

Accepted Manuscript

Title: Effects of Wages and Job Productivity on Job Creation and Destruction in Japan: Evidence from Division-Level Employment Data

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PII: S1049-0078(17)30274-9
DOI: <https://doi.org/10.1016/j.asieco.2018.07.001>
Reference: ASIECO 1096

To appear in: *ASIECO*

Received date: 9-12-2017
Revised date: 14-6-2018
Accepted date: 8-7-2018



Please cite this article as: Yang L, Effects of Wages and Job Productivity on Job Creation and Destruction in Japan: Evidence from Division-Level Employment Data, *Journal of Asian Economics* (2018), <https://doi.org/10.1016/j.asieco.2018.07.001>

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Effects of Wages and Job Productivity on Job Creation and Destruction:
Evidence from Japanese division-level employment data¹

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Abstract

This study employs a large-scale dataset to examine major theoretical factors affecting job creation and job destruction in Japan. The new measurement first provides information for both job creation and job destruction pertaining to individual Japanese firms, enabling empirical work at the firm level, which was impossible in previous studies. Different from a comparative study conducted with German data, our study results indicate that wages and job productivity significantly affect job creation and destruction in Japan: that is, an increase in wages significantly decreases firms' job creation and increases their job destruction, whereas an increase in productivity significantly increases firms' job creation and reduces job destruction. Moreover, although a larger number of *seishain* workers, i.e., workers who are granted lifetime employment rights in Japan, helps decrease job destruction, they also decrease job creation, and the negative effect on job creation outweighs the positive effect on job destruction.

Keywords: job creation, job destruction, wages, job productivity, hiring cost

JEL classification: J20, J23, J30

¹ The author would like to thank two referees, Makoto Yano, Masayuki Morikawa, Hiroaki Mori, Ayako Kondo, Atsushi Nakajima, Hiroshi Ikari, Yoko Konishi, Hongyong Zhang, Keisuke Kondo, Mitsuhide Hoshino, Suguru Tamura, and the participants at the 2017 Autumn Meeting of the Japanese Economic Association for their valuable comments and suggestions. This study is based on a result of "RIETI Data Management" project undertaken at the Research Institute of Economy, Trade and Industry (DP17-E-060). The study utilizes the micro data of "the Basic Survey of Japanese Business Structure and Activities," which was conducted by the Ministry of Economy, Trade and Industry.

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