, rather than concluding with a summary of our findings (for that, we refer readers to the introduction), we will conclude by mentioning some areas in which our empirical observations suggest the need for complementary theoretical work and further empirical analysis using other data sources.

We found that although the share of females among the top 1 percent has increased steadily over the last 30 years, the fraction of females in the top 0.1 percent has barely increased during the last decade, and the gender composition of both top earning groups is still very

different from the composition of the bottom 99 percent. These findings reinforce the need for research into the factors that can account for both the glass ceiling and the paper floor. Our analysis of lifetime top earners revealed that the timing of the emergence of the top earnings gender gap is consistent with the hypothesis that career interruptions may be an important consideration. Our finding that industry composition plays very little role in explaining either the level or the change in the top earnings gender gap suggests that in this respect, selection into particular firms or jobs may be more important than selection into particular industries. Unfortunately, the SSA data lack many of the important variables that would be required for a more complete answer to this question: children, marital status, and work hours.

The large temporary component in top earners' earnings, the increasing persistence of top earner status, and the relatively weak relationship between annual top earners and lifetime top earners, all suggest the need for a comprehensive analysis of the dynamics of top earnings. Although an extensive literature has proposed and estimated various statistical models that provide a good fit to the dynamics of earnings for the bulk of the distribution, little is currently known about how well this class of models fits earnings dynamics for top earners.

On the theory side, our findings suggest the need for progress in at least two areas. First, there is the need to understand how and why the earnings distribution is characterized by a Pareto tail. Most existing theories of Pareto-generating mechanisms, such as the accumulation of random returns over long periods of time, can be adapted to explaining right-tail inequality in the wealth distribution, which is accumulated over time and passed down across generations. But for explaining right-tail inequality in earnings, new theories are necessary, since human capital is less easily transmitted across generations and, as we have shown, a large fraction of top earnings is accrued within a lifetime, often in just a few years.

Second, the rise of the Finance and Insurance industry in accounting for top earners of both genders suggests a need for better theories of labor compensation in this sector. Why is such a large share of labor earnings concentrated in a single industry? Does this reflect the extraordinarily high productivity of this industry? Or do these earnings reflect rents? And if so, rents to what? A useful starting point would be to study the top of the distribution of earnings across and within firms, within industries.

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