

Dimensions of Inequality: Distributions of Earnings, Income and Wealth in Japan between 1984 and 2014*

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Abstract

Inequality has become one of central policy issues across the world. We study trends of inequality in earnings, income and wealth across households in Japan, using the National Survey of Family Income and Expenditure (NSFIE) from 1984 to 2014. We focus on the transition of inequality unconditionally and conditionally across various dimensions of household heterogeneity such as age, cohort, employment and marital status of household heads, sources of income, family size, etc. Inequality in earnings, income and wealth all increased during the last three decades. Changes in earnings and income inequality were mostly driven by demographic aging and a shift of the population to the elderly, who tend to have higher inequality. The wealth inequality rose not only in the aggregate but also among the young, and this is due to a major increase in the fraction of households who own zero or very low wealth. Critical factors in understanding inequality trends in Japan that we identified are aging demographics, changes in the household structure, and macroeconomic trends of the past decades including the financial bubble period and a decades-long slow-down thereafter.

Keywords: Distributions of wealth, earnings and income, demographic aging, Japanese economy.

JEL Classification: D31, D15, E21

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