

**The Impact of Pay Cuts for Public Officials on Misconduct:  
An Empirical Analysis Focusing on the Differences between Shirking and Corruption**

Mitsunari Ishida and Hidemasa Yoneoka

Abstract

There are numerous empirical papers on corruption to date, but corruption is only a small part of the misconduct of public officials. According to the efficiency wage hypothesis, salaries should affect not only corruption but also shirking. Therefore, this paper focuses on the event that the Japanese Government requested local governments to reduce the salaries of local civil servants in 2013 in order to raise funds for reconstruction following the Great East Japan Earthquake in 2011, and estimates the impact of salary reductions on shirking and corruption by using PSM-DID respectively. Our results support the efficiency wage hypothesis, showing a significant increase in both shirking and corruption in municipal governments that implemented the pay cut compared to those that did not.