

## **Abstract**

This study examines the effect of employment quota systems for disabled people on their employment. By using official data pertaining to Japan, we show that a levy-grant scheme increases the employment of disabled workers in Japan's manufacturing industry. In addition, we use the increase in the number of disabled workers by the quota system as an instrumental variable (IV) to evaluate the impact of disability employment on a firm's profit rate. In a fuzzy regression discontinuity design (RDD), our results suggest that an increase in the number of disabled workers does not necessarily decrease firms' profit rate, which is in contrast to the results of ordinary least squares (OLS) regression that suggest negative relationships between a firm's profit rate and the number of disabled workers.