

Wages, Job Productivity, and Job Creation and Destruction: Evidence from Japanese division-level employment data¹

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Abstract

This study examined basic theoretical factors affecting the determination of job creation and job destruction in Japan based on a new measurement of data. The key point of this new measurement is that it provides both job creation and job destruction information for individual firms, enabling related empirical work at the firm level, which was impossible in previous studies. Furthermore, the new measurement includes not only job reallocations between firms but also job reallocations between divisions within each firm. The results indicate that a higher wage level, which reduces the returns from a job, significantly decreases firms' job creation and increases their job destruction. In addition, job productivity, which is the average output level of jobs in a firm, could significantly affect job creation and destruction. Moreover, it is indicated that when there is an increase in wage, firms cut more existing jobs than reducing new created jobs; whereas when there is a decrease in productivity, firms reduce more new created jobs than cutting existing jobs. Finally, the results showed that, *ceteris paribus*, firms with more *seishain* workers, which is a group of workers with high hiring costs in terms of recruitment and selection, create fewer jobs. Even though more *seishain* workers, who are protected by firing regulations, lead to fewer job destruction, their negative effects on job creation are much larger than saving of job destruction.

Keywords: Job creation, Job destruction, Wage, Job Productivity, Hiring cost

JEL classification: J20, J23, J30

¹ This study is conducted as a part of the "RIETI Data Management" project undertaken at the Research Institute of Economy, Trade and Industry (RIETI). This study utilizes the micro data of the questionnaire information based on the "Basic Survey of Japanese Business Structure and Activities" which is conducted by the Ministry of Economy, Trade and Industry (METI).