

What did You Really Earn Last Year? Explaining Measurement Error in Survey Income Data

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This paper analyses the sources of income measurement error in surveys with a unique dataset. We use the Austrian 2008–2011 waves of EU-SILC which provide individual information on wages, pensions and unemployment benefits from survey interviews and officially linked administrative records. Thus, we do not have to fall back on complex two-sample matching procedures like related studies. We empirically investigate four sources of measurement error, namely (i) social desirability, (ii) socio-demographic characteristics of the respondent, (iii) the survey design, and (iv) the presence of learning effects. We find strong evidence for a social desirability bias in income reporting, while the presence of learning effects is mixed and depends on the income type under consideration. An Owen value decomposition reveals that social desirability is a major explanation of misreporting in wages and pensions, whereas socio-demographic characteristics are most relevant for mismatches in unemployment benefits.