

Labor Market Deregulation and Female Employment: Evidence from a Natural Experiment in Japan*

Takao Kato and Naomi Kodama**
IZA Discussion Paper (forthcoming)

January 20, 2014

Abstract

This paper provides novel evidence on the causal effect on female employment of labor market deregulation by using the 1985 amendments to the Labor Standards Law in Japan as a natural experiment. The original Labor Standards Law of 1947 prohibited women from working overtime that exceeds two hours a day; six hours a week; and 150 hours a year. The 1985 amendments exempted a variety of occupations and industries from such restriction on overtime work for women. We first define “jobs” using an industry by occupation matrix. For each of close to 5,000 “jobs”, we carefully identify whether or not it was exempted from the overtime restriction on women by the 1985 amendments. Applying a difference-in-difference model to census data, we find a statistically significant and economically meaningful impact on female employment of this particular piece of labor market deregulation--removing the overtime restriction on women. Furthermore the 1985 treatment is found to have a lasting and growing impact on female employment. Our finding is consistent with the recent literature that tends to point to the importance of paying particular attention to the issues surrounding working hours when policymakers design public policy to promote female employment.

JEL codes: J16, J78, J81, J82, J88

Key words: female employment, labor market deregulation, natural experiment, overtime restriction on women, Labor Standards Law.

*acknowledgements (forthcoming)

**Kato is W.S. Schupf Professor of Economics and Far Eastern Studies, Colgate University; Research Fellow, IZA Bonn; and Research Associate, Center on Japanese Economy and Business (Columbia Business School), Tokyo Center for Economic Research (University of Tokyo), and Center for Corporate Performance (Aarhus School of Business). Email; tkato@colgate.edu. Naomi Kodama is Associate Professor, Institute of Economic Research, Hitotsubashi University and Consulting Fellow of Research Institute of Economy, Trade and Industry. Email: kodaman@ier.hit-u.ac.jp.