

## **The Effect of mergers on employment and wages: Evidence from Japan**

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### **Abstract**

This study investigates the impact of merger on employment and employees' wage in Japan, based on 111 mergers between listed firms in Tokyo Stock Exchange, observed between 1990 and 2003. On average, the number of employees by 3.338% decrease three years after the merger even after we control changes in sales. In addition, an analysis was conducted after classifying mergers into related and unrelated mergers, group and non-group mergers, and relief and non-relief mergers. The firms that experience related, non-group and rescue merger are more likely to reduce their workforce. Secondly, wages increase by 437,851 yen per employee per year after merger after controlling employees' age and sales growth. Firms in related merger, non-group and non-rescue merger are more likely to increase their wages. These relations persist even if we control variables such as sales and employees' age. These results show that main motivation behind merger is not to expropriate employees of their wealth.

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