

The Effects of the Japanese disability employment policy on shareholder wealth



By

Akira Nagae

Fellow, READ

Assistant Professor, Waseda University

Motivation & What this paper does ?



❧ Is the Japanese disability employment system (Quota-levy system) effective ?

❧ Empirically analyzes stock price reaction for the information disclosure regarding each firm's rate of disability employment in 2003

Structure of Presentation (1)



Background

Japanese disability employment policy

Overview of the Japanese quota-levy system

System objectives, Penalty

The problem of the Japanese quota-levy system

Inefficiency of the system

Structure of Presentation (2)



Analysis

Purpose & Method

Event Study method

Results & Interpretations

Firm characteristics and Environment matter

Conclusions

Japanese disability employment policy

Act on Employment Promotion etc. of Persons with Disabilities

❧ *It was enacted in 1977*

❧ *Quota-Levy System*

❧ *Main Objectives*

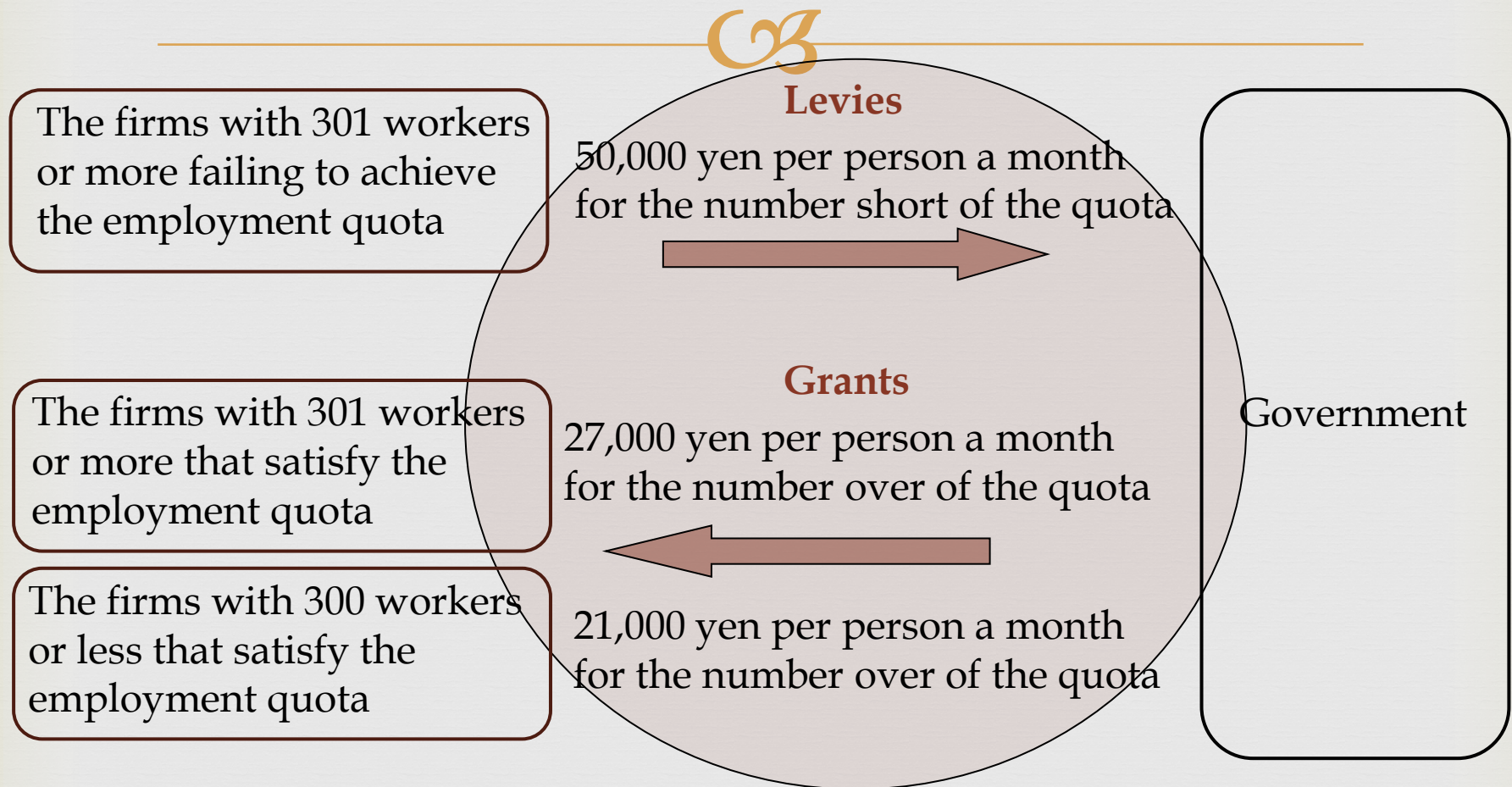
1) *Promoting the employment of the disabled*

