

## Wage Distribution in Japan: 1989-2003

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### Abstract

Diverging economic inequality has become a common focus of economic debate in developed countries. In particular, the recent experience of Japan has started attracting international attention. We take advantage of a rich micro-level data set from the Basic Survey on Wage Structure (1989-2003) to perform an in-depth analysis of the change in the inequality and distribution of the hourly wage. We observe that lower returns to education and years of tenure contribute to diminishing income disparity between groups for both sexes. A larger variance within a group contributes to the wage disparity for males, while an increased heterogeneity of workers' attributes contributes to the wage disparity for females. The Dinardo, Fortin, and Lemieux decomposition also confirms the basic findings from parametric variance decomposition.

Key Words: Wage Distribution, Wage Equation, Variance Decomposition, DiNardo-Fortin-Lemieux Decomposition, Japan.

JEL Classification Code: J31