

The disability employment policy evaluation for the quota-levy system in Japan^{*}

—Evidence from natural experiment on stock prices—

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Preliminary

Comment Welcome

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Abstract

The disability employment policies in Japan form the quota-levy system, which aims to equalize the cost accompanied by the disability employment in each firm. This paper attempts to test the ramifications of the information disclosure of each firm's rate of disability employment by using such natural experiment in Tokyo and Osaka in 2003.

Concretely, we verified, after the information had been disclosed, the difference of the stock-price change the two groups: the firms employing the disabled at lower rate than the legal requirement and those satisfying the standard by the Instrumental Variable (IV) estimation. At that time, we also find the efficient market hypothesis holds to the information disclosure. In addition to this, we estimated the cross-sectional relationship between the proportion of employed disabled and the profit for each firm in 2000 when the information had collected.

The estimation results are summarized as follows. First, there is no significant difference between the above two groups of firms in terms of the disability employment in the excess return of long-term stock prices after the information disclosure. Second, among the small and medium-sized manufacturing firms, a significant negative difference between those two groups of the firms exists in the excess return of short-term stock prices after the disclosure. Third, among the large-scale non-manufacturing firms in Tokyo, there is significant positive difference between the two groups of the firms in the excess return of short-term stock prices after the event. Fourth, those results are consistent with the cross-sectional relationship between the proportion of the employment disabled and the profit of for each firm.

From these estimation results, it is possible to insist on the following three. First, we cannot reject the possible inefficiency caused by the penalty of the Japanese disability employment policies, the disclosure of the firms' names. Second, among small and medium-sized and manufacturing firms, the numbers of disabled employees required by the law exceed their optimal levels. Third, the cost of employing the disabled is neither equalized among manufacturing nor non-manufacturing firms. We thus need more inclusive policy assessment of the disability employment policies, especially of its cost side.

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