2) *Equalizing the burden of firms as a result of
employing disabled persons*

❧ *Penalty*

Public announcement of the company's name

The Japanese quota-levy system



Is the system effective ?



- ❧ *Does this system equalize the burden of firms as a result of employing disabled persons ?*
- ❧ The optimal number of disabled employees is heterogeneous for each firm
- ❧ The employment quota rate (1.8%) , the amount of the levies and the grants are set uniformly
- ❧ The amount of levies and grants are low

Is the system effective ?



❧ Is the system penalty effective ?

- ❧ There is little enforcement of penal regulations measures from 1977
- ❧ The percentage of unemployed disabled persons with the ability to work is extremely high
- ❧ Many firms refrain from employing disabled persons

Change in the ratio of companies that didn't achieve the legal employment rate



Natural Experiment



- ❧ The disability employment situation of individual companies in Tokyo and Osaka was accidentally publicly disclosed in 2003
- ❧ Until 2003, only aggregated macro data regarding disability employment was available

Purpose & Method



- ❧ To analyze the effectiveness of the penalty
- ❧ To analyze the investor evaluation for the Japanese disability employment system
- ❧ We divided samples into two groups: one group comprised firms that employ fewer disabled employees than legally required and the other of firms that satisfy the standards set
- ❧ Verify the difference between the stock price changes observed in two groups after information disclosure

