

# The Effects of Implicit Contracts on Wages and Hours in Japan

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## Abstract

This paper empirically analyzes that Japanese male wages and hours of “regular” workers whose contract lasts long time are determined consistently with implicit contract theory by Beaudry and DiNardo (1995) using Keio Household Panel Survey (KHPS). Empirical results show that changes in wages of Japanese male regular workers affect changes in work hours negatively. These results imply that income of regular workers are protected by implicit contracts.

**Keywords:** Implicit contract theory, Panel GMM

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