

The Decline of Japanese Labor Share

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Abstract

This paper examines that why labor share is falling recently, using Basic Survey of Japanese Business Structure and Activities, which has a wealth of information on a sample of Japanese firms including detailed outsourcing information.

The decomposition results demonstrate that not all the firms uniformly decrease their labor share: firms with relatively smaller labor share grow their value-added share and/or growing firms are decreasing their labor share as in Autor et al. (2017) and Böckerman and Maliranta (2012).

Estimation results shows supportive evidence of “superstar” firms model in Japan as Autor et al. (2017). The change in import intensity is not negatively correlated with the change in labor share, and imply that outward FDI and import are not important factor to explain why labor share is decreasing.

Keywords: Labor share, Foreign direct investment, Outsourcing

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