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The gender wage gap and sample selection in Japan



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ABSTRACT

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This paper examines how much the observed convergence in the gender wage gap in Japan from 1992 to 2002 is affected by changes in female labor participation behavior. The existing literature focuses on full-time workers, but the replacement of low-paid regular full-time workers by non-regular workers and the introduction of the Equal Employment Opportunity Law may have changed the selection of females in full-time work force. I consider a three-choice framework for a woman based on the Roy model: a woman chooses either no work, non-regular work, or regular work. This framework shows that large (potential) wage inequality within a gender can draw high-earning people into the workforce and push low-earning people out. I apply Lee's (1983) method to the micro-data from the Employment Social Surveys 1992 and 2002. The results show that female selection in regular workers became stricter in 2002 and women with low-earning ability tended to be pushed out from regular work force. The wage structure for female regular workers has become more ability based. This change in the female selection explains 63.27% of the observed convergence in the mean log wage gap between female regular workers and male workers.

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1. Introduction

The gender wage gap in Japan has been larger compared to other advanced countries and the government has been tackling this problem for many decades (See e.g., [Ministry of Health, Labour and Welfare \(2010\)](#)). A relatively large reduction in the wage gap between males and females has been observed in Japan since the late 1980s. According to the Basic Survey on Wage Structure (BSWS), the ratio of the female monthly wage to the male monthly wage for full-time workers (*Ippan Rodosya*) increased from 60.2% in 1989 to 65.5% in 2000, to 69.3% in 2010, and to 72.2% in 2014 ([Fig. 1](#)). Since the Equal Employment Opportunity Law (EEO) was enacted in 1986, with revisions in 1999 and 2007, researchers have been interested in how much the introduction of the law contributed to the narrowing gender wage gap during this period.

There are several studies analyzing the causes of the gender wage convergence. [Kawaguchi \(2005\)](#) applies the Juhn, Murphy and Pierce decomposition method and the Oaxaca decomposition method to the BSWS 1990 and 2000 and concludes that the most significant factor of the convergence was female tenure expansion. [Abe \(2010\)](#) performs a cohort-based analysis using aggregate data from the BSWS and the Employment Social Surveys (ESS) 1975–2005 to argue that the change in the educational composition of the female workforce was the main factor of the gender wage convergence.

According to this literature, the improvement in female characteristics, such as higher education achievement or longer experience in the labor market, seems to have caused the gender wage convergence. However, the existing studies do not deliver a definitive conclusion because they neglect the effect of the sample selection. The studies based on the BSWS typically restrict their analysis to

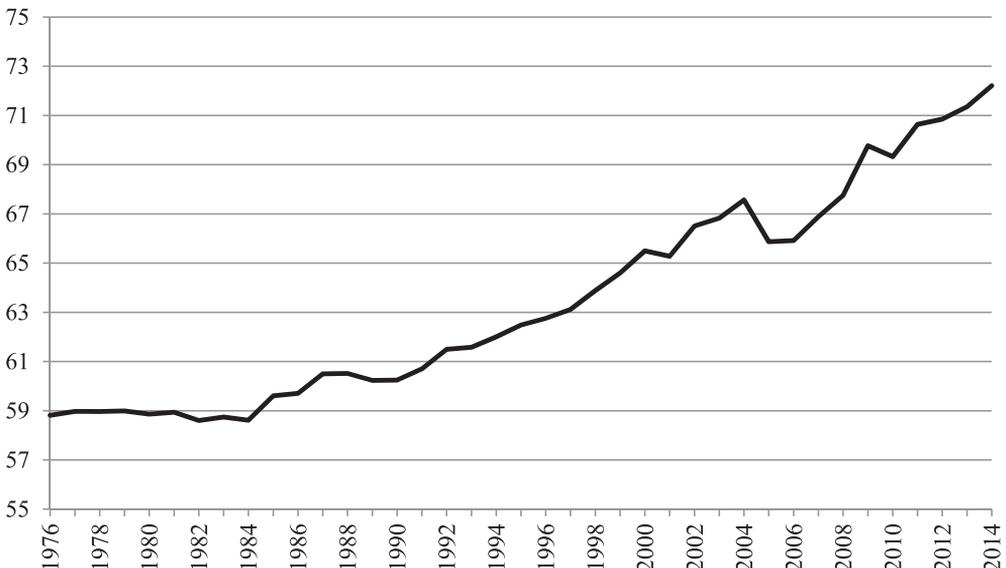


Fig. 1. Ratios of the female monthly wage to the male monthly wage for full-time workers.

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