



What Accounts For the Rise in Wage Inequality in Italy?

Evidence from Administrative Matched Employer-Employee Data, 1985-1996*

by

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Abstract

Using administrative data (source: INPS), this paper provides new empirical evidence on the changes in the wage distribution that occurred in Italy over a relatively long time period (1985-1996). Various statistical indicators are used to document a slight, but not negligible, increase in wage inequality. Standard decompositions of inequality indices by population subgroups shed light on the underlying causes of the observed distributional changes. Following Junh *et al.* (1993), econometric-type decompositions are also employed to disentangle the effects of observable quantities, prices and unobservable factors on inequality trends. The changing prices of observable characteristics are found to play a major role in accounting for the observed inequality increase.

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