Characteristics of the disclosed companies



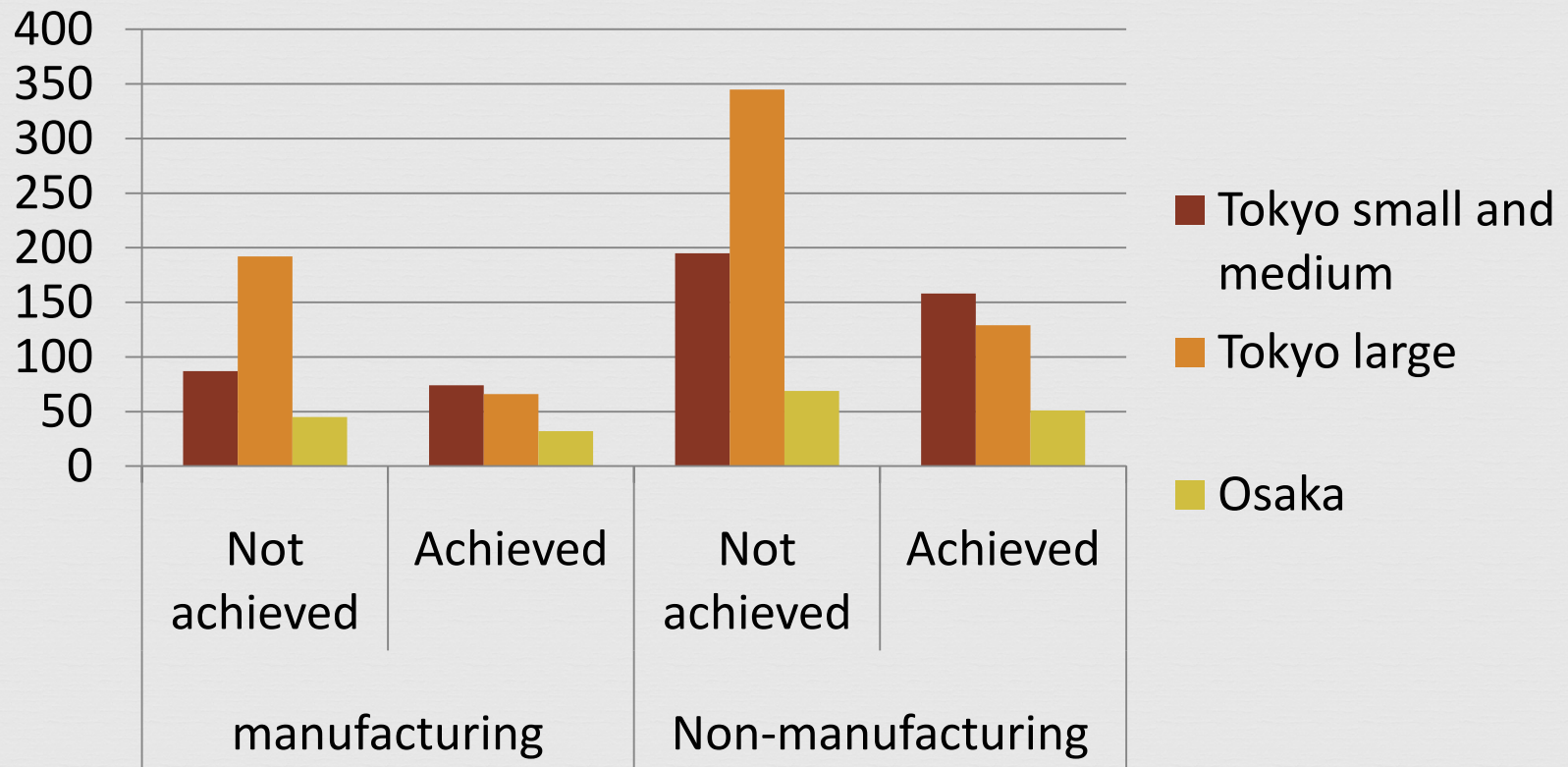
❧ *Osaka*

- ❧ 1,000 or more employees, regardless of the achievement of the legal disability employment rate

❧ *Tokyo*

- ❧ the names of companies that had not achieved the legal disability employment rate
- ❧ Since the names of only large firms were released to the public in Osaka, the samples in Tokyo are divided into those for firms with less than 999 employees and those for the big firms (with 1,000 or more employees)

The Industry distribution of the sample



Results



	Tokyo small and medium	Tokyo large	Osaka
manufacturing	−0.2081***	−0.3261***	−0.0628*
non-manufacturing	−0.0253*	0.0343*	−0.0416

The Attribute of the firms that influences disability employment (manufacturing)



	Tokyo small and medium	Tokyo large	Osaka
Full-time employees	−0.2140***	−0.1048**	0.3805**
Average yearly income	0.4629	−0.6269***	1.4517
Average employee age	0.8735	0.2704	0.1172
Age of the firm	−0.1465	0.0260	0.8365**

The Attribute of the firms that influences disability employment (non-manufacturing)



	Tokyo small and medium	Tokyo large	Osaka
Full-time employees	−0.1913***	0.0214	−0.1594
Average yearly income	−0.0249	−0.0472	0.6737
Average employee age	0.9158*	0.3525	−0.2649
Age of the firm	−0.2025**	0.3525	0.0365

Interpretations



- ❧ The penalty imposed by the Japanese disability employment policies might not be effective in promoting disability employment
- ❧ There has been no cost equalization in manufacturing and non-manufacturing firms for employing the disabled
- ❧ Among small, medium-sized firms and manufacturing firms, the proportion of disabled employees required by law may exceed their optimal levels

Conclusions



- ❧ There is a pressing need for an overall policy assessment of the quota-levy system
- ❧ We need to specify the economic costs of disability employment for the firm