

# Extending the inequality decomposition method proposed by Mookherjee and Shorrocks (1982): Wage inequality in Japan: 1992-2002

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April 2012

## **abstract**

The OB decomposition method is a popular and useful tool for analyzing the multiple factors for changes in wage inequality and distribution. It entails the measurement error of regression and the omitted (reference) group problem.

This paper develops a new inequality decomposition method which extends the inequality decomposition method presented by Mookherjee and Shorrocks (1982) to identify multiple factors for inequality changes. This method does not need to estimate the wage equation, and can easily decompose the wage inequality just as in Mookherjee and Shorrocks (1982).

This paper also present an empirical application of this method to examine factors behind the changes in the Japanese labor income inequality based on a micro-level data set obtained from the Employment Status Survey (1992-2002).

**KEYWORDS:** Wage inequality, factor decomposition

**JEL Classification Numbers:** C81, D31, I24, J21, J31,

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